With a pioneering and competitive approach in different areas of textiles

Leading Organization

2018 ANNUAL REPORT

YÜNSA

SAFE AND FOCUSED

Yünsa is one of the largest integrated woolen fabrics manufacturer in Europe and one of the five largest top-segment woolen fabric manufacturers in the world, It was founded in 1973 and go to the public in 1990.

In 1973, Yünsa started to produce wool woven fabrics for men's wear. In 1998, the company added women's clothing to its portfolio. Yünsa, which produces and uses its own yarn, has the capacity of weaving 12.5 million meters of fabric, as well as 4.500 tons of worsted yarn per year. Most of the woven fabrics are made of 100% woolen fabrics as well as cashmere, silk, lycra, polyester, viscose blended woolen fabrics. Its fabrics are water-repellent, UV-protected, self-cleaning and natural stretching.

CONTENTS

AGENDA OF THE 2018 GENERAL ASSEMBLY ON MARCH 28, 2019

1. Opening and establishment of the Chairmanship of the Meeting
2. Reading and negotiation of the Board of Directors' Annual Report for 2018
3. Reading the Auditor's Reports for 2018
4. Reading, negotiation and approval of the financial statements for 2018
5. Release of the members of the Board of Directors for their activities in 2018
6. Determination of the use of the 2018 profit, the rates of profit and profit shares to be distributed
7. Auditor election
8. Informing the General Assembly about the donations and aids made in 2018
9. Determination of the limit of donations to be made by the Company in 2019
10. Authorization of the Chairman and Members of the Board of Directors to perform the transactions stated in Articles 395 and 396 of the Turkish Commercial Code.

YÜNSA IN THE WORLD

YÜNSA IS THE BIGGEST WOOLEN FABRIC MANUFACTURER IN TURKEY AND EUROPE. IT HAS AGENCIES AND REPRESENTATIVES IN MORE THAN 20 COUNTRIES.

FOREIGN SUBSIDIARIES

Yünsa Germany,
Yünsa America,
Yünsa England and
Yünsa Italy

AGENCIES

America, Austria, Czech Republic, Denmark, Finland, France, South Africa, India, Netherlands, Spain, Sweden, Italy, Israel, Japan, Canada, Korea, Norway, Russia, Serbia, Slovakia and Tunisia

PRODUCTION FACILITY

Çerkezköy - Turkey

NUMBER OF AVERAGE PERSONNEL

1,091

PERSONS

THE NUMBER OF CUSTOMERS

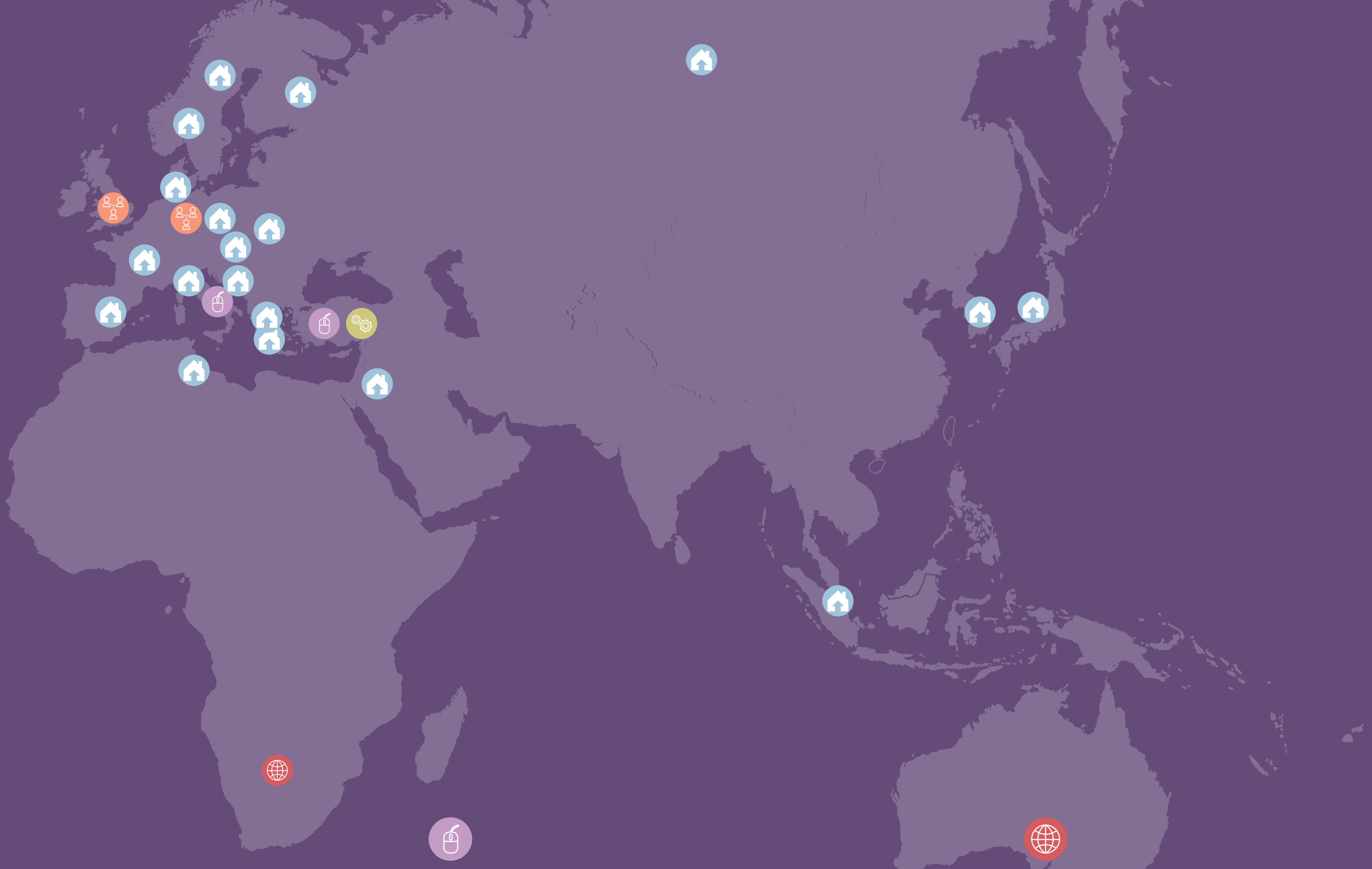
400

CLIENTS

NUMBER OF EXPORTING COUNTRIES

50

COUNTRIES



DESIGN OFFICES

Biella in Italy
and
Cerkezkoy-Turkey

EXPORT COUNTRIES

Germany, Australia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Czech Republic, Denmark, Indonesia, Estonia, Morocco, Finland, France, South Korea, Croatia, India, Netherlands, Hong Kong, United Kingdom, Iran, Ireland, Spain, Israel, Sweden, Switzerland, Italy, Japan, Canada, Lithuania, Lebanon, Hungary, Macau, Malta, Mexico, Egypt, Moldova, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Sri Lanka, Thailand, Tunisia, Ukraine, Jordan, Vietnam, Greece

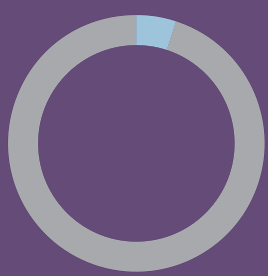
LEADER OF THE WOOLEN FABRIC SECTOR

70%

5%

WOOL FABRICS EXPORT SHARES IN TURKEY

SHARE IN THE WORLD WOOL FABRIC MARKET



MESSAGE FROM THE CHAIRMAN

YÜNSA STRENGTHENS ITS PRESENCE IN THE INTERNATIONAL ARENA WITH ITS INNOVATIVE DESIGNS.

VALUABLE STAKEHOLDERS;

Having started its journey as a woolen fabric manufacturer 45 years ago, Yünsa is continuing its journey as a manufacturer that directs fashion in women's and men's clothing not only in Turkey but also in the world.

Yünsa, which is one of the five biggest top segment woolen fabric manufacturers in the world with its production capacity, offers its products to more than 400 customers in more than 50 countries. Yünsa accounts for 70% of the woolen woven fabrics export in Turkey while it meets for about 5% of the world's woolen fabric market.

Yünsa continues to strengthen its export leader position by increasing its export revenue by 25% in 2018. In addition to achieving its commercial goals, it continues to grow steadily and is moving rapidly towards becoming the world leader. Planning all its activities in line with this vision, Yünsa will continue to provide innovative and distinctive services in 2019 with its management, which determines growth, exports, technology and leadership as priorities.

By combining digital technologies with its experience and business model, Yünsa has a strong position in the international market with its innovative products. Yünsa, which determines the creations of the sector by considering the changing consumer preferences and always determines the creations by considering the end user, creates high value-added and innovative products.

For Yünsa, which focuses on the fabric design and production of the future and brings the requirements of the age and technology to the sector, R & D investments are crucial for fabric production with innovative technologies. Yünsa has developed nearly 300 new products in 2018 with this accumulation.

YÜNSA INCREASED EXPORT REVENUES BY 25%.

25%

INCREASE

We know that the financial success we achieved in 2018 was earned with the support of our employees and our valuable stakeholders. Success of Yünsa added value to our country. I wish to add new ones to our successes in the future and I would like to thank you on behalf of all Yünsa family for your valuable contributions.

Yours truly

Tamer SAKA
Chairman of the Board

BOARD OF DIRECTORS

Tamer SAKA
Chairman of the Board

Gökhan EYİGÜN
Deputy Chairman of the Board

Vecih YILMAZ
Board Member

Fabio FOSCHI
Board Member

Mehmet Tanju ULA
Board Member

Hüsnü Ertuğrul ERGÖZ
Board Member

Tamer SAKA
Chairman of the Board - (Executive)
(06 April 2018 - April 2021)

Tamer Saka completed his undergraduate, graduate and doctorate education in the Faculty of Business Administration at Istanbul University. Tamer Saka, Director and Senior Manager of Risk Management Consultancy services at Arthur Andersen and Ernst Young, respectively. In 2004, he joined Sabancı Holding as Risk Management Director. From 2010 to 2011, he served as Managing Director responsible for business development at Willis London and about 20 countries, including Turkey. As of December 2011, Tamer Saka was appointed as the Strategy and Business Development Coordinator of Kibar Holding. In May 2012, he was appointed as the President of the Automotive and Corporate Functions Group and a Board Member at Kibar Holding. Since 2014, Tamer Saka has been serving as CEO of Kibar Holding. He was appointed as the President of Sabancı Holding Cement Group on 02 April 2018.

Duties Carried Out of the Company:

H.Ö. Sabancı Holding A.Ş. Head of Cement Group

Gökhan EYİGÜN
Vice Chairman of the Board of Directors (Executive)
(06 April 2018 - April 2021)

In his nearly 20-year career, Gökhan Eyigün has held managerial positions in projects and transactions covering a wide range of industries, particularly in the areas of corporate finance, strategy and corporate business development. He started his career at Arthur Andersen and worked mainly as a corporate finance consultant. Subsequently, he was responsible for the establishment of Corporate Finance and M & A Consultancy at PricewaterhouseCoopers. Gökhan Eyigün, who has served as a manager in various positions in Sabancı Holding since 2007, has been working as the Secretary General of Sabancı Holding since July 1, 2018. Gökhan Eyigün graduated with a degree in Management Engineering from Istanbul Technical University in 1998. He completed his MBA at Rotterdam School of Management (2002-2004) and attended various executive training programs at Harvard Business School.

Duties Carried Out of the Company:

H.Ö. Sabancı Holding A.Ş. Secretary General, Çimsa Çimento Sanayi ve Ticaret A.Ş. Board Member

Vecih YILMAZ
Member of the Board of Directors (Non-executive)
(06 April 2018 - April 2021)

Vecih Yılmaz is a graduate of Middle East Technical University, Department of Business Administration and has a minor degree in Political Science and Public Administration from Middle East Technical University. He has completed his graduate studies at Galatasaray University and received a master's degree in Financial Economics. He started his professional career as an auditor at Deloitte in 2005, and has worked at Sabancı Holding on financial reporting, reporting and investor relations. Between 2013 and 2015, he worked as financial control and risk manager at Sabancı Group companies Enerjisa. He joined Kibar Group in 2015 and served as CFO at Assan Panel and as CFO at Kibar Holding. In 2017, he was appointed as Finance Director at Sabancı Holding. In addition, he is a Board Member at Kordsa and Yünsa. Vecih Yılmaz, independent accountant and financial advisor In addition to his title of independent accountant and financial advisor , he has the licenses of Capital Market Activities Advanced Level, Independent Audit, Corporate Governance Rating and Credit Rating licenses.

Duties Carried Out of the Company:

H.Ö. Sabancı Holding A.Ş. Planning, Reporting and Finance Director, Kordsa Teknik Tekstil A.Ş. board member

Fabio FOSCHI
Member of the Board of Directors (Non-Executive)
(06 April 2018 - April 2021)

Fabio Foschi completed his master's degree in Chemical Engineering at Politecnico di Milano University in 1980. Starting his professional career at Grace, a German-based chemical company, he played various roles. He was recently Sales Marketing Director, EMEA. After his international experience, he returned to Italy in 1998 and served in senior positions in public and family companies. FIAMM (Automotive Parts, Director), Montefibre (Chemical fibers, Director), Miroglio (Textile and Fashion, General Manager), Fratelli Piancenza SpA (Textile, Fashion and Retail, Managing director and CEO). Since 2012, he has been working as a managing partner in the consultancy firm he co-founded in 2003. Over the years, he served as a member of the Board of Directors of many companies. In 2011-2015, he took part in the Board of Directors of "Biella Master of Noble Fibers 2011. He has been teaching "Managing Fashion Companies" at IED-Fashion University in Milan since 2012-2013 academic year.

Mehmet Tanju ULA
Member of the Board of Directors (Independent)
(06 April 2018 - April 2021)

After completing his high school education at Kadikoy Maarif College, Mehmet Tanju Ula entered the Mechanical Engineering Department of METU in 1965. He graduated with B.Sc in 1969 and MSc in 1971. He worked at ATAŞ Refinery from 1971 to 1974 and as engineer at TPAO General Directorate between 1975-1976.He started working as a planning engineer in LASSA A.Ş on June 1, 1976. He then became the Material Planning Control and Production Planning Director. In 1985, he was appointed as the Supply Director to Kordsa. He became the Deputy General Manager in 2004. In 1996, he became the General Manager of DUSA A.Ş in 1999, SAKOSA A.Ş. in 1999 and BEKSA General Manager in 2004. In 2005, Tanju Ula returned to KORDSA A.Ş as General Manager and worked until April 2009 when he retired from his position as Deputy General Manager and First Region General Manager of KORDSA GLOBAL A.Ş. After his retirement, he worked as the General Secretary of Sabancı Museum for 1.5 years. He is still an Independent Member of the Committee of Directors Committee (BOD) of PT Indo Kordsa TBK Indonesia.

Duties Carried Out of the Company:

Brisa Bridgestone Independent Board Member, Sabancı Lastik San ve Tic A.Ş.

Pt Indo Kordsa Tbk, Jakarta, Indonesia, Committee of Directors-Independent Member

Hüsnü Ertuğrul ERGÖZ
Board Member (Independent) (06 April 2018 - April 2018)

Hüsnü Ertuğrul Ergöz graduated from Robert College Department of Chemistry in 1963. Mr. Ergöz received his Master's degree from METU in 1965 and his Ph.D. from Florida State University in 1970. He taught at METU, Chemistry Department in 1972-1976. He began his professional career as Technical Studies and Projects Specialist at Kordsa and later assumed various roles within Sabancı Holding and Group companies such as Brisa. He retired from the General Secretariat of Sabancı Holding in 2003. After his retirement, Ergöz has been a member of the Board of Directors of Pressan A.Ş. and has been working on institutionalization of family companies.

MISSION

To be a leading company in different areas of textile, with a pioneering and competitive approach and creating value.

VISION

Growing by making a difference in textile products and services and becoming a global power.

MESSAGE OF CEO

WE COMPLETED 2018
ABOVE OUR TURNOVER AND
PROFITABILITY TARGETS.
DESPITE ALL THE
DIFFICULTIES IN 2018,
WE SUCCEEDED IN INCREASING
OUR NET SALES REVENUES
AND PROFITABILITY.

VALUABLE STAKEHOLDERS;

The fluctuations in the year 2018, which is a challenging year, affected the economy as well as the whole country. As an export-oriented company, we have completed 2018 above our turnover and profitability targets thanks to our ability to successfully undertake the bridging task between raw materials and products. In spite of all difficulties, we have succeeded in increasing our net sales revenues and profitability in 2018.

Our successes continue to grow exponentially every year. Focusing on financial objectives and operational excellence, we achieve successful business results with efficiency-oriented production. When we look at our financial results, as of the end of 2018, we increased our net profit by 2 times compared to the same period of the previous year and reached 28,09 Million TL. Thus, we increased our total turnover from TL 296.87 million to TL 367.79 million with a 24% performance increase. 68 percent of our turnover was realized through exports.

As Yünsa, in the last five years, we exported products worth TL 942 million in international markets. In the TIM (Turkish Exporters Association) 2017 survey, we were among the Top 1000 Exporters. In 2018, we increased our export revenue which is 249 million TL in total by 25% compared to the previous year. Thus, we made an important contribution to the economic growth and industrial accumulation of our country. Today we export to more than fifty countries and offer our products to more than 400 customers. In Turkey, 70% of our sector exports are made by ourselves. About two-thirds of our annual production is exports and we cover about 5% of the world's total woolen fabric market.

In the research published by the international brand assessment organization Brand Finance and the brands operating in many sectors in Turkey, we increased our brand strength from "BBB" to "A". Thus, we have managed to become one of the most valuable brands in Turkey in the textile sector.

Today we have 4.500 tons of worsted yarn capacity and 12.5 million meters of fabric weaving capacity. We produce woven fabrics with more than 1,000 employees. We have a sustainable business model that is sensitive to the environment we live in. We see sustainability as one of our basic principles and apply it in all business processes. We invested approximately 38 million TL in the last 7 years to R & D which is at the center of all our processes. In 2018, we have developed nearly 300 new products.

WE WILL CONTINUE TO OFFER COLLECTIONS FOR CUSTOMER EXPECTATIONS WITH OUR POSITION AS TURKEY'S AND EUROPE'S LARGEST INTEGRATED WOOLEN FABRIC MANUFACTURER.

With our position as Turkey's and Europe's largest integrated woolen fabric manufacturer under one roof, we will continue to offer collections for intercontinental fashion trends and customer expectations with our solution-oriented approach, high value-added, fast and innovative products. As the biggest player of Turkey's woolen woven fabric export, we aim to add value to both our country and all our stakeholders.

I would like to express my sincere thanks to all of our business partners who continue to walk with our shareholders and our support to our company, our valuable colleagues, who are the main source of our success, and we hope that our successes will increase exponentially.

Yours truly,

Nuri Düzgören
General manager

IN THE LAST 5 YEARS, WE EXPORTED 942 Million TL WORTH OF PRODUCTS IN INTERNATIONAL MARKETS.

942

MILLION TL

SENIOR MANAGEMENT STAFF

Nuri DÜZGÖREN
General Manager

Semih UTKU
Chief Financial Officer

Bora BİRGİN
Director - Marketing and Sales

Hakan KONUŞKAN
Director - Supply Chain

Engin SARIBÜYÜK
Director - Operation

Nuri DÜZGÖREN
General Manager
He was born in 1959 and graduated from METU Faculty of Administrative Sciences, Department of Chemical Engineering. He has completed his MBA at Sabancı University. He has been working for our company since May 1, 2017 and he has been the General Manager of our company.

Semih UTKU
Chief Financial Officer
He was born in 1962 and graduated from Baltimore University, Department of Business-Finance. He has been working in our company since June 1, 1999. Since January 1, 2000, he has been the Director.

Bora BİRGİN
Director - Marketing and Sales
Born in 1973, graduated from Nottingham University Industrial Economics. He completed his postgraduate education at Manchester University (UMIST) Textile Department. He has been working for our company since 19 March 1998. Since July 12, 2010, he has been the Director.

Hakan KONUŞKAN
Director - Supply Chain
Born in 1968, he graduated from Industrial Engineering of Boğaziçi University. He has been working for our company since November 1, 1993. He has been the director since 15 September 2017.

Engin SARIBÜYÜK
Director - Operation
Born in 1981 and graduated from Ege University, Department of Textile Engineering. In 2011, he completed the Executive MBA program at Sabancı University. He has been working in our company since 27 December 2005 and he has been appointed as Operations Director since 15 September 2017.

MILESTONES

1973
Establishment of Çerkezköy factory

1976
Starting production

1980
Manufacture of woolen fabrics and carpets

1989
Opening of Çerkezköy design office

1990
Public Listing of Yünsa

1997
Using computer for the first time in design

1998
Female fabric production. Obtaining ISO 9001 Quality Management System Certificate

2002
Establishing of the Italian / Biella design office

2003
Start of upholstery fabric production

2004
Obtaining ISO 14001 Environmental Management System Certificate

2005
Start production of uniform fabric

2006
Obtaining an Eco-Tex® 100 Certificate

2007
Opening of Yünsa UK office

2008
Opening of Yünsa America office

2009
Opening of Yünsa Germany office, taking M&S Fabric Test Accreditation, entering Turquality® Program

2010
Opening of Yünsa R&D Center. The first and only CDP Turkey Climate Change reporting in textiles

2011
Acquisition of Hugo Boss Accreditation

2012
Beginning of Total Efficient Management (TPM) Studies, R&D Center Award

2013
Obtaining ISO 50001 Energy Management System Certificate

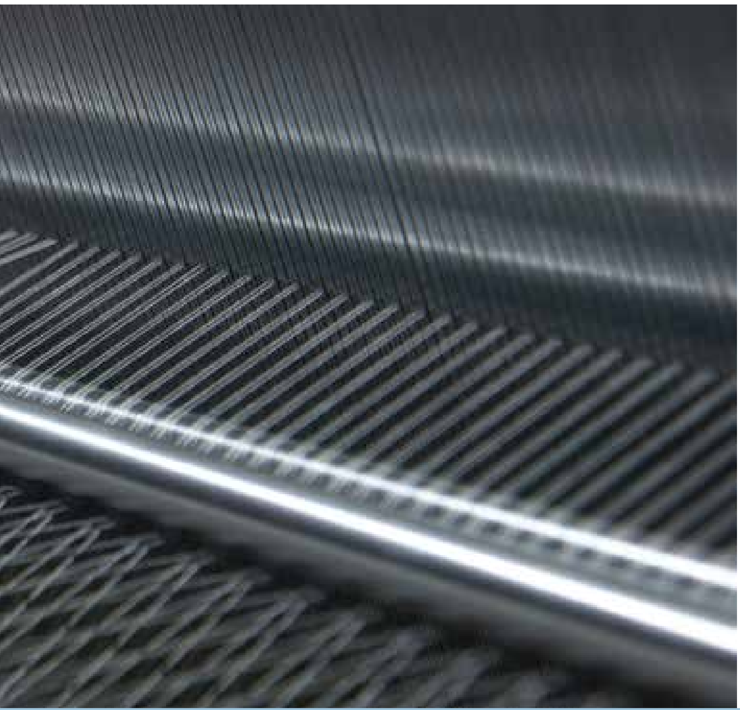
2014
General Directorate of Productivity First Prize

2015
CDP Turkey Climate Change Report Sector First

2016
Acquisition of OHSAS 18001 Certificate, Obtaining ISO 27001 Information Management System Certificate

2017
Sector Leadership in CDP Turkey Water Program

2018
Receiving RWS (Responsible Wool Standard) Certificate, ZDHC (Zero Discharge of Hazardous Chemicals) and Bve3 Programs, Introduction to Higg REM system, Publication of the Yünsa Sustainability Report



PRODUCT GROUPS

CLOTHING FABRICS

Yünsa Men

Yünsa is the trend creator as the leader of woolen and worsted fabric production in men's clothing. Uses the knowledge and experience acquired by taking into consideration the intercontinental difference, as an investment in the field of product diversity. It prepares two season collections a year by closely following important fashion trends in America and Europe for all its customers.

Yünsa Women

Since 1999, Yünsa has been one of the leading manufacturers in the field of women's clothing, combining its technical know-how with creativity and innovation. Yünsa's talented and experienced team creates an elegant and exclusive style and brings together high quality designs with world brands. For Yünsa which has the pride of offering a wide range of innovative ideas, fashion designs and colors, creativity never ceases to slow.

Yünsa Premium

Yünsa Premium collection, which was prepared in 2015 and prepared in parallel with its sustainable profitable growth strategy to serve A / A + customers, consists of high quality Yünsa fabrics.

Yunsa Lab

Consumer preferences, which do not want to give up their elegance and comfort, determine the trends of fashion today. Comfort is the first choice, the style is observed in remarkable changes. Yünsa creates the Lab collection according to these trends, and takes its place in the showcases of giant brands with its ambitious designs.

Uniform Fabrics

Yünsa is experienced, strong and assertive in uniform fabric production. Yünsa prepares custom-made collections with value-added fabrics in every geography where it serves, to provide the best to its customers.

Upholstery Fabrics

In 2003, Yünsa puts up the upholstery fabrics presented in different color patterns with customer demands and continues its success in this field. Yünsa Upholstery fabrics are mainly used in home textile products such as armchairs, curtains, office furniture, hospitals, hotels, movie theaters, airports, restaurants and transportation sector cars, buses, planes and ships.

RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY (R&D)

YÜNSA R & D CENTER CONTINUED ITS ACTIVITIES IN 2018 WITH THE STRATEGY OF CONVERTING THE RESULTS OF ITS PROJECTS TO SCIENTIFIC PUBLICATIONS.

In order to increase its competitive power, to increase its leadership position in the world textile trade and to increase its share in exports and social welfare, our company aims to reach new markets and new customers with high value-added innovative products and to maintain its high technology adaptation and usage. In order to achieve this goal, it is important to be able to continuously improve and use the latest information and technology by giving importance to innovation. In this context, our company has set up an R & D center in 2010 in order to carry out R & D projects that it is planning to do and in coordination with the University and research centers, to create a culture of continuous innovation with its employees, and to lead the development and development of new technologies.

In the textile sector where there are difficult competition conditions and market players lost their floor and market, Yünsa; carries out sales and marketing activities in order to maintain its position in markets with high value added, qualified and differentiated products and short delivery times also it has continued its modernization and improvement efforts to improve product quality and reduce industrial costs.

In today's competitive environment, it is inevitable to develop innovative products with high added value in order to conduct technology and innovation studies systematically and to reach new markets and new customers.

Yünsa R & D Center, which completed its 8th activity period in 2018, continues to be the motivating force for all of its stakeholders with its efforts to strengthen the competitive structure of our company, increase the brand value and solve the chronic problems in the production processes.

At Yünsa R & D Center, a sustainable, pioneering and creative environment in which innovative ideas are transformed into projects with university collaborations has been created.

In 2014, Yünsa R & D Center started to sign mutual cooperation protocols in order to strengthen its cooperation with universities within the scope of University-Industry Cooperation (KUSI). In 2018, the cooperation continued with the protocol studies. These protocols include joint research development projects, as well as sub-headings of open innovation meetings, student internships, laboratory facilities, events, broadcast subscriptions and technical trips. The cooperation protocol has been signed.

YÜNSA CONTINUED TO WORK IN 2018 WITH THE R & D CENTER'S STRATEGY OF TRANSFORMING THE RESULTS OF ITS PROJECTS INTO SCIENTIFIC PUBLICATIONS.

A cooperation protocol was signed with 10 universities in total, 1 Cooperation protocol was signed with Polymer Technologies-Composite Application and Research Center,1 Applied Intern training protocol has been signed with the University.

Yünsa R & D Center contributes to the increase of R & D levels of the universities by creating new job opportunities for SMEs with projects that result in research and original products and methods. In addition to SMEs, the Company continues its cooperation activities at global level.

In 2018, 4 Tübitak supported Teydeb 1501 and 1 Santez project were completed. Thus, 27 public-funded projects were successfully completed in the R & D Center project portfolio. Teyteb 1501 supported by TUBITAK and 1 Horizon 2020 project supported by European Commission are being carried out.

Yünsa continued to work in 2018 with the R & D Center's strategy of transforming the results of its projects into scientific publications. In 2018, 6 international and 1 national articles were published.

Yünsa participated in International Congresses in order to make its name known in international platforms. A total of 6 declarations were published in 2018. All related publications were published in the proceedings.

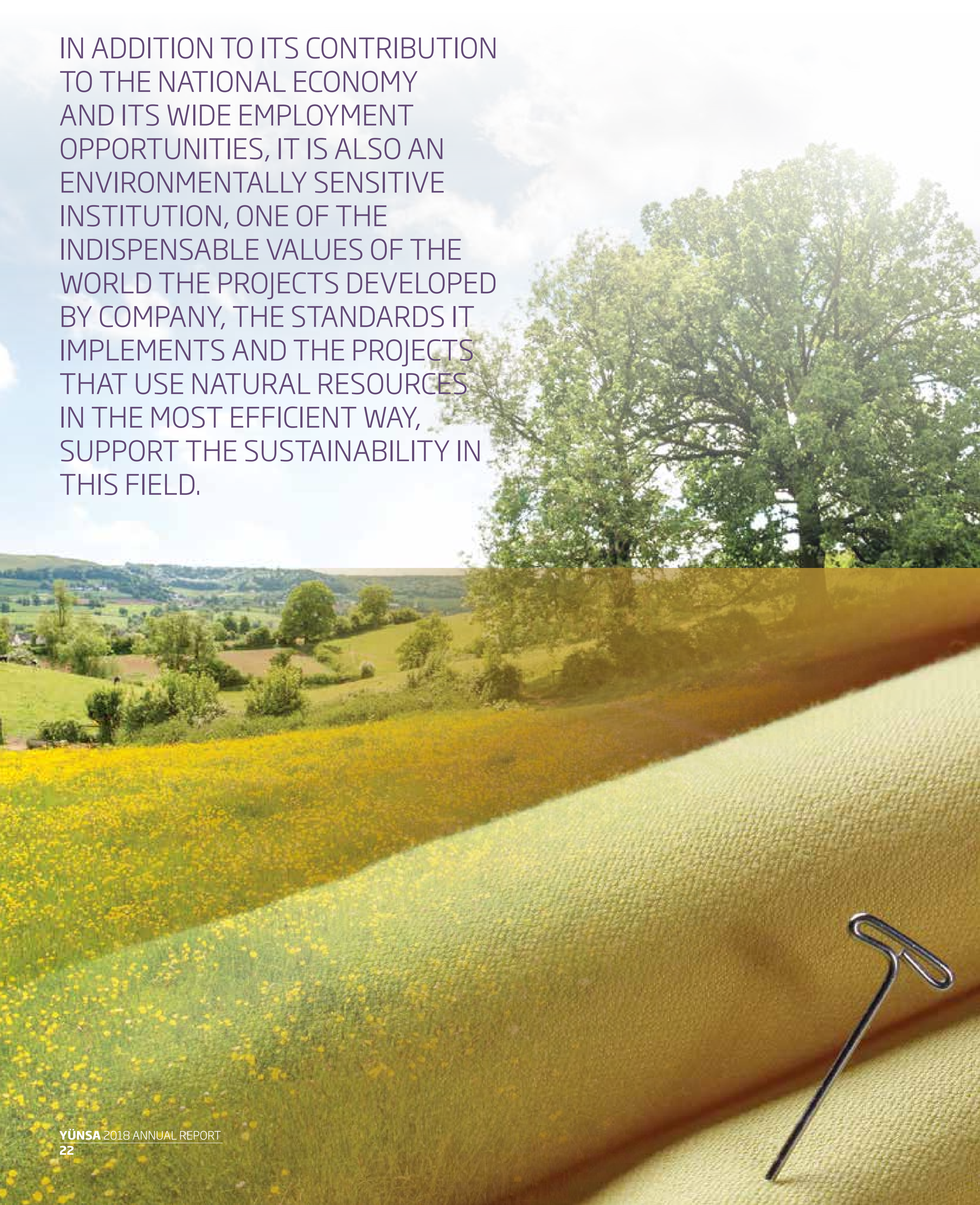
Yünsa has continued to offer operational opportunities to the undergraduate students. In 2018, it contributed to the successful completion of 3 undergraduate thesis.

As a result of the projects carried out in the R & D Center, 1 Utility Model, 3 National Patents and 4 International patent applications were made in 2018.

Yünsa R & D Center carries out works in accordance with the Law No. 5746 on Supporting Research, Development and Design Activities to reduce production costs and to commercialize technological knowledge to make the country's economy competitive internationally By R&D and innovation method. In 2018, R & D Center staff benefited from income tax, stamp duty, SGK employer's share, R & D personnel salary and R & D reduction incentive utilized within the scope of related law. Within the scope of the projects carried out at Yünsa R & D Center, the Scientific and Technological Research Council of Turkey (TÜBİTAK) and the Ministry of Science, Industry and Technology are provided incentives.

AS A RESULT OF THE PROJECTS CARRIED OUT IN THE R & D CENTER, 1 UTILITY MODEL, 3 NATIONAL PATENTS AND 4 INTERNATIONAL PATENT APPLICATIONS WERE MADE IN 2018.

ENVIRONMENT



IN ADDITION TO ITS CONTRIBUTION TO THE NATIONAL ECONOMY AND ITS WIDE EMPLOYMENT OPPORTUNITIES, IT IS ALSO AN ENVIRONMENTALLY SENSITIVE INSTITUTION, ONE OF THE INDISPENSABLE VALUES OF THE WORLD THE PROJECTS DEVELOPED BY COMPANY, THE STANDARDS IT IMPLEMENTS AND THE PROJECTS THAT USE NATURAL RESOURCES IN THE MOST EFFICIENT WAY, SUPPORT THE SUSTAINABILITY IN THIS FIELD.

CDP (CARBON TRANSPARENCY PROJECT)

Yünsa showed its sensitivity about climate change and announced its greenhouse gas emissions through CDP.

Reducing the negative effects of climate change in the assessment of risks and opportunities carried out by the company has been one of the important targets. Focusing on climate change efforts for a livable world, strategic and systematic management style and environment-friendly projects and work programs were prepared.

Yünsa has been participating in CDP climate change program since 2010 company reported on its efforts to reduce adverse climate change impacts and water conservation projects, and received the B performance scores in both categories according to the 2017 CDP Climate Change Program and the 2017 CDP Water Program. Joining CDP Climate Change and CDP Water Programs in 2018, Yünsa continued to achieve success in international platforms on environmental sustainability by improving its leading and competitive position.

YÜNSA ANNOUNCED THE GREENHOUSE GAS EMISSIONS THROUGH CDP TO PUBLIC.

CLEAN PRODUCTION

The Clean Production Plan Development Report was prepared in Yünsa in 2018 and works continued within the scope of the plan. In this context, the best production techniques to minimize the damage to the environment are determined and implemented.

ZDHC (Zero Discharge of Dangerous Chemicals)

Good chemical management practices are carried out within the framework of the zero discharge of hazardous chemicals (ZDHC) program. The published positive lists are matched and the chemicals used are followed by the ECube portal and the chemical load of the wastewater is reduced. Once a year the wastewater is sampled and the test results are reported. Thus, it is ensured that chemicals are used in the control and permissible limit value range. Chemicals that are banned in production processes are not used and close cooperation is observed with the suppliers.

OEKO-TEX 100 STANDARD

The Oeko-Tex® Standard 100 is a worldwide standard testing and certification system for raw materials, intermediate and end products in all processing stages related to textile products. Yünsa wants to provide its customers with products that are health-friendly and have renewed their Oeko-Tex® 100 certificate in 2018.

SAC HYGG INDEX FEM

(SUSTAINABLE CLOTHING COALITION HIGG INDEKS ENVIRONMENTAL MANAGEMENT MODULE)

The Higg Index Facility Environment Management (FEM) module developed by the Sustainable Garment Coalition (SAC), a platform established for sustainable production, where the member brands, retailers and manufacturers share their good practices with transparency, is used.

This module measures and reports the environmental sustainability performance of enterprises; environment, energy, water, wastewater, emissions, waste and chemicals management of the data entry is done and then in the field is a control system.

NATURAL RESOURCE USE

In Yünsa, Total Efficient Maintenance (TPM) and R & D projects are carried out to optimize the use of natural resources and to reduce the negative effects on the environment. In Yünsa, priorities of natural resource use are energy, water and fiber management.

Completed energy and water efficiency projects have been reduced energy and water density. New projects have been determined and investments have been made for energy and water saving works that will continue in the next period.

Thanks to the global recycled standard (GRS) and recycled claim standard (RCS) certificates, which were first received in 2017 and updated in 2018, The recycled materials used in the final product are monitored and verified throughout the supply chain. Recycled polyester (r-Pet) and recycled wool waste are recycled at Yünsa Çerkezköy.

Responsible Wool Standard (RWS) certificate was received in 2018 to ensure that certification is required until the end-user reaches the end-user from the farms where sheep are raised, and that the animal welfare and the land on which the animals graze is well managed.

WASTE MANAGEMENT

All waste generated during Yünsa's activities are separated and sent to licensed disposal / recycling organizations. Besides, wool wastes in accordance with the quality standards coming from the production process are recycled and used as raw material in Yünsa. These raw materials and fabrics produced from these raw materials are followed by GRS and RCS certificates.

ENVIRONMENTAL TRAININGS

In 2017, environmental awareness training was continued under the name of Single Point Training. And it is aimed to increase the awareness of employees about this issue. In addition, all of our new recruits are informed about the environmental activities and the rules they must follow during their activities.

AWARENESS OF WASTE COMPANIES

Each year, OHSAS 18001 occupational health and safety, ISO 9001 quality and ISO 14001 environmental management systems standards and environmental legislation are evaluated in the audits performed to the waste firms studied and the areas open to improvement are identified and companies are provided with the necessary actions in terms of their deficiencies.

ISO 14001

Since 2004, Yünsa has been implementing ISO 14001 Environmental Management System. Within this framework, the effects of our plant on the environment are evaluated and measures are taken to reduce or eliminate these effects.

ISO 50001

Energy efficiency has become more critical as energy and energy management become more and more important today. For this reason, Yünsa accelerated the work done in the field of energy efficiency and has documented its works in this field with ISO 50001 certificate.

OCCUPATIONAL HEALTH AND SAFETY

Providing a healthy and safe working environment for our employees is one of our strategic priorities. In order to eliminate all hazards that threaten the safety of life and property, such as disease, injury and fire, we continue to improve our conditions continuously, and in this process, management and employees continue to make investments by acting in a common manner.

Within the scope of Occupational Health and Safety, which is among the values of our company and which is our most important priority, our facility has been awarded OHSAS 18001: 2007 Occupational Health and Safety Management Systems Certificate in 2016.

In all our activities, we strive to do more by complying with legal regulations and standards regarding Occupational Health and Safety risks. Taking into account the good practices in the sector and in the world, we create measurable targets regarding Occupational Health and Safety, regularly review its realization and continuously improve our management systems with our performance in this field.

We believe that the importance of Occupational Health and Safety trainings is of great importance in order to provide the employees with safe behavior habits and make them a way of life. In our facilities, we require that each employee to complete the standard obligatory training for "Zero Work Accident". For the purpose of undertaking and spreading the responsibility of occupational safety in the production and field teams by the field staff star tip employees are assigned.

The assigned teams observe their possible workplace nonconformities and unsafe behavior on the one hand while they are doing their job in their field of duty. Occupational safety warnings and pennants are hung in the production areas. The flags of the team that did not have any work accidents were green colored. If work accident occurred it is red color.

Yünsa also keeps all employees working on behalf of the company, such as subcontractors, visitors, trainees and apprentices, on the priority agenda without any accident. In order to prevent recurrence of internal cases that threaten the safety of life and property such as disease, injury and fire, we investigate and analyze each case and prepare preventive plans for each finding.

Each year, the trainings of the ADME -ERT (Emergency Response Team), which is formed by voluntary participation, are renewed and they support search, rescue, fire and rash in emergency situations. In order to be active in emergency prevention and emergency management, we carry out activities such as exercises and preventive activities every year.

Our aim is always to create the Occupational Safety Culture and make it a way of life by continuing our journey in our "Zero Work Accident" target..

PROVIDING A HEALTHY AND SAFE WORKING ENVIRONMENT FOR ITS EMPLOYEES IS AT THE TOP OF STRATEGIC PRIORITIES OF YÜNSA

HUMAN RESOURCES

The most important value in the sustainable success of Yünsa is its employees. With this awareness, the main objective of the Company is to create and disseminate a culture that participates, shares, entrepreneurs and values creativity and difference through solutions and practices for the current and future needs of the organization.

The principles of Human Resources are to provide a working environment where ethical values are maintained, mutual trust is ensured, responsibilities are acknowledged, achievements are respected, diversity and difference is respected, opinions and expectations are taken into consideration, work and private life balance is observed and policies and practices are carried out beyond legal requirements.

In the globalization process where investment in people is more important than products and services, the Human Resources department carries out activities in line with the Company's mission, vision and strategies and strives to continuously improve the processes for sustainability.

The recruitment process aims to select and place candidates with corporate values that are the most suitable for the company. Care is taken to show a systematic and objective approach using competency-based interviews structured in the selection process, personality inventories, foreign language tests, role plays, case studies, presentations and skill tests, and to match the position and the candidate.

It is aimed to evaluate the performances of the employees in an objective manner within the framework of common principles and systems are developed to perform performance measurements in line with measurable targets.

Reducing the company's long-term strategies and targets to operations and following the performance are ensured by the Corporate Card approach.

The Company targets and function objectives are followed with the scorecard approach. With the individual performance management, it is aimed to reduce the function goals to individual targets, to evaluate the employees on the correct and objective criteria, to motivate them to produce results and to establish a culture of continuous development.

Due to the variability of the work outputs expected from different positions;

- For white collar employees, Individual performance evaluation is carried out according to the success of achieving the given business objectives,
- For blue-collar workers; Individual performance evaluation is carried out according to the performance criteria determined in the headings of work discipline, individual business results (KAI - Key Activity Indicators) and team / department work results (KPI - Key Performance Indicators).

AN AVERAGE OF 34 HOURS OF TRAINING PER EMPLOYEE TOOK PLACE IN 2018

THE MOST IMPORTANT VALUE OF THE SUSTAINABLE SUCCESS OF YÜNSA IS ITS EMPLOYEES.

Potential employees are identified through the Career Planning and Backup process. The necessary professional knowledge, skills and development opportunities are provided for the personnel and they are planned to prepare for tasks that require more responsibility. Thus, critical positions in the Company are effectively backed up and sustainable performance is ensured.

Recognition, appreciation and reward systems are implemented in order to bring the company to the forefront of success, behavior and efforts that will contribute to achieve the goal of being the world leader, and to increase motivation and commitment to the Company.

Employee Engagement and Satisfaction Survey is organized to learn the perceptions and thoughts of our employees about company practices. Thus, the feedback given by the employees is reviewed. In this process, it is aimed to identify the strong areas and to benefit from them more. And it is aimed to make progress through identifying the areas open to development and the implementation of action plans to be developed.

CONTINUOUS DEVELOPMENT ACTIVITIES

Continuous Development Activities carried out within the framework of the Company strategy and objectives; It is structured under four main headings: Leadership, Talent, Professional and Personal Development.

It is aimed to contribute to the development of knowledge, skills and competencies at the institutional level through the development programs conducted for school activities and target worker groups to support strategic priorities.

There is a full-time technical trainer practice for the development of operator qualifications. Within this framework, it is aimed to continuously improve the operator knowledge and skills levels and to gain multi-skill skills for the target areas by continuous improvement activities based on business. Operator development levels can be monitored on ERP system and individual development needs can be separated.

Activities are carried out with continuous development cycle by associating operator qualification levels and performance realizations.

Thanks to the training and development activities carried out with the awareness that, our employees "are the most important value",
Through the internal training practice, it is aimed to support employee development and motivation with the effective use of internal resources.

In addition to the Professional Traineeship and Apprenticeship programs, the "project internship" program for university students provides successful university students with the opportunity to undertake project-based internship for 3 months. In this way, it provides young talents with the opportunity to experience the business environment, and it is encouraged to bring young talents to our company.

SALES AND MARKETING

JOINING THE WORLD'S MOST PRESTIGIOUS TEXTILE FAIRS IN 2018, YÜNSA HAS SHOWN BOTH THE BRAND AND THE LEVEL OF ORIGIN OF TURKISH TEXTILES IN THE IMPORTANT PLATFORMS OF THE FASHION WORLD.

Turkey and Europe's largest wool fabric manufacturer Yünsa, continues its efforts to maintain and develop the preferred brand position in the fields of production and service quality, speed and flexibility in order to realize the vision of world leadership.

Yünsa, with its rich collections that meet customer expectations and needs, its strong design team, its ability to serve to all parts of the world, its strong international sales network, the service flexibility it provides to its customers, has carried out its activities with the aim of unconditional customer satisfaction.

In today's global competitive environment, where the customer is the market leader, as well as high quality, fast production and fast shipment capability, as well as the affordable price, more than ever before, competitive marketing strategies, creative and different product concepts, and a fast and agile movement make the Yünsa stand out from its competitors.

Today, Yünsa works with more than 400 customers worldwide with its strong international sales network and exports to more than 50 countries. Yünsa has subsidiaries in Germany, England and Italy. It also have agents in Spain, France, Czech Republic, Serbia, Canada, Russia, Japan, Korea, Slovakia and Italy.

Joining the world's most prestigious textile trade fairs from New York to London, from Munich to Paris, to Tokyo, Yünsa has shown its brand and Turkish textile industry to its visitors in the important platforms of fashion world. The world's state-sponsored first and only brand of Turquality® which is the only branding program within the scope of Yünsa, Turquality® program with the power of the Turkish brand in the world fashion and textile sector displays.

NET PROFIT

28 Million TL

TOTAL TURNOVER

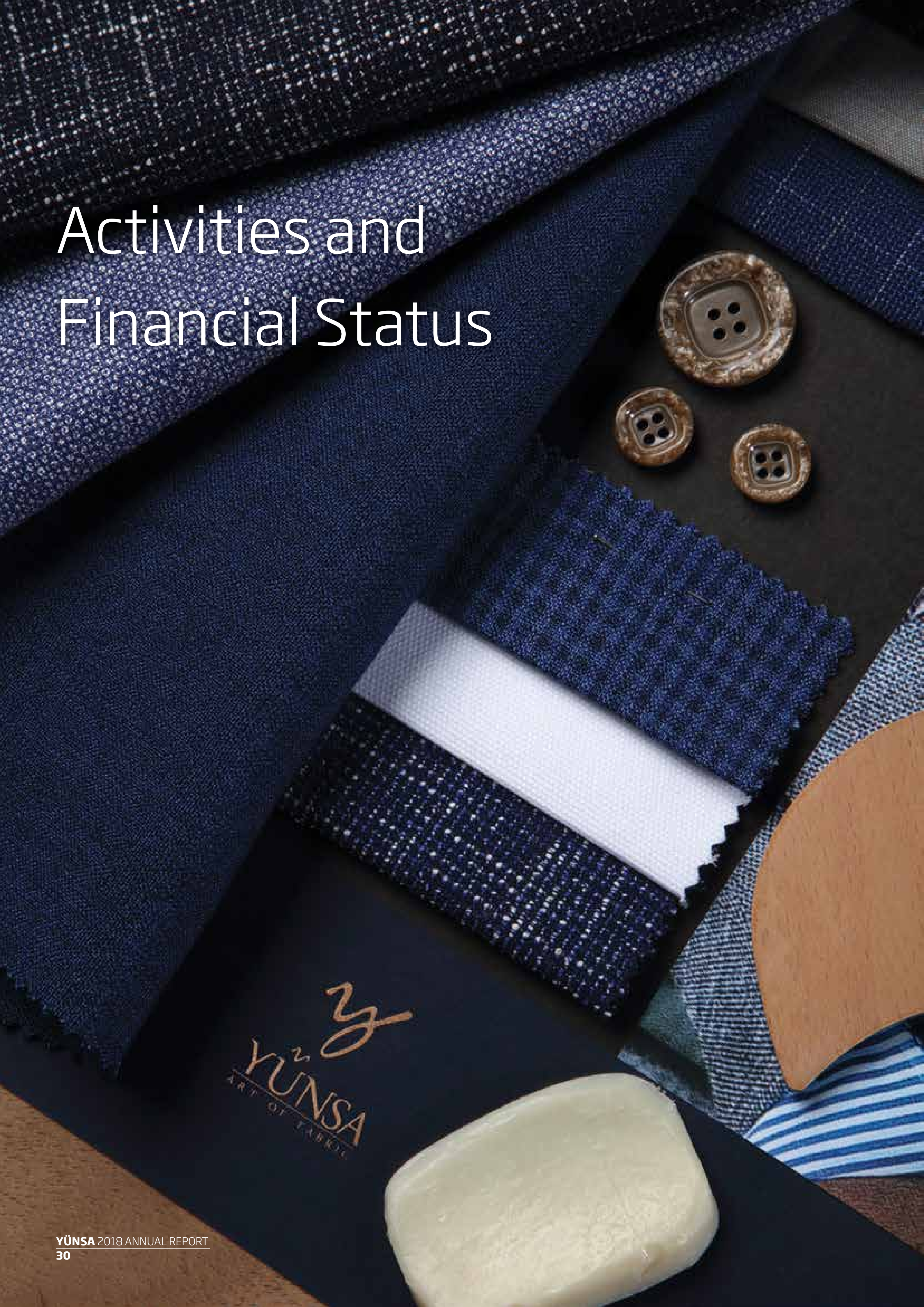
368 Million TL

EXPORT REVENUES

249 Million TL

IN 2018

Activities and Financial Status



IMPORTANT DEVELOPMENTS REGARDING COMPANY ACTIVITIES

Significant developments regarding the Company's activities and activities are briefly stated below. In addition, detailed information is provided in the footnotes of the explanatory report of the Company for the period from 1 January to 31 December 2018 on Audited Consolidated Financial Statements.

Developments in Investments

The total value of the investment incentive certificates received from the General Directorate of Incentives Implementation and Foreign Capital General Directorate of Turkish Ministry of Economy in 2018 on the basis of date and number is as follows.

In accordance with the Investment Incentive Certificate no. D 112140 dated 22.10.2018, an investment of 176 Thousand US Dollars was made, A total of USD 293,000 was invested in accordance with the Investment Incentive Certificate No: A - 122715 dated 11.02.2016, According to the Investment Incentive Certificate dated 28.01.2016 and numbered A - 122455, an investment of 112 thousand US Dollars was made and an investment incentive certificate dated 12.11.2018 and numbered 501148 126 Thousand US dollars of investment was made In 2018, the total investment incentive was 708 Thousand US Dollars.

When the other investment expenditures without incentives are taken into consideration, it is seen that the value of all the investments we made in 2018 reached 12.8 million Turkish Liras.

Internal Control and Internal Audit

There is an Internal Audit Department within the Company to conduct audits, investigations and investigations in order to protect the rights and interests of the company and to develop suggestions against internal and external risks.

The Company's Internal Audit Department reports periodically to the Audit Committee, which consists of independent members of the Board of Directors, in accordance with the independence principle and fulfills the duties assigned to them by the Board of Directors within the framework of the existing Audit Committee Bylaws. The internal control mechanism is the responsibility of the senior management and is regularly reviewed by the Internal Audit Department of the Company.

The duties of the Internal Audit Department are: To check the reliability and accuracy of the financial statements of the Company and its subsidiaries, to ensure that the activities are carried out in accordance with the laws and the Company's accepted ethical rules, to analyze the processes in order to increase the efficiency and efficiency of operations, to determine the current and potential risks and to give assurance to reduce these risks to a reasonable level, to check whether the activities are performed in accordance with the standards, policies and targets set in the enterprise.

Information on Subsidiaries and Share Rates

Yunsa Germany GmbH

The name of Exsa Deutschland GmbH, which has 100% shareholding by Yünsa, was changed to Yunsa Germany GmbH as of 2009. The Company was established in Germany and the region in order to regulate and perform marketing and sales activities.

Yunsa UK Ltd.

Yunsa UK Ltd, which has 100% shareholding by Yünsa, was established in 2007 in Leeds, UK for sales and marketing of Yünsa products.

Yunsa USA Inc

The name of the company which has 100% shareholding by Yünsa has been changed as Yunsa USA Inc. in 2009. The company organizes and realizes marketing and sales activities in the United States.

Yunsa Italia S.r.l.

Yunsa Italia S.r.l, which has 100% shareholding by Yünsa, serves as a fabric design office in Biella, Italy.

IMPORTANT DEVELOPMENTS REGARDING COMPANY ACTIVITIES

Yünsa Yünlü Sanayi ve Ticaret A.Ş. Istanbul Ataturk Airport Free Zone Branch

Yünsa Yünlü Sanayi ve Ticaret A.Ş.. Istanbul Atatürk Airport Free Zone Branch has been registered in Istanbul Trade Registry Office on 28 August 2008 and has been continuing its activities since that date.

Information on the Major Cases and Possible Outcomes to the detriment of company.

In 2018, there are no lawsuits filed against our Company that could significantly affect the Company's financial status and activities.

Information on the Administrative Sanctions and Penalties Given to the Company and the Members of the Board of Directors due to Unlawful Practices.

In 2018, there are no administrative and judicial sanctions imposed on the Company and the Members of the Board of Directors due to practices contrary to the provisions of the legislation.

Donations

In 2018, a donation of 66.302 TL to the Association of Innovative Productive Generations, 400 TL to the Turkish Education Foundation and 25.000 TL to Sabancı University were made.

Information on the Company's Own Acquisitions

The Company does not have its own share acquired.

Privileged Shares, Voting Rights

According to the Articles of Association of the Company, the shareholders have one voting right for each share in the General Assembly meetings and there are no privileges.

Shareholders exercise their voting rights in proportion to the total nominal values of their shares in accordance with Article 434 of the Turkish Commercial Code.

Issued Capital Market Instruments

There is no capital market instrument issued during 1 January - 31 December 2018.

Changes to the Articles of Association within the Period

No amendments were made to the articles of incorporation within the period.

Information on Private Audit and Public Audit

In the period of 1 January - 31 December 2018, there has been no private or public audit in our Company.

OTHER ISSUES REGARDING THE ACTIVITIES

Independent Audit Company

In accordance with the recommendation of the Audit Committee and the recommendation of the Board of Directors at the Ordinary General Assembly Meeting dated April 06, 2018, In accordance with the Turkish Commercial Code No. 6102 and the Capital Market Law No. 6362, Audit of the Company's financial reports for the fiscal year 2018 and related regulations within the scope of these laws In order to carry out other activities, it has been approved by our shareholders that KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş is an independent audit company (a member of KPMG International Cooperative).

Collective Bargaining Practices

There is a XXIV Period Group Collective Labor Agreements that will be valid between 01.04.2016 - 31.03.2019 Between the Turkish Textile Industry Employers' Association (TTSIS) our company is affiliated with and Turkey Textile Knitting and Clothing Industry Workers Union (TEKSIF).

Rights and benefits provided to personnel and workers

Our employees are provided with various options such as base salary, bonus, performance-based variable premium, private health insurance, individual pension contribution, accident and life insurance, annual permits and legal permits, within the framework of our business valuation and wage policies. On the other hand, the tools allocated to the authority, the initiatives for the use of various communication tools, and the additional benefits for the personnel who have masters and doctorate are the practices in this context.

In addition, wage, rights and social benefits are provided to the members of the party labor union within the framework defined in the collective labor agreement.

Other Considerations

The Company's targets and annual performance are discussed at the Ordinary General Assembly held during the year and information and evaluations about the Company and the market in which it operates are shared with our partners. No Extraordinary General Assembly was held in 2018.

Pursuant to Article 199 of the Turkish Commercial Code No: 6102, Yünsa Yünlü San. Ve Tic. A.Ş. has provided information on all trading and other transactions with its subsidiaries, the controlling company and the affiliated companies.

The transactions are in accordance with their counterparts in accordance with the prevailing company disclosures in the related articles of the Turkish Commercial Code no. There is no loss due to the inclusion in the group of companies.

It has been concluded that all necessary legal procedures and measures have been taken within the scope of the responsibilities specified in article 199 of the Turkish Commercial Code No. 6102 and given to the Board of Directors In the report prepared by Yünsa Yünlü Sanayi ve Ticaret A.Ş. Board of Directors dated 14 January 2019 Regarding the Subsidiaries of Yünsa Yünlü San. Tic. A.Ş, and all transactions carried out by the controlling company and its subsidiaries in 2018.

FINANCIAL POSITION

The detailed financial position of the Company is disclosed in the explanatory report and footnotes of the Company for the Consolidated Audited Consolidated Interim Financial Statements for the period 1 January - 31 December 2018.

The Company's annual financial position reports are submitted to the Chairman of Sabancı Holding Cement Group by the General Manager and the Finance Director. The Board of Directors is also regularly informed about the results of the activities. Explanations about financial results, the degree of realization of the planned activities, and the status of the Company against the determined strategic targets are provided.

Developments in Turnover and Operating Profitability

	December 2018
Turnover	367.797.899
Gross profit	97.266.011
Operating Profit	49.783.418

Distribution of Production in 2018

		December 2018
Worsted Yarn	Tons	2.566
Fabric Finishing	Km	8.651

Distribution of Sales Revenues for 2018

		December 2018
Textiles	(TL)	348.061.228
Garment	(TL)	19.736.671

Basic Ratios

	2016	2017	2018
I-Financial Context Rates			
Total Liabilities / Total Assets (%)	82	73	72
Shareholders' Equity / Total Assets (%)	18	27	28
Debt Ratio	3,46	2,75	2,57
II- Liquidity Ratios			
Current rate (%)	121	101	113
Acid-test ratio (%)	56	54	67
III- Profitability Ratios			
Gross Profit Margin (%)	13	24	26
Net Profit Margin (%)	-14	5	8
Earnings Per Share (%)	-1,17	0,51	0,96

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Risk assessment and internal control mechanisms are carried out at all levels of the Company.

Corporate Risk Management is implemented by the Company in order to manage these risks in the most effective manner with the understanding that the risk brings with them. Yünsa Enterprise Risk Management is a planned, consistent, consistent and continuous process that is structured within the Company to identify and implement the measures and strategies to be taken against these by identifying the factors that create threats and opportunities in achieving the Company's objectives.

Company risks are monitored by the main risk indicators determined by the Company. These indicators are continuously monitored and periodically reported. Necessary actions are taken by the Company to manage the risks that are indicated by the main risk indicators. The Board of Directors is informed about these risks periodically through the Early Risk Detection Committee.

The Company acts in accordance with the risk management policy, which defines the roles and responsibilities of risk management, strategies, methods and approaches. Within the framework of this policy, there is a Risk Management Department within the body to better identify, measure and manage its risks.

The Risk Management Department operates to determine the Company's main and critical risks within the framework of policies, standards and procedures approved by the Company Management. The Risk Department works in cooperation with the risk managers in order to mitigate, eliminate or transfer these risks, follow-up of the action plans of the functions, and carry out activities to determine the risk appetite of the Company. It carries out its activities in full support and responsibility of the management and active participation of the Company employees in the management of the risks that are managed under this appetite.

There is an Internal Audit Department within the Company to conduct audits, investigations and investigations in order to protect the rights and interests of the company and to develop suggestions against internal and external risks.

The Company's Internal Audit Department reports periodically to the Audit Committee, which consists of independent members of the Board of Directors, in line with the principle of independence and fulfills the duties assigned to them by the Board of Directors within the framework of the existing Audit Committee Bylaws. The internal control mechanism is the responsibility of the senior management and is regularly reviewed by the Company's Internal Audit Unit.

The duties of the Internal Audit Department are: To check the reliability and accuracy of the financial statements of the Company and its subsidiaries, to ensure that the activities are carried out in accordance with the laws and the Company's accepted ethical rules, to analyze the processes in order to increase the efficiency and efficiency of operations, to determine the current and potential risks and to give assurance to reduce these risks to a reasonable level, to check whether the activities are performed in accordance with the standards, policies and targets set in the enterprise.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I- CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Yünsa Yünlü Sanayi ve Ticaret A.Ş. has complied with the Corporate Governance Principles of the Capital Market Board in the Corporate Governance Communiqué numbered II-17.1 published in the Official Gazette dated January 3, 2014 and numbered 28871 by the Capital Markets Board (CMB) for the period 1 January 2018 - 31 December 2018
and implements these principles.

Yünsa is committed to comply with the Corporate Governance Principles issued by the Capital Markets Board and four principles of corporate governance, based on transparency, fairness, responsibility and accountability.

Yünsa's Corporate Governance Principles Compliance Report for 2018 has been prepared in accordance with the new format published in the bulletin numbered 2014/2 of the Capital Markets Board dated 27.01.2014.

Yünsa;

has taken the necessary steps in line with the Corporate Governance Principles and has shown that it is aware of its responsibilities to all its shareholders and all stakeholders with its commitment to comply with the Corporate Governance Principles and all its activities. Has made it a target to further improve the compliance with the Corporate Governance Principles, along with all employees and senior executives at the senior management who are aware of the Company's contribution to the Company's adoption of the Corporate Governance Principles. In 2018, the Company paid due attention to the compulsory / non-compulsory regulations to be complied with in the Corporate Governance Principles and presented these details to the shareholders and stakeholders at www.kap.gov.tr and on the Company's website www.yunsa.com.

In this direction;

• In 2018, the Company made all public disclosures necessary for the timely, transparent, stable and regular transmission of all important information that would affect the investment decisions of investors and analysts. The Company regularly updated its Investor Relations website and participated in investor meetings to ensure continuous and optimal communication with investors and analysts and closely followed the developments in the legislation and took the necessary actions.

Yünsa believes in the importance of full compliance with Corporate Governance Principles and complies with all the principles that are mandatory in the Corporate Governance Communiqué No II-17.1. However, due to the ongoing difficulties in the international platform and in our country in terms of compliance with some principles, and some principles have not yet been fully complied with due to reasons such as the Company and the structure of the market. Developments related to the subject are being monitored and our efforts towards compliance are continuing.

Except for special cases and footnotes to be disclosed to public in the principle of 2.1.3 In addition to the Turkish version of the financial statement notifications, simultaneous disclosures of the disclosures of the disclosures of the disclosures of the disclosure of the disclosures of the financial statements in English, especially international investors, can be accessed through the infrastructure of Reuters, Foreks, etc. And this situation will bring additional workload and additional cost to the company and the company's financial statements and explanations are not prepared in English.

In the upcoming period, necessary studies will be carried out taking into account the developments and practices in the legislation in order to comply with the principles.

PART II- SHAREHOLDERS

2.1. Investor Relations Department

There is an Investor Relations Department in the Company. This section is coordinated by Chief Financial Officer Semih Utku. İsmail Alpaslan is working as the director (ialpaslan @ yunsa.com). The relevant officers can be reached by calling 0212 385 87 00 and fax number 0212 282 50 68. İsmail Alpaslan holds Capital Market Activities Level 3 and Corporate Governance Rating licenses.

The Investor Relations Department is responsible for the following on a regular basis, with the exception of confidential and trade secret information of shareholders and potential investors: Informing the Company about its activities, financial status and strategies and managing the two-way communication between shareholders and company managers.

The Investor Relations Department carries out the following activities in order to ensure that shareholders' rights to obtain information and the rights of shareholders arising from the partnership are fulfilled as soon as possible:

- Ensuring that records of correspondence between investors and the partnership and other information and documents are kept healthy, secure and up-to-date,
- To respond to the written information requests of the shareholders of the partnership about the partnership,
- To prepare the documents required to be submitted to the information and review of the shareholders regarding the general assembly meeting and to take measures to ensure that the general assembly meeting is held in accordance with the relevant legislation, articles of association and other in-house regulations,
- Overseeing and monitoring the fulfillment of the obligations arising from the Capital Market Legislation, including all matters relating to corporate governance and public disclosure.

Within the framework of these duties, in 2018, all responsibilities were completed completely. During this period, approximately 25 shareholders were interviewed on the phone and the questions were answered.

2.2. Shareholders' Right to Obtain Information

In the exercise of the right to obtain information among the shareholders, all information is shared with the shareholders, except for the trade secrets, and the shareholders are provided with first-hand information on strategies and activities.

In 2018, Information requests from shareholders were answered by the Investor Relations Department during telephone interviews. For this purpose, the information that would be of interest to the shareholders was announced in the mandatory notification processes on the website.

During 2018, the Company's website does not contain any information and disclosures that may affect the exercise of shareholders' rights.

In the Company's Articles of Association, the appointment of a special auditor is not regulated as a right. No requests were received from shareholders in 2018.

2.3. General Assembly Meetings

The arrangements for the Company's General Assembly Meetings are available on the Information Society Services pages of the Company's Web Site. This information can be accessed from Yünsa Yünlü Sanayi ve Ticaret A.Ş.'s Internal Directive on the Working Principles and Procedures of the General Assembly. In addition, the disclosures and documents required to be shared with the public on the KAP - PDP (public disclosure platform) before and after the General Assembly were also shared on the website under the General Assembly Meetings documents section under the Investor Relations section.

Yünsa's Ordinary General Assembly Meeting for 2017 was held on 06 April 2018 at Sabancı Center, 4. Levent 34330 İstanbul, at the main hall of Sadıka in the headquarters of the Company. In the Ordinary General Assembly of Yünsa, the total nominal value of the Company amounting to TL 29.160.000,00 was represented with a total nominal value of TL 17.457.101,503 with 1.745.710.150.3 shares. The meeting was held with a participation rate of 59,87%.

General Assembly Meetings regarding the principle of 1.3.11 are made open to our partners, and our shareholders who cannot physically attend through the General Assembly can attend the General Assembly. Therefore, our General Assembly Meetings are not made open to the stakeholders and the public, including the media.

Invitation to General Assembly meetings is made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code (TCC), Capital Market Law and the Company's Articles of Association. At the moment when the Board of Directors' decision is made for the General Assembly to be held, disclosures are made to the public through KAP (PDP). The General Assembly meeting announcement is made on our website at www.yunsa.com. And the General Assembly announcement is made 21 days before the General Assembly Meeting on the Electronic General Assembly System page of the Central Registry Agency's website.

Before the General Assembly Meeting, the necessary documents are announced to the public in accordance with the legal procedures and legislation in all notifications. Within the framework of the agenda items of the General Assembly, explanations are made on the following subjects: Annual report, financial statements, corporate governance compliance report, dividend distribution proposal, independent audit report, If there will be Amendments to the Articles of Association containing old and new forms of amended text, 3 weeks prior to the General Assembly Meeting, the Company is open to review by the shareholders on the Company's website and in the most convenient way. In addition, detailed explanations are made for each agenda item in the information documents related to the agenda items and other information provided for the General Assembly Meetings are presented to the investors.

During the General Assembly Meetings, open voting method is used with the method of raising hands during the voting of the agenda items.

Shareholders whose shares are being monitored before the Central Registry Agency may participate in the physical general assembly in person or through their representatives. Or, if they wish, shareholders can also use their electronic signatures via the Electronic General Assembly System provided by the Central Registry Agency via electronic means in person or through their representatives. The Board of Directors has preferred to facilitate participation to the General Assembly in a manner that does not lead to inequality among the shareholders.

Shareholders may appoint their representatives as follows: They may authorize using the Electronic General Assembly System, Within the framework of the provisions of the Capital Markets Board II-30.1, they may also represent themselves at the meeting by filling in the power of attorney form they can obtain from our Company headquarters and our company's website www.yunsa.com and by approving their signatures to the notary public or by adding the notary approved signature circular to the power of attorney with their signatures.

General Assembly meetings are held at the Company headquarters. Our Articles of Association allows the meetings to be held at another location within the provincial boundaries where the center is located or where the Company's industrial facility is located.

The minutes of the meeting can be accessed from our website at www.yunsa.com and from www.kap.gov.tr and on the website of the Central Registry Agency via the Electronic General Assembly System. In addition, these minutes are open to the review of our shareholders at the Company headquarters. These documents are given to the requesters.

Information on donations and aids and policy changes made during the period is provided in the General Assembly with a separate agenda item. At the General Assembly meeting, it was decided that the donations were not made in 2017 and that the upper limit of the donations to be made by the Company in 2018 was TL 250,000 and / or 5% of the commercial profit. The Donation and Aid Policy was submitted to the approval of the shareholders at the General Assembly Meeting held on March 25, 2015 and approved.

Shareholders were given the right to ask questions at the General Assembly and all questions were answered directly at the General Assembly Meeting. In addition, all the questions asked during the General Assembly Meeting and the answers to these questions were announced to the public on the partnership website by the Investor Relations Department within 30 days after the date of the General Assembly.

No suggestions were made by the shareholders on the agenda.

An important transaction which may lead to a conflict of interest between the shareholders holding the management control, the members of the Board of Directors, the directors who have administrative responsibility and their spouses and relatives up to the second degree and their partners and affiliates or / it is not possible to make a transaction of business type on its own account or to someone else's account, or to enter into a partnership with another business dealing with the same kind of business as an unlimited partner. Persons who have access to company information other than these persons do not have any transaction on their behalf within the scope of activity of the Company.

2.4 Voting Rights and Minority Rights

There is no privileged voting right in the Articles of Association.

We do not have any companies in which our Company has mutual shareholding interests.

Our company attaches importance to the use of minority rights in accordance with the regulations of the Turkish Commercial Code and CMB.

Regarding the principle of 1.5.2, there is no violation of rights in the exercise of minority shareholders' rights such as participation in the General Assembly, representation by proxy and no upper limit in the exercise of voting rights. Minority rights were exercised, but there was no regulation to extend the scope of minority rights and to grant them less than one twentieth of the capital.

2.5. Right to Profit Share

Yünsa Yünlü Sanayi ve Ticaret A.Ş (Yünsa) Dividend Distribution Policy is determined within the framework of the provisions of the Turkish Commercial Code, Capital Market Legislation and other relevant legislation and the article of our Articles of Association on profit distribution: In line with medium and long-term strategies of Yünsa and investment and financial plans, the situation of the national economy and the sector is also taken into consideration and the balance between the expectations of shareholders and the needs of Yünsa is determined.

In accordance with the decision taken in the General Assembly, the principle of determination of the amount of dividends to be distributed is adopted: In the distribution of profit, it is adopted as a principle to distribute dividends in cash and / or bonus shares at least 50% of the distributable profit to the shareholders.

Yünsa does not have any dividend advance payment.

Dividends shall be distributed to the shareholders as of the date determined by the General Assembly upon approval of the General Assembly within the specified legal periods, even though they are accepted to be distributed equally as soon as possible, regardless of their date of issue and acquisition.

The General Assembly may transfer some or all of the net profit to the extraordinary reserve fund. If the Yünsa Board of Directors proposes that the profit should not be distributed to the General Assembly, shareholders shall be informed about the reasons for this situation and the manner in which the undistributed profit is used. In the same way, this information is also shared with the public by including the annual report and website.

The dividend distribution policy is submitted to the approval of the shareholders at the General Assembly Meeting. This policy is reviewed annually by the Board of Directors according to the situation in the national and global economic conditions and the situation of the projects and funds in the agenda. The amendments to this policy are submitted to the approval of the shareholders at the first General Assembly meeting after the amendment and are made public on the website.

The profit distribution policy and the annual profit distribution proposal are included in the annual report, are presented to the shareholders at the General Assembly and publicly disclosed on the Investor Relations website.

At the 2017 General Assembly meeting, it has been decided that no dividend distribution will be made for the 2017 accounting period in accordance with the CMB regulations on profit distribution. And it was decided unanimously that it would be deducted from previous year losses. In accordance with the provisions of the Articles of Association, there is no privilege in participation in profit distribution.

2.6. Transfer of Shares

The Company's Articles of Association contain no provisions restricting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and its Content

The company's corporate website is available. Internet site with the address of www.yunsa.com has Important information and is prepared in English Since the international investors can access such information by utilizing the infrastructure of Reuters, Foreks etc. data distribution companies, some information of the company is not prepared in English because of the additional workload and additional cost to the company.

In order to provide comprehensive information transfer to existing and potential investors and intermediary institutions, a separate Investor Relations section and Information Society Services section are available on the website.

Implementing Regulation on the Web Sites to Be Established by the Capital Companies prepared by the Ministry of Customs and Trade and published in the Official Gazette dated 31.05.2013 and the first paragraph of Article 1524 of the Turkish Commercial Code, and the procedures and principles regarding the opening of the website and the publication of the announcements of a certain part of this site for the publication of the announcements that must be made by the Company and the information society services. MKK has provided the e-company: By using the Information Portal platform service of the companies, the content to be announced on the website in accordance with the article 1524 of the Turkish Commercial Code is uploaded to the pages of the Company with secure electronic signature and time stamp, keeping the content stored in secure environment, keeping the content ready for access and archiving it securely.

The information provided in the CMB's Corporate Governance Principles is available on the website. The principles regarding the management of the website are listed in our Disclosure Policy section.

Some of the titles on the site are as follows:

- Detailed information on corporate identity
- Vision and mission
- Information on Board Members and Senior Management
- Company shareholding structure
- CMB material disclosures
- Company's articles of association
- Trade registry information
- Financial information
- Independent auditor information
- General Assembly meeting date, agenda, agenda items
- General Assembly meeting minutes and list of attendants
- Example of power of attorney
- Corporate governance practices and compliance report
- Profit distribution proposal
- Profit distribution policy
- Disclosure policy
- Anti-bribery and anti-corruption policy
- Donation and aid policy
- Frequently asked questions section

3.2. Activity report

The Company's annual report, the provisions of the Regulation on the Determination of the Minimum Content of the Annual Report of the Companies published in the Official Gazette No. 28395 on August 28, 2012, It is prepared in accordance with the CMB Communiqué No. II-14.1, Communiqué on Principles Regarding Financial Reporting in Capital Market and Corporate Governance Principles and shared with the public.

The Annual Report is approved by the Board of Directors and the Board of Directors is disclosed to the public together with the financial statements unless the Board of Directors decides to disclose it after the financial statements with a separate statement of liability.

In this direction In accordance with the Turkish Commercial Code, Regulation and Capital Market Law, For the three weeks prior to the 2017 Ordinary General Assembly Meeting, it was presented to our shareholders at the Company Center, MKK's - CSD (central securities depository) Electronic General Assembly portal and the Company's Internet address.

PART IV-STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders are informed about the developments about the Company through public disclosures in accordance with the relevant legislation. Public announcements are made through press conferences, as well as statements made through the media. On the other hand, in our General Assembly Meetings, by providing detailed information on our website, our comprehensive annual report, our disclosure policy based on our press releases and transparency, our practices ensure that not only the shareholders but also the stakeholders are informed.

The Company employees are also informed through meetings, seminars, trainings and information sent via e-mail. A portal is available for the employees and all kinds of information and documents that are relevant to the work areas are provided with this portal channel and electronic applications.

It is possible for the stakeholders to submit the transactions that are not in compliance with the legislation and Company's ethical rules through the address of etik@yunsa.com on the Company's website to the Audit Department Presidency to the Ethics Presidency.

4.2. Participation of Stakeholders in Management

- Requests and suggestions submitted by shareholders to General Assembly, investor factory visits and Finance and Investor Relations Department.
- Suppliers, through improvement negotiations, surveys and supplier visits
- Customers are encouraged to participate in management through customer visits, satisfaction surveys, fairs, meetings and customer days.

Employees' participation in management and their contributions are provided as follows: Periodic meetings, annual goal setting meetings, budget compliance and performance review meetings held within the Company, TPM committee meetings are provided by means such as meetings on quality / environment / work safety and energy, improvement studies, project groups, various sharing days and suggestion system. In addition, work life evaluation questionnaire, internal customer satisfaction surveys, sharing and communication meetings, climate surveys, performance interviews, With various application tools such as meeting with the General Manager Employees give feedback to the management and colleagues, and the results are discussed in management meetings and action plans are prepared for the necessary changes.

With these approaches, the necessary participation and contributions of the stakeholders are provided to ensure the effective management of the Company.

4.3. Human Resources Policy

Human Resources Policy is shared on the Company website, intranet, documentation system and internal visual management areas.

Human Resources Policy

With the awareness that our employees are the most important value in the sustainable success of our company, our main goal is to create and disseminate a culture that participates, participates, entrepreneurs, and values creativity and creativity with the solutions and practices aimed at the current and future needs of our organization.

Our Principles;

- To provide a working environment where the ethical values are maintained, mutual trust is ensured, responsibilities are acknowledged, achievements are respected, diversity and diversity are respected, opinions and expectations are taken into consideration, work and private life balance is observed and policy and practices are carried out beyond legal requirements.
- We are committed to:
- To bring the people who have positive development potential and who contribute positively to the changes,
- Creating a continuous development opportunity,
- Manage processes that support individual performance in order to achieve the Company's objectives,
- Supporting innovative and entrepreneurial employees,
- To appreciate and reward contributions and achievements,
- To manage a solid-based relationship with all our stakeholders,
- To be a corporate culture that supports continuous improvement and development,
- Reviewing systems, processes and communication channels and restructuring them according to needs,

Our basic expectation from our employees is: To lead the diversity and creativity of Yünsa in the areas of Yünsa's sustainable growth targets with a participatory, sharing and entrepreneurial culture. To create added value for the company's business results.

Human resources activities defined as Recruitment and attracting qualified workforce, corporate and individual performance management, career and backup management, individual and organizational development, education, wages - award and benefits management, industrial relations, occupational health and safety, environmental protection and general services management processes are carried out by Human Resources Manager Tamer Tok.

In our recruitment process, it is aimed to select and place the most suitable candidates with the corporate values, which will carry our Company to the future, and who have the corporate values. In this way, we believe that a long-term, efficient and effective working life will be created.

In the selection process, a systematic and objective approach is presented using competency based interviews, personality inventories, foreign language tests, role plays, case studies, presentations and skill tests.

Reducing the company's long-term strategies and targets to operations and following-up of the performance are ensured by the Corporate Scorecard approach. The Company targets, Function Objectives and Section Objectives are followed with the scorecard approach.

Reducing the targets of the department to individual targets with the individual performance management applied, evaluation of employees on accurate and objective criteria, and motivation to produce results, continuous development culture is ensured. The most important part of the process is continuous monitoring and feedback.

A wage and ancillary system is applied to attract the qualified workforce to our Company and to reward our employees in accordance with the responsibilities they carry and the value they add to the organization.

The remuneration and additional entitlement system of the white collar employees is based on the size of the business, the market data and the wage policy based on the Company's performance and the achievement of the individual goals. The wages and benefits of blue collar employees are regulated by the Collective Bargaining Agreement.

Within the framework of continuous development approach, new opinions and ideas for improvement and development from our employees are supported by Suggestion System. All our employees can make suggestions by contacting the kiosks or computers in the sites to the related portal and express their suggestions with the error cards they write in the scope of corrective and preventive activities.

Suggestions made by the employees are evaluated by the relevant committees and managers, and the owners, who are accepted and implemented after the evaluation process, are rewarded.

In addition, employees' individual / group efforts and achievements are rewarded with recognition, honor and rewarding approaches, and motivation and company loyalty are contributed to increase. All job descriptions, organizational charts, performance and rewarding criteria are defined in the relevant procedures, and the documentation system accessible to all employees is shared in the intranet and other environments and is constantly updated.

No complaints were received from the employees in 2018 before and during the year.

Sabancı Group companies operating in the national and international markets regarding the principle of 3.1.2 respect and comply with the local legal rules in their markets and private law rules, such as collective bargaining agreements, if applicable. During the period from the commencement of the employment contracts until the end of the employment contracts, it shows the necessary diligence in the protection and payment of all rights and receivables.

With regard to the 3.3.6 principle, the Company's job descriptions and distribution and performance and rewarding criteria are announced to the employees, while the efficiency is paid in determining the remuneration and other benefits to employees, however, there are no employee recruitment programs in accordance with the Human Resources Policy.

In 2018, compliance with the legislation on the Protection of Personal Data, which is included in our social and corporate life, is also a priority issue of the Company.

4.4. Ethical Rules and Social Responsibility

In order to ensure the continuity, reliability and respectability of the system we have established, the Ethics Rules - SA Ethics, which is based on Sabancı values and working principles, is of utmost importance. All activities of our company are carried out within the framework of SA Code of Ethics. Business ethics rules are published on the corporate website and disclosed to public.

The effective implementation of SA-Ethics is carried out through the Ethics Committee and Ethical Rule Consultants. Our Ethics Rule Consultant is in constant communication with H.Ö Sabancı Holding Ethics Committee. This consultant follows the SA-Ethics practices in our company and provides consultancy to our employees. The Consultant supports the Ethics Committee for the implementation and development of the Applications and provides the necessary coordination within the company regarding SA-Ethics practices.

Within the framework of our responsibility to maintain the ethical values on which Sabancı Group and our Company are built, for the future generations, the transfer of ethical values to all of our employees is ensured by means of trainings. The Code of Business Ethics published in the company's portals is transmitted to all employees in orientation training and / or e-learning environments and distributed in printed booklets. In addition, at the end of each year, our employees update their knowledge of the business ethics rules through e-learning program and renew their loyalty to the business ethics through the Business Ethics Compliance Statement.

In addition to its contribution to the national economy and extensive employment opportunities, Yünsa is also an environmentally sensitive institution, one of the indispensable values of the world. The projects it develops support the sustainability of the standards and the projects that use natural resources in the most efficient way.

Reducing the negative impacts of climate change in the assessment of risks and opportunities of the company has been one of the important targets. Focusing on climate change efforts for a livable world, strategic and systematic management style and environment-friendly projects and work programs were prepared.

Since 2010, Yünsa has been reporting on efforts to reduce adverse climate change impacts and implemented water conservation projects according to the CDP climate change program. and based on the results of the 2017 CDP Climate Change Program and the CDP Water Program of the 2017 CD, the B-performance scores in both categories were taken into account. Joining CDP Climate Change and CDP Water Programs in 2018, Yünsa continues to achieve success in international platforms on environmental sustainability by improving its leading and competitive position.

Energy efficiency has become more critical as energy and energy management become more and more important today. Yünsa supports sustainability with the projects it develops in order to use the standards and natural resources in the most efficient way and documents our works in this field with ISO 50001 certificate.

The Clean Production Plan was prepared in Yünsa in 2018 and work started on the plan. In this context, the best production techniques to minimize the damage to the environment are determined and implemented.

The best chemical management practices are carried out within the framework of the zero discharge of hazardous chemicals (ZDHC) program. The published positive lists are matched, the chemicals used are followed by the E-Cube portal and the chemical load of the wastewater is reduced. Once a year the wastewater is sampled and the test results are reported. Thus, it is ensured that chemicals are used in the control and permissible limit value range. Chemicals that are banned in production processes are not used and close cooperation is observed with the suppliers.

Eko-Tex®100 Standard is a worldwide accepted test and certification system for raw materials, intermediate and end products in all processing stages related to textile products. Yünsa is committed to providing its customers with products that are health-friendly and in 2018, renewed its Eko-Tex® Standard 100 certification.

Since 2004, Yünsa has been implementing ISO 14001 Environmental Management System. Within this framework, the Company's impacts on the environment are evaluated and measures are taken to reduce or eliminate these impacts.

The Higg Index Facility Environment Management (Higg FEM) module developed by Sustainable Apparel Coalition (SAC) is used to measure and report the environmental sustainability performance. Data is entered into the system related to the environmental management system, energy, water, wastewater, emissions, wastes and chemicals management.

The dust and gas emissions generated as a result of our operations are regularly checked by emission measurements by accredited organizations and reported to the Ministry of Environment and Urbanization.

All waste generated during Yünsa's activities are separated and sent to licensed disposal or recycling organizations.

In Yünsa, R & D projects are carried out to optimize the use of natural resources and to reduce the negative effects on the environment.

In 2017, Yünsa has certified the recycled materials use process from process wastes with the Global Recycling Standard (GRS) and the Recycled Claim Standard (RCS). With the Global Recycled Standard (GRS) and Recycled Claim Standard (RCS) certificates updated in 2018, the recycled materials used in the final product are monitored and verified throughout the supply chain.

Responsible Wool Standard (RWS) certificate was received in 2018 to ensure that certification is required until the end-user reaches the end-user from the farms where sheep are raised, and that the animal welfare and the land on which the animals graze is well managed.
In order to contribute to a healthy future, Yünsa has established the Yünsa Afforestation Areas in the Çerkezköy junction and the Çerkezköy - Saray state road in Büyükçavuşlu district with the aim of contributing to a healthy future. All planting, irrigation and maintenance works of afforestation areas are carried out by Yünsa on a voluntary basis.

In Yünsa, periodical trainings are given to employees of all levels in order to increase environmental awareness. In this context, training programs were organized in 2018 to raise awareness among employees.

The audits carried out every year for waste firms are evaluated in terms of quality standards and environmental legislation, areas open to improvement are identified and companies are encouraged to take actions on their deficiencies. These companies are given training on environmental and work safety issues and audits are made to contribute to their development.

All occupational safety activities are monitored in monthly review meetings with the participation of senior management and necessary investments are planned and implemented. Yünsa has also documented its work in this area with the OHSAS 18001 certificate.

The Company provides internship opportunities to approximately 40 students each year with the aid and contributions to the schools and other institutions / organizations in Çerkezköy where the production facility is located undertakes its duties within the scope of social responsibility through the profit share contributions it made to Hacı Ömer Sabancı Foundation and Social Responsibility projects for employees and their relatives.

SECTION V-BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The Company's Board of Directors oversees the compliance of the Company's activities with the legislation, articles of association, internal regulations and policies. The Board of Directors manages and represents the Company by taking into consideration the risks, growth and returns of the Company by taking strategic decisions and taking into consideration its long-term interests.

The Company's Board of Directors consists of six members elected to serve in the 2017 Ordinary General Assembly held on April 06, 2018 in accordance with the provisions of the Turkish Commercial Code and the Company's Articles of Association until the 2020 Ordinary General Assembly to be held in 2021.

The minimum qualifications to be sought for the Members of the Board of Directors are not included in the Articles of Association. However, the characteristics required by the Company's Board Members are consistent with the articles of the CMB Corporate Governance Principles.

There are executive and non-executive members in the Board of Directors. The majority of the members of the Board of Directors consist of non-executive members as defined in the Corporate Governance Principles. Among the non-executive members, there are two independent members who are capable of performing their duties without being influenced under any circumstances. Members of the Board of Directors are elected by the General Assembly in accordance with the Corporate Governance Principles.

The term of office of the members of the Board of Directors is three years. Re-election of the member whose term has expired is possible.

Members of the Board of Directors have been granted the right to act in accordance with Articles 395 and 396 of the Turkish Commercial Code by a resolution of the General Assembly.

Independent Board Members are determined by the Board of Directors' decision dated 22 February 2018 and approved by the Independent Board of Directors member list at the Ordinary General Assembly Meeting held on April 06, 2018. Independent Board Member candidates submitted their independence statements to the Board of Directors when they were nominated. No situation has arisen in the relevant period to eliminate the independence of the Independent Members of the Board of Directors.

Regarding the principle of 4.2.5, the Company does not have the authority to make unlimited decisions alone in line with the signature circular in force. The Chairman of the Board of Directors and the General Manager are different persons. The powers of the Chairman of the Board of Directors and the General Manager are separated, but this distinction is not set out in the Articles of Association.

Although a target rate and target time have not yet been set for the female member rate of less than 25% in the Board of Directors regarding the principle of 4.3.9. attention is paid to this issue. Due to the resignation of Nadide Burcu Tokmak, there is no female member among the members of the Board of Directors. There has not been any conflict of interest between the stakeholders so far.

As regards the principle of 4.4.7, there is no restriction on the members of the Board of Directors taking on other duties or duties outside the Company. However, it is seen that the Members of the Board of Directors take care of the time required for the company's business. In particular, such a restriction was not required due to the significant contribution of the independent members of the Board of Directors to the Board of Directors.

The members of the Board of Directors of the Company are as follows:

Tamer SAKA-Chairman of the Board of Directors (Executive) (06 April 2018 - April 2021)

Tamer Saka completed his undergraduate, graduate and doctorate education in the Faculty of Business Administration at Istanbul University. Tamer Saka, Director and Senior Manager of Risk Management Consultancy services at Arthur Andersen and Ernst Young, respectively. In 2004, he joined Sabancı Holding as Risk Management Director. From 2010 to 2011, he served as Managing Director responsible for business development at Willis London and about 20 countries, including Turkey. As of December 2011, Tamer Saka was appointed as the Strategy and Business Development Coordinator of Kibar Holding. In May 2012, he was appointed as the President of the Automotive and Corporate Functions Group and a Board Member at Kibar Holding. Since 2014, Tamer Saka has been serving as CEO of Kibar Holding. He was appointed as the President of Sabancı Holding Cement Group on 02 April 2018.

Duties Carried Out of the Company:
H.Ö. Sabancı Holding A.Ş. Head of Cement Group

Gökhan EYİGÜN -Vice Chairman of the Board of Directors (Executive) - (06 April 2018 - April 2021)

In his nearly 20-year career, Gökhan Eyigün has held managerial positions in projects and transactions covering a wide range of industries, particularly in the areas of corporate finance, strategy and corporate business development. He started his career at Arthur Andersen and worked mainly as a corporate finance consultant. Subsequently, he was responsible for the establishment of Corporate Finance and M & A Consultancy at PricewaterhouseCoopers. Gökhan Eyigün, who has served as a manager in various positions in Sabancı Holding since 2007, has been working as the Secretary General of Sabancı Holding since July 1, 2018. Gökhan Eyigün graduated with a degree in Management Engineering from Istanbul Technical University in 1998. He completed his MBA at Rotterdam School of Management (2002-2004) and attended various executive training programs at Harvard Business School.

Duties Carried Out of the Company:
H.Ö. Sabancı Holding A.Ş. Secretary General, Çimsa Çimento Sanayi ve Ticaret A.Ş. Board Member

Vecih YILMAZ - Member of the Board of Directors (Non-executive) (06 April 2018 - April 2021)

Vecih Yılmaz is a graduate of Middle East Technical University, Department of Business Administration and has a minor degree in Political Science and Public Administration from Middle East Technical University. He has completed his graduate studies at Galatasaray University and received a master's degree in Financial Economics. He started his professional career as an auditor at Deloitte in 2005, and has worked at Sabancı Holding on financial reporting, reporting and investor relations. Between 2013 and 2015, he worked as financial control and risk manager at Sabancı Group companies Enerjisa. He joined Kibar Group in 2015 and served as CFO at Assan Panel and as CFO at Kibar Holding. In 2017, he was appointed as Finance Director at Sabancı Holding. In addition, he is a Board Member at Kordsa and Yünsa. Vecih Yılmaz, independent accountant and financial advisor In addition to his title of independent accountant and financial advisor , he has the licenses of Capital Market Activities Advanced Level, Independent Audit, Corporate Governance Rating and Credit Rating licenses.

Duties Carried Out of the Company:
H.Ö. Sabancı Holding A.Ş. Planning, Reporting and Finance Director, Kordsa Teknik Tekstil A.Ş. board member

Fabio FOSCHI- Member of the Board of Directors (Non-Executive) -(06 April 2018 - April 2021)

Fabio Foschi completed his master's degree in Chemical Engineering at Politecnico di Milano University in 1980. Starting his professional career at Grace, a German-based chemical company, he played various roles. He was recently Sales Marketing Director, EMEA. After his international experience, he returned to Italy in 1998 and served in senior positions in public and family companies. FIAMM (Automotive Parts, Director), Montefibre (Chemical fibers, Director), Miroglio (Textile and Fashion, General Manager), Fratelli Piancenza SpA (Textile, Fashion and Retail, Managing director and CEO). Since 2012, he has been working as a managing partner in the consultancy firm he co-founded in 2003. Over the years, he served as a member of the Board of Directors of many companies. In 2011-2015, he took part in the Board of Directors of "Biella Master of Noble Fibers 2011. He has been teaching "Managing Fashion Companies" at IED-Fashion University in Milan since 2012-2013 academic year.

Mehmet Tanju ULA- Member of the Board of Directors (Independent)- (06 April 2018 - April 2021)

After completing his high school education at Kadikoy Maarif College, Mehmet Tanju Ula entered the Mechanical Engineering Department of METU in 1965. He graduated with B.Sc in 1969 and MSc in 1971. He worked at ATAŞ Refinery from 1971 to 1974 and as engineer at TPAO General Directorate between 1975-1976.He started working as a planning engineer in LASSA A.Ş on June 1, 1976. He then became the Material Planning Control and Production Planning Director. In 1985, he was appointed as the Supply Director to Kordsa. He became the Deputy General Manager in 2004. In 1996, he became the General Manager of DUSA A.Ş in 1999, SAKOSA A.Ş. in 1999 and BEKSA General Manager in 2004. In 2005, Tanju Ula returned to KORDSA A.Ş as General Manager and worked until April 2009 when he retired from his position as Deputy General Manager and First Region General Manager of KORDSA GLOBAL A.Ş. After his retirement, he worked as the General Secretary of Sabancı Museum for 1.5 years. He is still an Independent Member of the Committee of Directors Committee (BOD) of PT Indo Kordsa TBK Indonesia.

Duties Carried Out of the Company:
Brisa Bridgestone Independent Board Member, Sabancı Lastik San ve Tic A.Ş.
Pt Indo Kordsa Tbk, Jakarta, Indonesia, Committee of Directors-Independent Member

Hüsnü Ertuğrul ERGÖZ- Board Member (Independent) (06 April 2018 - April 2018)

Hüsnü Ertuğrul Ergöz graduated from Robert College Department of Chemistry in 1963. Mr. Ergöz received his Master's degree from METU in 1965 and his Ph.D. from Florida State University in 1970. He taught at METU, Chemistry Department in 1972-1976. He began his professional career as Technical Studies and Projects Specialist at Kordsa and later assumed various roles within Sabancı Holding and Group companies such as Brisa. He retired from the General Secretariat of Sabancı Holding in 2003. After her retirement, Ergöz has been a member of the Board of Directors of Pressan A.Ş. and has been working on institutionalization of family companies.

The independence statements of the Independent Board of Directors are as follows:

DECLARATION OF INDEPENDENCE

I declare that;
I am a candidate to serve as an independent member in the Board of Directors of Yünsa Yünlü Sanayi ve Tic A.Ş (the Company) within the framework of the criteria specified in the Corporate Governance Communiqué (II-17.1) published by the Capital Market Board and the Articles of Association, in this context;

a) The Company owns partnerships in which the Company has significant influence over the TFRS 10 Standard Management or TAS 28 Standard, and shareholders holding the Company's control of the Company or having significant influence on the Company (TAS 28) have management control of such shareholders between legal entities and myself, my wife and second degree blood and mother relatives; that there is no employment relationship in the management position that will assume important duties and responsibilities in the last five years, that it does not have more than 5% of the capital or voting rights or privileged shares together or alone or there is no significant commercial (TMS 28) trade relationship.

b) In the last five years, during the period of the purchase or sale of the service or product in the companies, in which the Company purchases or sells a significant amount of services or products, within the framework of the agreements made, including the audit of the Company (including tax audit, statutory audit, internal audit, internal audit), rating and consultancy, I am not a member of the Board of Directors and partner (5% and over),who will assume important roles and responsibilities.

c) I have the professional training, knowledge and experience to perform the duties that I will undertake due to being an Independent Board Member,

ç) Provided that it complies with the related legislation, except for university teaching I still declare that I will not work / work full time in public institutions and organizations after being elected as a member.

d) I reside in Turkey according to the Income Tax Law no. 193 dated 31/12/1960,

e) I have strong ethical standards, professional credibility and experience that can make positive contributions to the Company's activities, can remain neutral in the discussions of interests between the Company and shareholders, and make decisions freely by taking into account the rights of stakeholders,

f) I will be able to follow the functioning of the Company's activities and take time to fulfill the requirements of the tasks that I undertake.

g) I have not been a Board Member of the Company for more than 6 years in the last 10 years,

ğ) I have not been an independent member of the Board of Directors in more than three of the companies in which the Company or the Company has control over the Company, and in more than five of the companies listed in the stock conversion ,

h) I have not been registered and announced on behalf of the legal person elected as a member of the Board of Directors,

I Kindly submit to the information of the Board of Directors, the General Assembly, our shareholders and all stakeholders.

5.2. Operating Principles of the Board of Directors

The Board of Directors convenes as frequently as possible to perform its duties effectively, conducts its activities in a transparent, accountable, fair and responsible manner, while taking into account the long-term interests of the Company.

The Board of Directors must convene at least four times a year.

The Company's Board of Directors held 26 meetings in 2018 with written approval in line with the provisions of the Turkish Commercial Code and the Articles of Association. Working principles of the Board of Directors, meeting and decision quorums are fulfilled by taking into consideration the provisions of the Articles of Association of the Company. Each member has 1 vote in the meetings of the Board of Directors.

The agenda of the Company's Board of Directors meetings is determined by the meeting of the Chairman of the Board of Directors with the members of the Board of Directors and the General Manager. The duty of secretariat is carried out by the Financial Affairs Directorate. Information and communication related to the meeting agenda, preparation of the minutes of the meeting are performed by the secretariat.

In the meetings held in 2018, there were no different opinions against the decisions taken by the members of the Board of Directors.

Members of the Board of Directors of the Company did not make transactions for the Company in 2018 and did not engage in any initiatives to compete in the same fields of activity.

Pursuant to Article 4.2.8 of the Communiqué, the damages caused by the Board Members and Directors during their duties are guaranteed by the members of the Board of Directors and the Manager Liability Insurance and Hacı Ömer Sabancı Holding Global Insurance.

5.3. Number, Structure and Independence of the Committees Established by the Board of Directors

The Board of Directors makes use of the committee's work in fulfilling its duties and responsibilities. The decisions taken by the committees are presented as suggestions to the Board of Directors and the final decision is taken by the Board of Directors.

In order to fulfill the duties and responsibilities of the Board of Directors, The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been established by taking into account the Capital Markets Legislation, CMB regulations and Corporate Governance Principles. The 'Nomination Committee' and the me Remuneration Committee 'obligations included in the Article 4.5.1 of the Communiqué have been undertaken by the Corporate Governance Committee.

Although Article 4.5.5 of the Communiqué pays attention to comply with the recommendation that 'a member of the Board of Directors does not participate in more than one committee, Due to the number of members of the Board of Directors, the requirements of committee structuring and the business expertise required by the membership of the Committee, some Board Members take part in more than one committee.

No conflict of interest occurred in the committees in 2018.

Committees;

Corporate Governance Committee

The Corporate Governance Committee monitors the Company's compliance with the Corporate Governance Principles, makes remedial recommendations, and supervises the operation of the Investor Relations Department. The Corporate Governance Committee also fulfills the functions of "Nomination Committee " and "Remuneration Committee"

In line with the CMB's 'Corporate Governance Principles Yönetim, the Corporate Governance Committee consists of a maximum of three members and two reporters, including the chairman appointed by the Yünsa Board of Directors. The Chairman of the Corporate Governance Committee is appointed from among the independent members by the Yünsa Board of Directors.

The meeting agenda is determined by the Chairman of the Committee. Members and shareholders inform the Chairman of the Corporate Governance Committee about the issues they want to be included in the agenda.

The meetings shall be held at least four times a year at the place deemed appropriate by the President. Meeting and decision quorum is the absolute majority of the total number of members. Other people may be able to attend the meetings.

The Corporate Governance Committee was established with the decision of the Board of Directors of our Company on 19 April 2012 and Hüsnü Paçacıoğlu (Independent Board Member) was appointed as the Chairman and Barış Oran was appointed as the member of the Board of Directors.

The bylaw, approved on 16 May 2012, has been revised on 4 July 2013 due to the separation of the Early Detection of Risks Committee.

On 27 June 2014, the decision of the Board of Directors and the Chief Financial Officer Semih Utku was also decided to be appointed as a member of the Corporate Governance Committee and the internal Regulation was revised on 27 June 2014.

On 28 April 2016, Eren Mantaş was elected to replace Levent Demirağ, a member of the Corporate Governance Committee who resigned from the Board of Directors. On January 23, 2017, Gökhan Eyigün was elected to replace Eren Mantaş as a member of the Corporate Governance Committee.

On April 9, 2018, Independent Board Member Mehmet Tanju Ula was elected as the Chairman of the Corporate Governance Committee, and the Board Member Vecih Yılmaz and Chief Financial Officer Semih Utku were elected as members.

In 2018, the Corporate Governance Committee convened 6 times.

The activities of the Committee in 2018 are as follows:

- To improve the management of corporate governance practices within the scope of compliance with Capital Markets Board's (CMB) Corporate Governance Communiqué II-17.1,
- Observing the activities of the Investor Relations Department,
- Determining the principles, criteria and practices to be used in the remuneration of executives with administrative responsibility, taking into consideration the Company's long-term objectives, and supervising them,
- Providing recommendations to the Board of Directors regarding the fees to be paid to the managers with administrative responsibility, taking into account the degree of reaching the criteria used in remuneration,

Audit Committee;

The purpose of the Audit Committee is: The Company's accounting system, financial reporting, disclosure of financial information to the Company's Board of Directors, give information about the operation and effectiveness of the internal control system with independent audit to support the Company's activities in compliance with the relevant laws and laws, the Corporate Governance Principles and the Company's code of ethics, in particular the Capital Market Board Legislation, and to carry out its oversight function regarding these issues.

The Audit Committee submits its activities in writing to the Board of Directors.

The Chairman and Members of the Audit Committee are appointed by the Board of Directors from among the independent members. The rapporteur of the Audit Committee is carried out by the Company's Internal Audit Department. The Board of Directors provides the necessary resources and all kinds of support to the Audit Committee for its work.

The Committee meets at least four times a year, at least once every three months. The agenda of the meeting is determined by the Chairman of the Committee.

The Audit Committee was first set up in the Board of Directors meeting dated 14 January 2003 and in the CMB legislation to carry out the duties stipulated in the audit committee.

At the Board of Directors Meeting held on April 19, 2012, it was decided that the Audit Committee would be composed of 2 independent members and that Mehmet Kahya would be appointed as the chairman and Hüsnü Paçacıoğlu as the member. After the 2014 Ordinary General Assembly Meeting held on March 25, 2015 of the Board of Directors of our Company, the members of the Audit Committee were decided to continue as above.

Independent Board Member Mehmet Tanju Ula was elected as the Chairman of the Audit Committee at the Board of Directors Meeting held on April 09, 2018, and Hüsnü Ertuğrul Ergöz was elected as the Board Member.

The Audit Committee held 7 meetings in 2018.

The main activities of the Audit Committee in 2018 are as follows:

- Monitoring the financial and operational activities of the Company,
- Monitoring and approval of the annual and interim financial statements to be disclosed to the public, the accounting principles followed by the Company and the accuracy and accuracy of the facts,
- Selection of independent auditing company, preparation of independent audit contracts and initiation of independent audit process,
- Monitoring the effectiveness and performance of the independent audit activity,
- Supervision of the operation and effectiveness of the internal control and internal audit system,
- Evaluation of the findings of the internal control system and reporting to the Board of Directors,
- Review and approval of internal control and internal audit reports.

Early Risk Detection Committee

The Committee defines the risks that may endanger the existence, development and continuity of the Company, conducts studies for the establishment, early detection, detection of risks, implementation of necessary measures related to risks and management of risk, Risk management systems are reviewed at least once a year.

The Early Detection of Risk Committee consists of a maximum of two members, including the Chairman. The Chairman is appointed from among the independent members by the Board of Directors of the Company. The reporting of the Committee is carried out by the Finance and Investor Relations Director. The meetings shall be held at least six times a year and at the place deemed appropriate by the President. The annual meeting schedule of the Committee at the beginning of each year is determined by the Chairman of the Committee and announced to all members.

With the Board of Directors' decision dated July 4, 2013, it has been decided to set up the Early Detection of Risk Committee and to quit the Corporate Governance Committee. In addition, it was decided to approve the by-law of Early Detection of Risk. In order to chair this committee, Independent Board Member Hüsnü Paçacıoğlu and Barış Oran are appointed as members.

On 28 April 2016, Eren Mantaş was elected to replace Barış Oran, Member of the Early Detection of Risk Committee, who left the Board of Directors. On January 23, 2017, Gökhan Eyigün was elected to replace Eren Mantaş, who resigned from the Early Detection of Risk Committee.

Independent Board Member Mehmet Tanju Ula was elected as the Chairman of the Early Detection of Risk Committee at the Board of Directors Meeting held on April 09, 2018, after the Ordinary General Assembly Meeting of our Board of Directors held on 06 March 2018, and Vecih Yılmaz was elected as, Member of the Board of Directors.

The Committee held a total of 6 meetings in 2018.

5.4. Risk Management and Internal Control Mechanism

Risk assessment and internal control mechanisms are carried out at all levels of the Company.

Corporate Risk Management is implemented by the Company in order to manage these risks in the most effective manner with the understanding that the risk brings with them. Yünsa Enterprise Risk Management is a planned, consistent, consistent and continuous process that is structured within the Company to identify and implement the measures and strategies to be taken against these by identifying the factors that create threats and opportunities in achieving the Company's objectives.

Company risks are monitored by the main risk indicators determined by the Company. These indicators are continuously monitored and periodically reported. Necessary actions are taken by the Company to manage the risks that are indicated by the main risk indicators. The Board of Directors is informed about these risks periodically through the Early Risk Detection Committee.

The Company acts in accordance with the risk management policy, which defines the roles and responsibilities of risk management, strategies, methods and approaches. Within the framework of this policy, there is a Risk Management Department within the body to better identify, measure and manage its risks. The Risk Management Department works to determine the Company's main and critical risks within the framework of policies, standards and procedures approved by the Company Management, to work together with the risk officers, to make recommendations for reducing, eliminating or transferring those risks, and to monitor the action plans of the functions. Risk Management Department carries out its activities within the scope of conducting activities to determine the risk appetite of the Company and monitoring the management of risks within this appetite, with full support and responsibility of the management and active participation of Company employees.
There is an Internal Audit Department within the Company to conduct audits, investigations and investigations in order to protect the rights and interests of the company and to develop suggestions against internal and external risks.

The Company's Internal Audit Department reports periodically to the Audit Committee, which consists of independent members of the Board of Directors, in line with the principle of independence and fulfills the duties assigned to them by the Board of Directors within the framework of the existing Audit Committee Bylaws. The internal control mechanism is the responsibility of the senior management and is regularly reviewed by the Internal Audit Department of the Company.

The duties of the Internal Audit Department are: To check the reliability and accuracy of the financial statements of the Company and its subsidiaries, ensuring that the activities are carried out in accordance with the laws and the Company's accepted ethical rules, by analyzing the processes in order to increase the efficiency and efficiency of operations, to determine the current and potential risks and to provide assurance for reducing these risks to a reasonable level and to check whether the activities within the enterprise are carried out in accordance with the predetermined standards, policies and targets.

5.5. Strategic Goals of the Company

The Board of Directors of the Company has determined the Company's vision and mission in written form in the annual report and also publicly disclosed on the Company's website at www.yunsa.com.

The Board of Directors, together with the Senior Management, sets the five-year strategic targets. It approves annual budgets prepared within the framework of these strategic objectives.

The Board of Directors has a one-to-one knowledge about the implementation process of the decisions taken in parallel with the comparative presentations of the Company officials. In these presentations, in addition to the budget and actual comparison of the current year, the same periods of the previous years are presented comparatively to the Board of Directors.

5.6. Financial Rights

While the compliance with the 4.6.1 principle is ensured, only the Company's operational and financial objectives are not disclosed to the public.

In accordance with the CMB's Corporate Governance Principle no 4.6.2, All rights, benefits and remuneration and the criteria used for determining the rights and benefits of Board Members and senior executives within the scope of administrative responsibility were presented to the shareholders as a separate item at the General Assembly on April 6, 2018 and the opportunity to express their opinions on this subject was provided.

The wages and all other benefits provided to the members of the Board of Directors and the executives with administrative responsibility are disclosed to the public through the annual report, but the disclosure is made collectively, not on the basis of the individual. Stock options or payment plans based on Company performance are not used in the remuneration of the Independent Members of the Board of Directors.

In 2018, the Company did not lend any loans to any of its Board Members, did not extend the period of the loans and loans granted, did not improve its conditions, did not extend loans under the name of a personal person through a third person or provided guarantees such as sureties in favor of them.

Note: The Corporate Governance Compliance Report (URF) and Corporate Governance Information Form prepared in accordance with CMB's Communiqué II-17.1 are listed below.

https://www.kap.org.tr/en/Bildirim/745199
https://www.kap.org.tr/en/Bildirim/745196

STATEMENT OF RESPONSIBILITY

Declaration of Responsibility for the Reporting of Corporate Governance Compliance Report on URF - KYBF Templates

In accordance with Capital Market Board's decision dated 10.01.2019 and numbered 2/49, Corporate Governance Compliance Report (URF) and Corporate Governance Compliance Report (CFSF) templates were reviewed by KAP platform.

Within the framework of the information we have in our area of duty and responsibility, Corporate Governance Compliance Reporting does not include any misleading disclosures on important matters or any shortcomings that may result in misinterpretation as of the date of disclosure.

Within the framework of the information we have in our area of duty and responsibility, we hereby submit that Corporate Governance Compliance Reporting reflects the development of our activities honestly and we declare that we are responsible for the disclosures.

Yours Truly,

Mehmet Tanju ULA
Chairman of the Audit Committee

Hüsnü Ertuğrul ERGÖZ
Audit Committee Member

Nuri DÜZGÖREN
General Manager

Semih UTKU
Chief Financial Officer

INDEPENDENT AUDITOR'S OPINION ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi General Assembly,

Opinion

Since we have audited Since Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi (the Company) and its subsidiaries (together referred to as the/Group) consolidated financial statements for the period 1/1/2018-31/12/2018, we have also audited the annual activity report for this accounting period.

In our opinion, the consolidated financial information included in the annual report of the Board of Directors, and the Board of Directors' information using the information in the audited financial statements about the status of the Group,
In all material respects, the audited full set is consistent with the consolidated financial statements and the information we have obtained during the independent audit.

The Basis of Vision

Our audit was conducted in accordance with the independent auditing standards issued by the Capital Markets Board (CMB) and this audit was conducted in accordance with the Independent Auditing Standards (IAS), which are part of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority (ASO). Our responsibilities within the scope of these standards are explained in detail in the Responsibilities of the Independent Auditor for Independent Auditing of the Annual Reports section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (Ethical Rules) and Ethical Rules for independent auditing. Other responsibilities regarding the Code of Ethics and the ethics covered by the legislation have also been fulfilled by us. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our Auditor's Opinion on Full Set of Consolidated Financial Statements

We have expressed a positive opinion in our audit report dated 18 February 2019 on the consolidated financial statements of the Group for the 1/1 / 2018-31 / 12/2018 accounting period.

Responsibility of the Board of Directors on the Annual Report

The Group's management is responsible for the following in accordance with the articles 514 and 516 of the Turkish Commercial Code (TCC) No. 6102 and the Communiqué on Principles Regarding Financial Reporting in the Capital Market No: II-14.1 of the Capital Markets Board (Communiqué)

a) Prepares the annual report in the first three months following the balance sheet day and submits it to the General Assembly.

b) Prepares the annual report in a manner that reflects the consolidated financial position of the Group in its entirety, in a correct, complete, truthful and honest manner. In this report, the financial position is evaluated according to the consolidated financial statements. The report also makes clear the Group's development and possible risks. The assessment of the board of directors on these issues also takes place in the report.

c) The annual report also includes:

- Events of special importance to the Group after the end of the year,
- Research and development activities of the Group,
- Financial benefits such as wages, premiums, bonuses, allowances, travel, accommodation and representation expenses, in kind and in cash, insurance and similar guarantees paid to board members and senior executives.

The Board of Directors also takes into account the secondary legislative arrangements made by the Ministry of Commerce and related institutions in preparing the annual report.

Auditor's Responsibility for Independent Audit of the Annual Report

our aim is to give an opinion on whether the Group is consistent with the audited consolidated financial statements and the information we have obtained during the independent audit and to provide an opinion on whether this reflects the fact and to prepare a report containing our opinion. In accordance with the provisions of the Turkish Commercial Code and the Communiqué, the consolidated financial information included in the annual report and the Board of Directors' information on the Group's financial statements are reviewed.

Our audit was conducted in accordance with the independent auditing standards issued by the CMB and the BDSs. These standards include whether the independent audit is consistent with the consolidated financial statements and the information obtained during the audit, as well as the consolidated financial statements, the consolidated financial information provided in the annual report, and the Board of Directors' information using the information in the audited financial statements and these audits require planning and execution to obtain reasonable assurance whether the information above reflects the truth.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member company of KPMG International

Hakan Ölekli, SMMM
Partner
18 February 2019
İstanbul, Türkiye

AUDITOR'S REPORT ON THE EARLY DETECTION OF RISK SYSTEM AND COMMITTEE

To Board of Directors of Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi

We have audited the early detection system and committee established by Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi (Company).

Responsibility of the Board of Directors

Pursuant to the first paragraph of Article 378 of the Turkish Commercial Code (TCC) No. 6102 The Board of Directors is obliged to set up a specialized committee, to run and develop the system to manage the risk by early detection of the reasons that endanger the existence, development and continuation of the company, application of necessary measures and remedies.

Auditor's Responsibility

Our responsibility is to reach a conclusion on the early detection of risk system and committee based on our audit. The audit we conducted was conducted in accordance with the Code of Ethics and the 'Principles Regarding the Auditor's Report on the Early Detection of Risk System and Committee ve published by the Public Oversight, Accounting and Auditing Standards Authority. These principles are; determining whether the company has established an early detection system and committee for risk, and if it is established, evaluates whether the system and the committee operate under article 378 of the TCC. The relevance of the remedies by the Committee for Early Detection of Risks and the practices made by the management against the risks are not within the scope of our audit.

Information on the Early Detection of Risk System and Committee

The purpose of the Early Detection and Management Committee (Committee) is: In the light of the risk projects carried out at the corporate level, the Company is responsible for the early identification of risks that may endanger the existence, development and continuity of the Company, the implementation of the necessary measures related to the identified risks and the management of the risk. The committee consists of 2 members, one of whom is the chairman. In 2018, the Committee convened on 3 May 2018, 27 July 2018, 21 September 2018, 31 October 2018, 26 November 2018 and 28 December 2018 and submitted its reports to the Board of Directors.

Result

As a result of our audit, it was concluded that Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi has a sufficient system of early detection of risk and its committee in all its important aspects within the framework of article 378 of the Turkish Commercial Code.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Hakan Ölekli, SMMM
Partner
18 February 2019
İstanbul, Türkiye

YÜNSA YÜNLÜ SANAYI VE TICARET A.Ş. AND ITS SUBSIDIARIES

Convenience Translation into English ofConsolidated Financial Statements as at and for the year ended 31 December 2018

With Independent Auditor's Report Thereon
(Orginally issued in Turkish)

CONTENTS

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi Genel Kurulu'na,

A) Konsolide Finansal Tabloların Bağımsız Denetimi

Görüş

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi'nin ("Şirket") ve bağlı ortaklıklarının (birlikte "Grup" olarak anılacaktır) 31 Aralık 2018 tarihli konsolide finansal durum tablosu ile aynı tarihte sona eren hesap dönemine ait; konsolide kâr veya zarar tablosu, konsolide diğer kapsamlı gelir tablosu, konsolide özkaynaklar değişim tablosu ve konsolide nakit akış tablosu ile önemli muhasebe politikalarının özeti de dâhil olmak üzere konsolide finansal tablo dipnotlarından oluşan konsolide finansal tablolarını denetlemiş bulunuyoruz.

Görüşümüze göre ilişikteki konsolide finansal tablolar, Grup'un 31 Aralık 2018 tarihi itibarıyla konsolide finansal durumunu ve aynı tarihte sona eren hesap dönemine ait konsolide finansal performansını ve konsolide nakit akışlarını, Türkiye Finansal Raporlama Standartlarına ("TFRS"lere) uygun olarak tüm önemli yönleriyle gerçeğe uygun bir biçimde sunmaktadır.

Görüşün Dayanağı

Yaptığımız bağımsız denetim, Sermaye Piyasası Kurulu ("SPK") tarafından yayımlanan bağımsız denetim standartlarına ve Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu ("KGK") tarafından yayımlanan Türkiye Denetim Standartlarının bir parçası olan Bağımsız Denetim Standartlarına ("BDS"lere) uygun olarak yürütülmüştür. Bu standartlar kapsamındaki sorumluluklarımız, raporumuzun Bağımsız Denetçinin Konsolide Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları bölümünde ayrıntılı bir şekilde açıklanmıştır. KGK tarafından yayımlanan Bağımsız Denetçiler için Etik Kurallar ("Etik Kurallar") ile konsolide finansal tabloların bağımsız denetimiyle ilgili mevzuatta yer alan etik hükümlere uygun olarak Grup'tan bağımsız olduğumuzu beyan ederiz. Etik Kurallar ve mevzuat kapsamındaki etiğe ilişkin diğer sorumluluklar da tarafımızca yerine getirilmiştir. Bağımsız denetim sırasında elde ettiğimiz bağımsız denetim kanıtlarının, görüşümüzün oluşturulması için yeterli ve uygun bir dayanak oluşturduğuna inanıyoruz.

Kilit Denetim Konuları

Kilit denetim konuları, mesleki muhakememize göre cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konulardır. Kilit denetim konuları, bir bütün olarak konsolide finansal tabloların bağımsız denetimi çerçevesinde ve konsolide finansal tablolara ilişkin görüşümüzün oluşturulmasında ele alınmış olup, bu konular hakkında ayrı bir görüş bildirmiyoruz.

Hasılatın muhasebeleştirilmesi

Hasılatın muhasebeleştirilmesi ilgili muhasebe politikaları ve kullanılan önemli muhasebe tahmin ve varsayımlarının detayı için Dipnot 2.3 a)'ya bakınız.

Kilit Denetim Konusu	Konunun denetimde nasıl ele alındığı
Grup'un başlıca hasılat elde ettiği gelir unsurları yünlü kumaş satışlarından oluşmaktadır. Grup, taahhüt edilen bir mal veya hizmeti müşterisine devrederek edim yükümlülüğünü yerine getirdiğinde (veya getirdikçe) hasılatı finansal tablolara alır. Grup, siparişe göre üretilmiş kumaşları için, Grup'un üretimi devam eden tüm yarı mamulleri kontrol ettiğini belirlemiştir. Bunun nedeni, sözleşmenin müşteri tarafından feshedilmesi durumunda Grup'un, makul bir marj dahil, o tarihte ortaya çıkan maliyetlerin geri ödenmesi hakkına sahip olmamasıdır. Bu nedenle, Grup, malların veya hizmetin kontrolünü müşteriye transfer ettiği zaman hasılatı muhasebeleştirir. Ticari sözleşmelerin karmaşıklığı nedeniyle her bir duruma ilişkin muhasebe esası seçilmesi ve kontrol devrinin değerlendirilmesi sonucunda hasılatın doğru dönemde konsolide finansal tablolara yansıtılması önemli muhakemeler gerektirdiğinden hasılatın muhasebeleştirilmesi kilit denetim konusu olarak belirlenmiştir.	Bu alanda uyguladığımız denetim prosedürlerimiz aşağıdakileri içermektedir: • Hasılatın muhasebeleştirilmesine yönelik iç kontrollerin tasarımı, uygulaması ve işleyişinin etkinliğinin bilgi sistemleri uzmanlarımızdan da yardım alınmak suretiyle değerlendirilmesi. • Örneklem ile seçilen satış sözleşmelerinin incelenerek Grup tarafından uygulanan muhasebe politikalarının TFRS 15'e uygunluğunun değerlendirilmesi. • Örneklem ile seçilen satış işlemleri için alınan satış belgeleri aracılığıyla kontrol transferinin incelenerek hasılatın muhasebe politikalarına uygunluğunun ve uygun finansal raporlama döneminde finansal tablolara alınmasının değerlendirilmesi. • Örneklem ile seçilen ticari alacaklar için dış teyit alınması ve finansal tablolar ile uyumunun kontrol edilmesi. • Olağandışı işlemlerin varlığının tespit edilmesi amacıyla analitik incelemeler yapılması. • Raporlama dönemi sonrasında gerçekleşen iadelerin örneklem yöntemiyle uygun finansal raporlama döneminde finansal tablolara alınıp alınmadığının test edilmesi.

Yönetimin ve Üst Yönetimden Sorumlu Olanların Konsolide Finansal Tablolara İlişkin Sorumlulukları

Grup yönetimi; konsolide finansal tabloların TFRS'lere uygun olarak hazırlanmasından, gerçeğe uygun bir biçimde sunumundan ve hata veya hile kaynaklı önemli yanlışlık içermeyecek şekilde hazırlanması için gerekli gördüğü iç kontrolden sorumludur.

Konsolide finansal tabloları hazırlarken yönetim; Grup'un sürekliliğini devam ettirme kabiliyetinin değerlendirilmesinden, gerektiğinde süreklilikle ilgili hususları açıklamaktan ve Grup'u tasfiye etme ya da ticari faaliyeti sona erdirme niyeti ya da mecburiyeti bulunmadığı sürece işletmenin sürekliliği esasını kullanmaktan sorumludur.

Üst yönetimden sorumlu olanlar, Grup'un finansal raporlama sürecinin gözetiminden sorumludur.

Bağımsız Denetçinin Konsolide Finansal Tabloların Bağımsız Denetimine İlişkin Sorumlulukları

Bir bağımsız denetimde, biz bağımsız denetçilerin sorumlulukları şunlardır:

Amacımız, bir bütün olarak konsolide finansal tabloların hata veya hile kaynaklı önemli bir yanlışlık içerip içermediğine ilişkin makul güvence elde etmek ve görüşümüzü içeren bir bağımsız denetçi raporu düzenlemektir. SPK tarafından yayımlanan bağımsız denetim standartlarına ve BDS'lere uygun olarak yürütülen bir bağımsız denetim sonucunda verilen makul güvence; yüksek bir güvence seviyesidir ancak, var olan önemli bir yanlışlığın her zaman tespit edileceğini garanti etmez. Yanlışlıklar hata veya hile kaynaklı olabilir. Yanlışlıkların, tek başına veya toplu olarak, konsolide finansal tablo kullanıcılarının bu tablolara istinaden alacakları ekonomik kararları etkilemesi makul ölçüde bekleniyorsa bu yanlışlıklar önemli olarak kabul edilir.

SPK tarafından yayımlanan bağımsız denetim standartlarına ve BDS'lere uygun olarak yürütülen bir bağımsız denetimin gereği olarak, bağımsız denetim boyunca mesleki muhakememizi kullanmakta ve mesleki şüpheciliğimizi sürdürmekteyiz. Tarafımızca ayrıca:

- Konsolide finansal tablolardaki hata veya hile kaynaklı "önemli yanlışlık" riskleri belirlenmekte ve değerlendirilmekte; bu risklere karşılık veren denetim prosedürleri tasarlanmakta ve uygulanmakta ve görüşümüze dayanak teşkil edecek yeterli ve uygun denetim kanıtı elde edilmektedir. Hile; muvazaa, sahtekârlık, kasıtlı ihmal, gerçeğe aykırı beyan veya iç kontrol ihlali fiillerini içerebildiğinden, hile kaynaklı önemli bir yanlışlığı tespit edememe riski, hata kaynaklı önemli bir yanlışlığı tespit edememe riskinden yüksektir.
- Grup'un iç kontrolünün etkinliğine ilişkin bir görüş bildirmek amacıyla değil ama duruma uygun denetim prosedürlerini tasarlamak amacıyla denetimle ilgili iç kontrol değerlendirilmektedir.
- Yönetim tarafından kullanılan muhasebe politikalarının uygunluğu ve yapılan muhasebe tahminlerinin ve ilgili açıklamaların makul olup olmadığı değerlendirilmektedir.
- Elde edilen denetim kanıtlarına dayanarak Grup'un sürekliliğini devam ettirme kabiliyetine ilişkin ciddi şüphe oluşturabilecek olay veya şartlarla ilgili önemli bir belirsizliğin mevcut olup olmadığı hakkında ve yönetimin işletmenin sürekliliği esasını kullanmasının uygunluğu hakkında sonuca varılmaktadır. Önemli bir belirsizliğin mevcut olduğu sonucuna varmamız halinde, raporumuzda, konsolide finansal tablolardaki ilgili açıklamalara dikkat çekmemiz ya da bu açıklamaların yetersiz olması durumunda olumlu görüş dışında bir görüş vermemiz gerekmektedir. Vardığımız sonuçlar, bağımsız denetçi raporu tarihine kadar elde edilen denetim kanıtlarına dayanmaktadır. Bununla birlikte, gelecekteki olay veya şartlar Grup'un sürekliliğini sona erdirebilir.
- Konsolide finansal tabloların, açıklamalar dâhil olmak üzere, genel sunumu, yapısı ve içeriği ile bu tabloların temelini oluşturan işlem ve olayları gerçeğe uygun sunumu sağlayacak şekilde yansıtıp yansıtmadığı değerlendirilmektedir.
- Konsolide finansal tablolar hakkında görüş vermek amacıyla, grup içerisindeki işletmelere veya faaliyet bölümlerine ilişkin finansal bilgiler hakkında yeterli ve uygun denetim kanıtı elde edilmektedir. Grup denetiminin yönlendirilmesinden, gözetiminden ve yürütülmesinden sorumluyuz. Verdiğimiz denetim görüşünden de tek başımıza sorumluyuz.

Diğer hususların yanı sıra, denetim sırasında tespit ettiğimiz önemli iç kontrol eksiklikleri dâhil olmak üzere, bağımsız denetimin planlanan kapsamı ve zamanlaması ile önemli denetim bulgularını üst yönetimden sorumlu olanlara bildirmekteyiz.

Bağımsızlığa ilişkin etik hükümlere uygunluk sağladığımızı üst yönetimden sorumlu olanlara bildirmiş bulunmaktayız. Ayrıca bağımsızlık üzerinde etkisi olduğu düşünülebilecek tüm ilişkiler ve diğer hususları ve -varsa- ilgili önlemleri üst yönetimden sorumlu olanlara iletmiş bulunmaktayız.

Üst yönetimden sorumlu olanlara bildirilen konular arasından, cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konuları yani kilit denetim konularını belirlemekteyiz. Mevzuatın konunun kamuya açıklanmasına izin vermediği durumlarda veya konuyu kamuya açıklamanın doğuracağı olumsuz sonuçların, kamuya açıklamanın doğuracağı kamu yararını aşacağının makul şekilde beklendiği oldukça istisnai durumlarda, ilgili hususun bağımsız denetçi raporumuzda bildirilmemesine karar verebiliriz.

B) Mevzuattan Kaynaklanan Diğer Yükümlülükler

1) 6102 sayılı Türk Ticaret Kanunu'nun ("TTK") 398 inci maddesinin dördüncü fıkrası uyarınca düzenlenen Riskin Erken Saptanması Sistemi ve Komitesi Hakkında Denetçi Raporu 18 Şubat 2019 tarihinde Şirket'in Yönetim Kurulu'na sunulmuştur.

2) TTK'nın 402 nci maddesinin dördüncü fıkrası uyarınca Şirket'in 1 Ocak – 31 Aralık 2018 hesap döneminde defter tutma düzeninin ve konsolide finansal tablolarının TTK ile Şirket esas sözleşmesinin finansal raporlamaya ilişkin hükümlerine uygun olmadığına dair önemli bir hususa rastlanmamıştır.

3) TTK'nın 402 nci maddesinin dördüncü fıkrası uyarınca Yönetim Kurulu tarafımıza denetim kapsamında istenen açıklamaları yapmış ve talep edilen belgeleri vermiştir.

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

Hakan Ölekli, SMMM
Sorumlu Denetçi
18 Şubat 2019
İstanbul, TÜRKİYE

YÜNSA YÜNLÜ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 2018

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year (Audited) 31 December 2018	Prior year (Audited) 31 December 2017
Assets			
Current assets		**244,647,011**	**168,264,102**
Cash and cash equivalents	6	**16,582,037**	**10,897,936**
Financial investments	6.1	**25,451,458**	**-**
Trade receivables	8	**97,929,433**	**74,193,635**
- Trade receivables from third parties		97,916,646	73,672,694
- Trade receivables from related parties	7	12,787	520,941
Other receivables	9	1,817,378	882,431
- Other receivables from third parties	9	**1,817,378**	**882,431**
Derivative financial instruments	22	**-**	**3,547,571**
- Derivative financial assets held for cash flow hedges	22	-	3,547,571
Inventories	10	**90,268,587**	**69,840,586**
Prepaid expenses	12	**2,964,348**	**89,164**
Other current assets	22	**9,633,770**	**8,812,779**
- Other current assets from third parties	22	9,633,770	8,812,779
Non-current assets		**78,125,672**	**76,754,907**
Property, plant and equipment	14	**47,272,899**	**47,020,879**
Intangible assets	15	**18,571,602**	**16,849,304**
Prepaid expenses	12	**8,893**	**944,090**
- *Prepaid expenses to third parties*	12	8,893	944,090
Deferred tax asset	31	**12,272,278**	**11,940,634**
Total assets		**322,772,683**	**245,019,009**

Consolidated financial statements as of and for the year ended 31 December 2018, were approved by the Board of Directors on 18 February 2019.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 2018

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year (Audited) 31 December 2018	Prior year (Audited) 31 December 2017
Liabilities			
Total short term liabilities		**216,262,549**	**166,998,257**
Short-term borrowings	18	**128,257,002**	**92,960,773**
- Short term borrowings from related parties	7	**-**	**501,509**
- Bank loans	7	-	501,509
- Short term borrowings from third parties		**128,257,002**	**92,459,264**
- Bank loans		128,257,002	92,459,264
Trade payables	8	**75,897,399**	**64,651,951**
Trade payables to the related parties	7	287,500	295,288
Trade payables to third parties		75,609,899	64,356,663
Payables related to employee benefits	21	**4,819,899**	**5,741,779**
Short term provisions for the employee benefits	22	**4,277,552**	**1,762,450**
Other provisions	22	**650,179**	**-**
Deferred income	9	**1,346,070**	**844,707**
- Deferred income from third parties	9	1,346,070	844,707
Other short term liabilities	22	**1,014,448**	**1,036,597**
- Other short term liabilities to third parties	22	1,014,448	1,036,597
Total long term liabilities		**16,112,388**	**12,617,015**
Long term provisions	21	**16,112,388**	**12,617,015**
- Long term provisions for the employee benefits	21	16,112,388	12,617,015
Total equity		**90,397,746**	**65,403,737**
Paid- in share capital	23	**29,160,000**	**29,160,000**
Inflation differences		**30,657,866**	**30,657,866**
Share premium (discounts)		**92,957**	**92,957**
Other comprehensive income and expenses not to be reclassified to accumulated profit or loss	23	**(3,989,913)**	**(2,708,929)**
Other comprehensive income and expenses to be reclassified to accumulated profit or loss		**1,981,870**	**3,800,311**
Restricted reserves		**21,978,549**	**21,978,549**
Accumulated losses		**(17,577,017)**	**(32,425,839)**
Net profit for the current year	32	**28,093,434**	**14,848,822**
Total liabilities and equity		**322,772,683**	**245,019,009**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year (Audited) 1 January - 31 December 2018	Prior year (Audited) 1 January- 31 December 2017
Continuing operations			
Revenue	24	367,797,899	296,871,112
Cost of sales	24	(270,531,888)	(228,168,815)
Gross profit from trade operations		**97,266,011**	**68,702,297**
General administrative expenses	26	(11,855,602)	(9,132,713)
Marketing expenses	26	(36,689,681)	(26,786,092)
Research and development expenses	26	(2,223,917)	(653,578)
Impairment loss on / (reversal) of impairment on trade receivables		(3,652,111)	159,513
Other operating income	27	53,361,913	29,957,319
Other operating expenses	27	(46,423,195)	(19,840,611)
Operating profit		**49,783,418**	**42,406,135**
Revenues from investment activities	27	279,741	1,809,733
Finance expenses	29	(21,271,609)	(27,924,021)
Profit before tax from continuing operations		**28,791,550**	**16,291,847**
Tax (expense) income from continuing operations	31	**(698,116)**	**(1,443,025)**
Tax (expense)/benefit for the period		-	-
Deferred tax (expense) /benefit		(698,116)	(1,443,025)
Profit for the year from continuing operations		**28,093,434**	**14,848,822**
Profit/(loss) for the year		**28,093,434**	**14,848,822**
Distribution of profit / (loss)			
Equity holders of the parent		**28,093,434**	**14,848,822**
Earnings per share		**0.0096**	**0.0051**
Diluted earnings per share (Kr)	32	**0.0096**	**0.0051**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current Year (Audited) 1 January- 31 December 2018	Prior Year (Audited) 1 January - 31 December 2017
Net profit/(loss) for the period		**28,093,434**	**14,848,822**
Other comprehensive income /(expense) not to be re-classified to profit or loss		**(1,280,984)**	**113,014**
Defined benefit plans remeasurements gains/(losses)	21	(1,601,230)	141,268
Taxes on other comprehensive income items not to be reclassified to profit or loss		320,246	(28,254)
- Deferred tax (expense)/income	31	320,246	(28,254)
Other comprehensive income/(expense) to be reclassified to profit or loss		**(1,818,441)**	**5,307,377**
Other comprehensive income (expense) related tocash flow hedges		(3,547,571)	6,139,486
- Gain (loss)on cash flow hedges		(3,547,571)	6,139,486
Foreign currency translation differences	23	1,019,616	395,788
- Foreign currency translation differences		1,019,616	395,788
Taxes on other comprehensive income items to be reclassified in profit or loss		**709,514**	**(1,227,897)**
- Deferred tax (expense) income	31	709,514	(1,227,897)
Other comprehensive income / (expense)		**(3,099,425)**	**5,420,391**
Total comprehensive income / (expense)		**24,994,009**	**20,269,213**
Distribution of total comprehensive income			
Equity holders of the parent		**24,994,009**	**20,269,213**

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

YÜNSA YÜNLÜ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

					Other comprehensive income /(expense) not to be reclassified to profit or loss	Other comprehensive Income/(expense)to be classified to profit and loss					
	Note	Paid in Capital	Inflation adjustment	Share premium	Remeasurement earnings/(losses) in the defined retirement plans	Hedging reserve gains / (losses)	Foreign currency translation diff.	Restricted reserves	Retained earnings/ (accumulated deficit)	Net profit(loss) for the period	Total equity
As at 1 January 2017	23	**29,160,000**	**30,657,866**	**92,957**	**(2,821,943)**	**(2,073,532)**	**566,466**	**21,978,549**	**1,680,753**	**(34,106,592)**	**45,134,524**
Transfers to the previous year's profit		-	-	-	-	-		-	(34,106,592)	34,106,592	-
Actuarial gain/loss		-	-	-	113,014	-	-	-	-	-	113,014
Increase (decrease) due to other changes		-	-	-	-	-	395,788	-	-	-	395,788
Financial risk hedge fund		-	-	-	-	4,911,589	-	-	-	-	4,911,589
Profit for the year		-	-	-	-	-	-	-	-	14,848,822	14,848,822
Total comprehensive income		**-**	**-**	**-**	**113,014**	**4,911,589**	**395,788**	**-**	**-**	**14,848,822**	**20,269,213**
Balances as at 31 December 2017	23	**29,160,000**	**30,657,866**	**92,957**	**(2,708,929)**	**2,838,057**	**962,254**	**21,978,549**	**(32,425,839)**	**14,848,822**	**65,403,737**
As at 1 January 2018	23	**29,160,000**	**30,657,866**	**92,957**	**(2,708,929)**	**2,838,057**	**962,254**	**21,978,549**	**(32,425,839)**	**14,848,822**	**65,403,737**
Transfers to the previous year's profit		-	-	-	-	-	-	-	14,848,822	(14,848,822)	-
Actuarial gain/loss		-	-	-	(1,280,984)	-	-	-	-	-	(1,280,984)
Foreign exchange translation differences		-	-		-	-	1,019,616	-	-	-	1,019,616
Financial risk hedge fund		-	-	-	-	(2,838,057)	-	-	-	-	(2,838,057)
Profit for the year		-	-	-	-	-	-	-	-	28,093,434	28,093,434
Total comprehensive income		**-**	**-**	**-**	**(1,280,984)**	**(2,838,057)**	**1,019,616**	**-**	**-**	**28,093,434**	**24,994,009**
Balances as at 31 December 2018	23	**29,160,000**	**30,657,866**	**92,957**	**(3,989,913)**	**-**	**1,981,870**	**21,978,549**	**(17,577,017)**	**28,093,434**	**90,397,746**

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

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year (Audited) 31 December 2018	Prior year (Audited) 31 December 2017
Cash flow from operations			
Profit(loss) for the period	32	28,093,434	14,848,822
Adjustments			
Adjustments for depreciation and amortization	28	11,409,777	11,814,966
Adjustments for impairment(reversal) of inventories	10	(211,292)	(9,160,001)
Adjustments for provisions (reversals) related with employee benefits	21	6,166,036	3,883,694
Adjustment for interest income		(142,855)	(129,311)
Adjustment for interest expense	29	10,001,323	12,743,390
Adjustment for tax (income)/expense	31	698,116	1,443,025
Adjustment for loss (gains) on sale of property, plant and equipment	27	(279,741)	(1,809,733)
Adjustment for gains /(losses) on derivative financial instruments		16,849,400	8,807,600
Adjustment for unrealized foreign currency translation differences		3,098,436	3,746,384
Research and development expenses recognized as an expense		894,502	356,617
Adjustments for provision / (reversal) of doubtful trade receivable, net	8	3,652,111	(159,513)
Other adjustments		1,266,434	9,370
Adjustments for short term provisions		650,179	-
Net cash provided by operating activities before changes in working capital flow		**82,145,860**	**46,395,310**
Adjustments for decrease (increase) in trade receivables		(29,360,082)	1,898,703
Adjustments for decrease (increase) in inventories		(20,081,770)	21,715,449
Decrease (increase) in the prepaid expenses		(1,939,987)	302,099
Adjustments for decrease (increase) in the trade payables		11,245,448	36,317,550
Decrease (increase) in the other assets concerning the operations		(1,820,004)	2,399,048
Cash inflows/outflows from derivative assets and liabilities		(16,139,886)	(8,807,600)
Adjustments for decrease (increase) in employee benefits		878,120	-
Decrease (increase) in other liabilities related with operating activities		(2,021,470)	(2,806,973)
Net cash provided from operating activities		**22,906,229**	**97,413,586**
Payments within the scope of the provisions for employee benefits	21	(1,756,791)	(2,141,385)
Collections from doubtful receivables		770,060	635,169
Tax returns (payments)		(9,084)	(21,402)
Cash flows from operating activities		**21,910,414**	**95,885,968**
Cash flows concerning investment activities			
Cash outflow from purchase of property, plant and equipment	14	(5,911,966)	(5,535,334)
Cash outflow from purchase of intangible assets	15	(8,929,878)	(7,630,940)
Cash inflow due to the sale of tangible assets		320,089	3,620,644
Cash inflow/outflow due to the Financial Investments	15	(25,451,458)	-
Cash inflow / outflow due to the government incentives		387,959	791,837
Interest received		142,855	129,311
Net cash used in investment activities		**(39,442,399)**	**(8,624,482)**
Cash flows used in financing activities			
Cash in/out from loans	18	32,649,291	(65,653,841)
Interest paid	18	(9,442,436)	(12,517,945)
Net cash from / (used) in financing activities		**23,206,855**	**(78,171,786)**
Effect of foreign currency translation in cash and cash equivalents		9,231	(843,076)
Net decrease in cash and cash equivalents		5,674,870	9,089,700
Cash and cash equivalents at the beginning of the period	6	10,897,936	2,651,312
Cash and cash equivalents at the end of the period		**16,582,037**	**10,897,936**

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

1. Group's organization and nature of operations

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("The Company") and its subsidiaries (will be together referred as "The Group"). Yünsa Yünlü Sanayi ve Ticaret A.Ş. is the parent company, which owns/controls the majority of the shares, consist of four subsidiaries.

Yünsa Yünlü Sanayi ve Ticaret A.Ş. was established in 21 June 1973 for the manufacturing, marketing and selling wool textile products. The main shareholder of the Company is Hacı Ömer Sabancı Holding A.Ş. The shares of the Company and its main shareholder are quoted on Borsa İstanbul A.Ş. and traded in the national market.

The average number of the personnel employed within the Company is 1,091 employees (average number of the personnel for 2017 was 1,057 employees).

The registered office address of the Company is as follows:

Sabancı Center

Kule 2, 34330 4. Levent

İSTANBUL

As of 31 December 2018 and 2017, the subsidiaries controlled by the Company with their respective shareholding ratios (direct and indirect) and their field of activities are disclosed as follows:

	31 December 2018	31 December 2017	
Subsidiaries	Direct Ownership Ratio (%)	Indirect Ownership Ratio (%)	Field of Activity
Yünsa Germany GmbH	100	100	Marketing - Sale
Yünsa Italia SRL	100	100	Fabric Design
Yünsa UK Limited	100	100	Marketing-Sale
Yünsa USA Inc.	100	100	Marketing-Sale

Dividends paid:

The group did not pay dividends in the current period (31 December 2017 - Cash dividend payment is not made).

Approval of the financial statements:

The consolidated financial statements have been approved by the Board of Directors and authorized for issue on 18 February 2019.

2. Basis of presentation of financial statements

2.1 Basic principles on presentation of the consolidated financial statements

a) Statement of compliance with TFRS

The accompanying consolidated financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1"Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No: 28676 on 13 June 2013.TFRS's contain Turkish Accounting Standards ("TAS"), Turkey Financial Reporting Standards, TAS interpretations, and TFRS interpretations published by POA.

Consolidated financial statements are presented in accordance with the TAS Taxonomy which was published by POA and the formats specified in the Financial Statement Examples and User Guideline which was published by CMB.

Approval of financial statements:

The consolidated financial statements have been approved for issue by the Board of Directors on 18 February 2019. General assembly has the right to make changes in the financial statements after the aforementioned financial statements are issued.

b) Preparation of financial statements

The accompanying consolidated financial statements and notes are presented in accordance with the illustrative financial statements published by CMB on 7 June 2013.

The accompanying consolidated financial statements are approved by the Company's Board of Directors on 19 February 2018. General Assembly and related legal institutions have the right to correct these financial statements and statutory financial statements.

c) Basis of measurement

The consolidated financial statements are prepared on historical cost basis, except the derivative financial instruments that are carried at the fair value. See note 34 for fair value explanations.

d) Functional and presentation currency

The separate financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in Turkish Lira ("TL"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

As of 31 December 2018, the functional currencies of the subsidiaries of the Group as based on the countries in which they operate are Euro, British Pound and US Dollar and the currency for the presentation is TL. The translation difference arising of these subsidiaries consolidated are reported under foreign exchange translation differences account under the equity.

As of 31 December 2018 the rate of exchange declared by the Central Bank of the Republic of Turkey is as 1 Euro = 6.0280 TL. The average of the rate of exchange declared by the Central Bank of the Republic of Turkey for the period between 1 January - 31 December 2018 is as 1 Euro = 5.6789 TL. The rate of exchange declared by the Central Bank of the Republic of Turkey as of 31 December 2018 is as 1 US Dollar = 5.2609 TL. The average of the rate of exchange declared by the Central Bank of the Republic of Turkey for the period between 1 January-31 December 2018 is as 1 US Dollar = 4.8301 TL. The rate of exchange declared by the Central Bank of the Republic of Turkey as of 31 December 2018 is as 1 GBP = 6.6528 TL. The average of the rate of exchange declared by the Central Bank of the Republic of Turkey for the period between 1 January- 31 December 2018 is as 1 GBP = 6.4034 TL.

2. Basis of presentation of financial statements (continued)

2.1 Basic principles on presentation of the consolidated financial statements (continued)

e) Basis of consolidation

Consolidated financial statements include the financial statements of the entities controlled by the Company. The control is provided when a control is achieved on the financial and operational policies in order to acquire benefits from the operations of an entity.

The results of the purchased or sold subsidiaries are shown in the consolidated income statement after the dates after they are purchased or until the date they are disposed. Where necessary, adjustments related to the accounting policies are made to the financial statements of subsidiaries to be in compliance with the accounting policies used by the Group.

The shares other than the parent company shares in the net assets of the consolidated subsidiaries (non-controlling interests) are shown separately in the equity of the Group. Non-controlling interests is the total of these shares that are formed during the first entity mergers and changes after the merger date.

When a company is purchased by the Group, the assets and the liabilities of the relevant subsidiary are measured with their fair values as of the purchase date. Non-controlling interests are measured by calculating the fair values of the assets and liabilities at the ratio of non-controlling interests. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In case the Company pays a price over the net asset value for the asset purchased, then goodwill arises during the consolidation. Following the valuation, in case the net fair value of the Group shares of the assets, liabilities and the contingent liabilities of the purchased Company exceeds the cost related to the acquisition, then the surplus amount is accounted for in the income statement.

The changes in the capital share of the Group's existing subsidiary:

The changes in the Group's subsidiaries that do not result in loss of control of the subsidiaries are accounted for as equity transactions. Group's shares and the carrying amount of non-controlling interests are adjusted to reflect the changes in their shares in the subsidiaries. Any difference between the amount by which the non-controlling shares are adjusted and the fair value of the consideration paid or received is recognized directly in equity as the share of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the differencebetween (i) the aggregate of the consideration received and the fair value of any remaining interest and (ii) the previous book values of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling shares.

f) Comparative information and adjustment of the financial statements of the previous period

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about the financial position and performance trends. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant differences are disclosed if necessary. The nature, reason of the classifications and amounts are given below. The classifications do not have any effect on the profit or loss statement.

- 1,762,450 TL of unused vacation pay provision shown in the "Payables related to employee benefits" account is classified in "Short term provisions for the employee benefits" account.
- 709,251 TL of claim expenses classified under "Export and freight" expenses shown in the "Marketing and sale, distribution expenses" account is classified in "Revenues" account
- 2,650,583 TL of sample expenses classified under "Export and freight" expenses shown in the "Marketing and sale, distribution expenses" account is classified in "Cost of sales" account.
- 1,630,274 TL of "Eximbank credit insurance premiums" classified under "other financing" shown in "Financing Expenses" account is classified under "other real operating expenses" account.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

2. Basis of presentation of financial statements (continued)

2.1 Basic principles on presentation of the consolidated financial statements (continued)

g) Changes in the accounting policies

The accounting policy changes arising from the first time application of a new standard are applied retrospectively or prospectively in accordance with the transitional options, if any. Changes to which no transition clauses are included, material changes in accounting policies or voluntary accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are applied in the current period that estimation change made. If changes in accounting estimates are related to future period, they are applied both in the current period when the amendment is made and for the future periods, both in the current period and in the future.

First time application of TFRS 15 "Revenue from contracts with customers"

The Group has adopted TFRS 15 "Revenue from contracts with customers" that was replacing TAS 18 using the cumulative effect method starting from 1 January 2018. Transition of TFRS 15 was accounted with practical expedients. In accordance with this practical expedients, the Group has applied this standard only for the incomplete contracts as of 1 January 2018 and the Group has not recognized any transition effect due to immaterial effect on consolidated financial statements.

The details of the new significant accounting policies and the nature of the changes in the Group's previous accounting policies concerning the sale of various products are given below.

Type of product	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Revenue from product sales	Sales of the Group are mainly comprised of wool fabric. The Group has determined that for made-to-order products, the Group controls all of the work in progress as the products are being manufactured. This is because if a contract is terminated by the customer, then the Group is not entitled to reimbursement of the costs incurred to date, including a reasonable margin. Customers obtain control of products when the goods are delivered to and have been accepted at their premises for order made to order products. The customers acquire the control of the fabric when the products are delivered during the sales which are not made on order and the revenues are accounted on this date. The invoices are issued according to the contract and are paid in about 90 days.	Within the scope of TAS18, the revenue for made-to-order products was recognised on the date which the products are delivered to the customer, which is the time on which the products are accepted by the customer and the risk and rewards for such products are transferred. At this point, the revenue is accepted on condition that the revenue and costs can be measured reliably, that it is possible to earn the consideration and that there is no continuous administrative participation with the products. There are no significant changes in the financial statements attributable to the product sales arising of the application of TFRS 15 accounting policies.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

2. Basis of presentation of financial statements (continued)

2.1 Basic principles on presentation of the consolidated financial statements (continued)

g) Changes in the accounting policies (continued)

First time application of TFRS 9 "Financial instruments"

The Group has applied TFRS 9 "Financial Instruments" as the first application date of 1 January 2018, replacing TAS 39. It includes requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model to replace the currently used impairment model. The transition effect of the standard is accounted for by the simplified method. With this method, the Group calculated the cumulative effect of the first transition to TFRS 9 and did not recognize the cumulative effect calculated in retained earnings due to immateriality. Due to this reason, restatement of the consolidated financial statements of the previous years was not required and the prior year financial statements were presented in compliance with TAS 39.

The impairment of the trade and other receivables which also include the contract assets are presented separately in the profit or loss. An impairment provision reversal amounting to TL 159,513 previously recognized under "Other income" is reclassified as "Reversal of trade receivable impairment" as at 31 December 2017.

First time application of TFRS 9 "Financial instruments"

The following table and the accompanying notes explain the original measurement categories within the scope of TMS 39 and the new measurement categories carried out in compliance with TFRS 9 for each class of the Group's financial assets as of January 1, 2018.

Financial Assets	Original classification according to TMS 39	New classification according to TFRS 9	Original book value according to TMS 39	New book value according to TFRS 9
Foreign currency forward agreements used for financial hedging	Fair value - hedging instrument	Fair value - hedging instrument	3,547,571	3,547,571
Trade Receivables	Loans and receivables	Amortized cost	74,193,635	74,193,635
Other Receivables			882,431	882,431
Cash and Cash Equivalents	Loans and receivables	Amortized cost	10,897,936	10,897,936

2. Basis of presentation of financial statements (continued)

2.2 The changes published as of December 31, 2018, but not put into effect and not applied earlier

Standards issued but not yet effective and not early adopted

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

TFRS 16 Leases

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

TFRS Interpretation 23 -Uncertainty over income tax treatments

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

Amendments to TFRS 9 - Prepayment features with negative compensation

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

The Group does not expect that application of these amendments to TFRS 9 will have significant impact on its consolidated financial statements.

2. Basis of presentation of financial statements (continued)

2.2 The changes published as of December 31, 2018, but not put into effect and not applied earlier (continued)

Amendments to TFRS 9 - Prepayment features with negative compensation

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

The Group does not expect that application of these amendments to TAS 28 will have significant impact on its consolidated financial statements.

The revised Conceptual Framework

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

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements in IFRS

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

2. Basis of presentation of financial statements (continued)

2.2 The changes published as of December 31, 2018, but not put into effect and not applied earlier (continued)

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

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

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

Group does not expect that application of these amendments to IAS 19 will have significant impact on its consolidated financial statements.

Changes in IAS 1 and IAS 8 - Definition of Material

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

2. Basis of presentation of financial statements (continued)

2.2 The changes published as of December 31, 2018, but not put into effect and not applied earlier (continued)

Amendments to IFRS 3 - Definition of a Business

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

Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.3 The summary of the significant accounting policies

Significant accounting policies used in the preparation of the consolidated financial statements are summarized below: The accounting policies except the first application of TFRS 15 and TFRS 9 disclosed in the note 2.1.g) are the same with the accounting policies applied on 31 December 2017.

a) Revenue

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Group accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Group defines 'performance obligation' as a unit of account for revenue recognition. The Group assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct;

(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

a) Revenue (continued)

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Group considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Group does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognition of revenue

The Group recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Group's performance does not create an asset for which the entity has an alternative use and there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer. The Group recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

Contract modifications

The Group recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Sales of the Group are mainly comprised of wool fabric.

The Group has determined that for made-to-order products, the Group controls all of the work in progress as the products are being manufactured. This is because if a contract is terminated by the customer, then the Group is not entitled to reimbursement of the costs incurred to date, including a reasonable margin. Customers obtain control of products when the goods are delivered to and have been accepted at their premises for order made to order products.

The customers acquire the control of the fabric when the products are delivered during the sales which are not made on order and the revenues are accounted on this date.

b) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is mainly based on the weighted average, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value ofinventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

c) Related parties

A person or a member of the close family of such person are considered to be in relation with the Company in the following conditions:

If the mentioned person,

(i) has control or joint control power over the Company,

(ii) has a significant influence on the Company,

(iii) is a member of the key executive personnel of the Company or the parent Company.

If any of the conditions given below exists, then the entity is considered to be related with the Company:

(i) In case of, Entity and the Company are members of the same group.

(ii) In case of entity is another company's subsidiary or joint venture (or in case of a membership of a groups' member)

(iii) In case of both the companies having a business partnership with the same third party,

(iv) One of the companies having a business partnership with a third party and the other company is a subsidiary of that third party,

(v) In case of having Entity's, Company's or the associated Company's employees having a post-employment defined benefit plans (In case of Company has such a plan, the sponsoring companies are also related with the Company.)

(vi) Company's control or jointly controlled by a person identified in the article (a),

(vii) A person who is identified as in (a) article, at (i) part, in the presence of a significant impact on a person's business or such entity (or of a parent of these businesses) in the case of being a member of the key management personnel.

d) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

d) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the purpose of the business model; manage daily liquidity needs, maintain a certain interest rate, or align the maturity of financial assets with the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

d) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see (v) for derivatives designated as hedging instruments.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets: Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories

- loans and receivables;
- at FVTPL, and within this category as:
- derivative hedging instruments; or
- designated as at FVTPL.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

d) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss. However, see (v) for derivatives designated as hedging instruments.

Loans and receivables :

Measured at amortised cost using the effective interest method.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. See (v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

d) Financial instruments (continued)

v. Derivative financial instruments and hedge accounting

TFRS 9 also includes new hedge accounting rules that are intended to align hedge accounting with risk management practices. TFRS 9 provides the option of deferring the adoption of TFRS 9's hedge accounting in the selection of accounting policies and the option to continue the application of the requirements in TAS 39 "hedge accounting". In this context, the Group will continue to apply the requirements of TAS 39 hedge accounting.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. Following the first accounting of the derivative instruments, they are accounted for the fair value changes in the profit or loss.

The Group uses derivative financial instruments (primarily foreign currency forward contracts) in order to hedge risk arising from exchange rate fluctuations due to projected cash flows.

The Group documents, at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedging transactions

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

The gain or loss relating to the ineffective portions of cross currency swaps and forward transactions that are designated for hedging is recognised in the statement of profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedge relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument.

e) Impairment of the assets

i. Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:
- financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

e) Impairment of the assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive)

The Group calculated the ECLs based on previous year's credit losses experience, current financial performance analysis of customers and future expectations. The Group has computed ECLs rate separately for domestic customers and dealers. For export customers and other private customers, the Group evaluates separately and provides a provision if necessary. The Group has applied the doubtful receivable provision methodology by taking into consideration the net receivable after deducting existing colleterals, payment performance, the credit risk score of the creditors evaluated by independent credit rating firms.

The cash shortfalls is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

e) Impairment of the assets (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Financial assets measured at amortized cost

The Group evaluates the impairment indicators for these assets both at the asset level and collectively. All significant assets are assessed for impairment. Assets that do not have significant impairment as a separate asset are tested collectively for impairment losses that have been incurred but have not yet been determined.

The Group takes into account the past experience of recovery timing and loss amounts when assessing impairment collectively. In making this assessment, the Group management makes necessary adjustments by taking into consideration the current economic situation and credit conditions and the fact that the losses occurred should be more or less than the provision for impairment.

An impairment loss is the difference between the carrying amount of the asset and its estimated future cash flows discounted at the original effective interest rate to its present value. Losses are recognized in profit or loss and recognized using the reserve account. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. If an event occurring after the impairment was recognized causes a decrease in impairment, such decrease is recognized in profit or loss and reversed from the previously recognized impairment loss.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

f) Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less accumulated depreciation and impairment loss if exists. Depreciation is recognized on a straight-line basis over the useful lives of the tangible assets from the date of acquisition or assembly. Since lands are considered as to have an indefinite useful life, they are not subject to depreciation.

The estimated useful lives are as follows:

	Years
Land and land improvements	10-25
Buildings	25-50
Machinery, plant and equipment	4-12
Motor vehicles	5
Furniture and fixtures	3-10
Leasehold improvements	5

The useful lives of the leasehold improvements are depreciated over shorter of the lease term, which generally includes reasonably assured option periods, or the estimated useful lives of the assets.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

Gains or losses on disposals of property, plant and equipment are included in the relevant income and expense accounts and the cost and accumulated depreciation of property and equipment has been derecognized from the relevant accounts as appropriate.

The impairment test is performed when the carrying value of the assets that are subject to amortization, are not recoverable. The provision for impairment is recorded if the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the obtained as the greater of their fair value after deducting the cost of sales or the value in use. In order to evaluate the impairment, the assets are grouped at the lowest levels (cash generating units) where there are separately identifiable cash flows. Non-financial assets that are subject to impairment, are reviewed for possible reversal of the impairment at every reporting period.

Maintenance and repair expenses incurred, are recognized as expenses. The capital expenditures that raise the future benefits by increasing the capacity of the tangible assets, are added to cost of tangible assets.

g) Intangible assets

Intangible assets comprise acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

g)Intangible assets (continued)

Internally generated intangible assets and research and development expenses

Research expenses are recorded in the profit or loss statement in the period they are incurred.

Development activities (or Intra-group's project at the development phase), resulting from internally generated intangible assets are only recognized when the following conditions are all met:

- technical possibility to completion of the intangible asset's readiness for use or to sell,
- having intention to sell, operate or completion of intangible assets.
- intangible assets that can be used or sold,
- the asset that would generate probable future economic benefits are certain,
- The existence of the required appropriate technical, financial and other resources in order to complete the development of intangible assets, use or sell. The development cost of the asset during the development process are to be measured in a reliable way.

The amount of internally generated intangible assets, consist of the expenditures that meet the requirements of the above mentioned recognition criteria from the moment the total amount of the expenditure is composed. When internally generated intangible assets are not recorded, development expenditure is recognized as an expense in the period in which they occur.

After initial recognition, the internally-generated intangible assets are shown as the separately acquired intangible assets. After reducing the accumulated amortization and accumulated impairment losses. These assets are amortized within 5 years.

h) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying assets are included in the cost of the asset until the asset is ready to use or sale.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

i) Corporate income taxes

Turkish Tax Legislation does not permit to file a consolidated tax preparation to parent company and its subsidiary, as reflected in the accompanying financial statements, the tax provision is calculated separately based on each company.

Income tax expense consists of the sum of current tax and deferred tax expense.

Current tax

Current year tax liability is calculated over the part of the taxable profit. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The Group's current tax liability is computed by using enacted or substantively enacted tax rate.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

i) Corporate income taxes (continued)

Deferred tax (continued)

Deferred tax liabilities are recognized for all taxable temporary differences whereas deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be effective in the period in which the assets and liabilites are realized. During the calculation of deferred tax assets and liabilities, the tax consequences of the Group's anticipated recovery of its carrying amount or the fulfillment of its obligation as at the balance sheet date are taken into account.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority or if there is a legal right for the Group to offset these items.

Deferred tax and tax charge for the current period

The tax charge for the current period recognized as expense or income in the profit or loss at the current period except for the items recognized under equity (in which case the deferred tax related to those items is recognized under equity as well) or the items, that were recognized under equity for business mergers. Tax effect is taken into consideration in business mergers in calculating goodwill or in determining the fair value of the acquired share of defined assets, liabilities or contingent liabilities exceeding the purchasing costs.

j) Employee benefits

Employee Termination Benefits:

According to the legislations and labor agreements in Turkey, employee termination benefits are paid in case of retirement and employment terminations. In accordance with the updated TAS 19 *Employee Benefits Standard* ("TAS 19") such payments are considered as defined benefit pension plans.

The employee termination liabilities, recognized in the financial statements, are calculated by an assumption of the employee retirements, that will arise in the future and their net present values, calculated in accordance with these assumptions. All calculated actuarial gains and losses are classified to income or expense under the accumulated other comprehensive income or expenses under equity.

Dividend and bonus payments

The Group recognizes as expense and liability by using a formula, which takes into consideration the adjusted profit for the shareholders. Group makes provisions in circumstances, when an agreement or a past practice creates a liability or an obligation.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

k) Effects of change in the rates of exchange

Each Group entity's financial statements are presented by the functional currencies of their economic environments. Financial positions and operational results of the each entity is presented in TL, which is Company's functional and presentation currency for the consolidated financial statements.

Transactions realized in foreign currencies (currencies other than TL) during the preparation of the financial statements of each of the entities are recorded based on the exchange rates at the transaction date. Monetary assets and liabilities in foreign currencies are converted to Turkish Lira at the rates prevailing at the balance sheet date. Non-monetary items that are measured at fair value and recorded in foreign currency, are converted to TL (based on the dates the fair values are determined.). Non-monetary items that are measured in terms of historical cost in a foreign currency are not subject to conversion again.

Date	US Dollar / TL	EURO / TL
31 December 2018	5,2609	6,0280
31 December 2017	3,7719	4,5155

Exchange differences, except as specified below, are recognized in profit or loss in the period in which:

- Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,
- Foreign exchange differences arising from hedging transactions for foreign currency risks.
- Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, and debt and receivables without intention or possibility of any payment, which arise due to operations in foreign jurisdictions.

The Group's assets and liabilities of foreign operations are expressed in TL using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange ratesfluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used), are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

l) Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income are determined by dividing netincome by the weighted average number of shares in existence during the period concerned.

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

m) Capital and dividends

The ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period are deducted.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

n) Provisions, contingent assets and liabilities

A provision is recognized in the accompanying consolidated financial statements if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements. If the inflow of economic benefits is probable contingent assets have been disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur such asset and income statement effect has been recognized in the financial statements at the relevant period that income change effect occurs.

o) Reporting of cash flow

In the consolidated cash flow statement, cash flows are classified as operating, investing and financing activities.

Cash flows from operating activities shows the cash flows from main operations of the Group including sales of garment and textile products.

Cash flows from investing activities represent the cash flows used in / provided from investing activities (tangible and intangible investments).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Cash and cash equivalents are cash, bank deposits and other short term investments whose maturity are less than 3 months after purchasing date, having high liquidity without having risks of significant change of value.

p) Subsequent events

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorization for the financial statements' issue to the benefit or loss of the entity.

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

r) Segment reporting of financial information

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur,

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available

Reportable segment is an operating segment that segment information required to be disclosed.

An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.

(c) Its assets are 10 per cent or more of the combined assets of all operating segments

s) Government grants and incentives

Government incentives are not reflected in the financial statements; without the business fulfilment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants are reflected in profit or loss in a systematic manner throughout the periods in which expenses that intended to be recovered by these government grants recognized as an expense. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

s) Government grants and incentives (continued)

The Group is supported by the Scientific and Technological Research Council of Turkey ("TUBITAK"). TUBITAK carries out a program to organize and regulate the support of the Republic of Turkey in order to encourage research and technology development activities of industries in Turkey. Within the framework of this program, some part of the development expenses of industrial companies is reimbursed.

Government incentives granted in order to recover the expenses and losses incurred previously or to provide immediate finance support without causing the entity any cost in the future are recognized in profit or loss in the period in which they become collectable. The benefit of the loan taken from the government with an interest rate lower than that of the market is considered as government incentive. The benefit created by this lower interest rate is measured as the difference between the carrying value of the loan in the beginning and the acquired gains.

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

t) Operating leases

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

u) Significant accounting estimates and assumptions

Liability for employee termination benefits

The present values of employee termination liabilities are determined on an actuarial basis using certain assumptions. These assumptions are used in determining the net cost of employee termination liabilities and include the discount rate. The carrying amount effects employee termination liability is affected by changes in these assumptions. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income.

The Group determines the appropriate discount rate at the end of each year. Discount rate is used during computation of present value of employee termination liabilities (Note 21).

Net realizable value of inventory

Inventories are stated at the lower of cost and net realizable value. The Group management has determined that the cost of some portion of the inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimation made by the Management as of 31 December 2018 the cost of inventories was reduced by TL 786,290 (31 December 2017: 997,582 TL) (Note 10).

Deferred Tax

As at 31 December 2018, the Group estimates that the Group will be able to benefit from reduced corporate tax rates in the future over the scope of the incentive investment documents and research and development discount. The Group recognized deferred tax assets for the foreseeable three years since it is not predictable how long the benefit will be utilized.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

2. Basis of presentation of financial statements (continued)

2.3 The summary of the significant accounting policies (continued)

u) Significant accounting estimates and assumptions (continued)

Doubtful receivables

The Company calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments and according to expected credit loss model. In case of collection of partial or all doubtful receivable, the amount collected is deducted from the provision for doubtful receivable and is associated with profit or loss. Changes to the expected credit losses are recognized in profit or loss in the same way.

Recovery of internally generated intangible assets

During the period, the Group management has re-examined the existence of probable future economic benefits of internally generated intangible assets. The Group's management believes that the projects will continue as expected, and analysis of projects is expected to generate similar economic benefits. Management is sure to recover the carrying values of the assets, even if economic benefits have decreased. This situation is closely monitored by the Group management and the management will make such corrections in cases where it is necessary due to the future market conditions.

Fair value of the derivative financial instruments and other financial instruments

The Group, calculates the fair value of the financial instruments that do not have an active market by utilizing from market data, taking into consideration of the similar instruments' fair value and using discounted cash flow techniques.

3. Business combinations

None. (2017: None).

4. Business partnerships

None (2017: None).

5. Segment reporting

As Group has started to implement the TAS 8 from 1 January 2009, the operating segments are defined by the the Group's decision-making authority based on regularly revised internal reports. The Group decision-making authority is the general manager and the board of directors.

Group's decision-making authority, examines the results and activities on a product basis in order to make decisions about resources to be allocated to the segments and to evaluate the segments' performance. The Group's operating segments on the basis of the distribution of the business segments are as follows: textiles and garments.

a) Segment Revenues:	1 January - 31 December 2018	1 January - 31 December 2017
Textile	348,061,228	281,480,961
Garment	19,736,671	15,390,151
	367,797,899	**296,871,112**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

5. Segment reporting (continued)

b) Segment Assets:	December 31, 2018	December 31, 2017
Textile	307,191,632	234,800,372
Garment	15,581,051	10,218,637
Segment Assets	**322,772,683**	**245,019,009**

c) Segment liabilities:	December 31, 2018	December 31, 2017
Textile	228,621,823	179,610,380
Garment	3,753,114	4,892
Segment liabilities	**232,374,937**	**179,615,272**

d-1) 1 January - 31 December 2018 period segment analysis:

	Textile	Garment	Total
Sales revenue	348,061,228	19,736,671	367,797,899
Cost of sales	(253,675,057)	(16,856,831)	(270,531,888)
Gross operating profit	**94,386,171**	**2,879,840**	**97,266,011**
General administration expenses	(11,842,622)	(12,980)	(11,855,602)
Marketing selling and distribution expenses	(35,197,747)	(1,491,934)	(36,689,681)
Research and development expenses	(2,223,917)	-	(2,223,917)
Impairment loss on trade receivables	(3,652,111)	-	(3,652,111)
Other operating income	53,361,913	-	53,361,913
Other operating expenses	(46,423,195)	-	(46,423,195)
Segment result	**48,408,492**	**1,374,926**	**49,783,418**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

5. Segment reporting (continued)

d-2) 1 January - 31 December 2017 period segment analysis:

	Textile	Garment	Total
Sales revenue	281,480,961	15,390,151	296,871,112
Cost of sales	(215,761,960)	(12,406,855)	(228,168,815)
Gross operating profit	**65,719,001**	**2,983,296**	**68,702,297**
General administration expenses	(8,942,800)	(189,913)	(9,132,713)
Marketing selling and distribution expenses	(25,574,118)	(1,211,974)	(26,786,092)
Research and development expenses	(653,578)	-	(653,578)
Impairment loss on trade receivables	159,513	-	159,513
Other operating income	29,945,395	11,924	29,957,319
Other operating expenses	(19,840,611)	-	(19,840,611)
Segment result	**40,812,802**	**1,593,333**	**42,406,135**

e) Capital expenditures

	1 January - 31 December 2018	1 January - 31 December 2017
Textile	14,453,884	12,017,820
Garment	-	-
	14,453,884	**12,017,820**

f-1) 1 January - 31 December 2018 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Amortization and depreciation	11,367,503	42,274	11,409,777
- Provisions for the employee benefits	4,358,490	7,546	4,366,036
-Bonus provision	1,800,000	-	1,800,000
-Lawsuit provisions	650,179	-	650,179
	18,176,172	**49,820**	**18,225,992**

f-2) 1 January - 31 December 2017 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Amortization and depreciation	11,768,722	46,244	11,814,966
- Provisions for the employee benefits	3,329,860	553,834	3,883,694
	15,098,582	**600,078**	**15,698,660**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

6. Cash and cash equivalents

	31 December 2018	31 December 2017
Bank	2,853,862	10,897,681
-Demand deposit	12,658,800	-
-Time deposit	1,069,375	-
Credit card receivables		255
Other	2,853,862	10,897,681
	16,582,037	**10,897,936**

Time deposit:

Foreign exchange type	Foreign currency amount	TL amount	Maturity	Interest rate
Euro	2,100,000	12,658,800		4.30%
	2,100,000	**12,658,800**		

The explanations on the nature and level of the risks of the cash and cash equivalent are disclosed in note 33.

6.1 Financial investments

Time Deposit :

Foreign exchange type	Foreign currency amount	TL amount	Maturity	Interest rate
Euro	2,100,000	12,658,800	12 April 2019	4.30%
Euro	2,100,000	12,658,800	3June 2019	2.40%
	4,200,000	**25,317,600**		
Interest revenue accrual		133,858		
Total		**25,451,458**		

The explanations on the nature and level of the risks of the cash and cash equivalent are disclosed in note 33.

7. Related party disclosures

a) Receivables from and payables to the related parties

Trade receivables from the related parties	31 December 2018	31 December 2017
Carrefoursa A.Ş. (2)	12,787	520,941
	12,787	520,941

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

7. Related party disclosures (contd.)

Trade payables to the related parties:	31 December 2018	31 December 2017
Sabancı DX Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2)	159,732	171,228
Teknosa İç ve Dış Ticaret A.Ş. (2)	655	655
Avivasa Emeklilik ve Hayat A.Ş. (2)	3,148	66
Sabtek San. Ve Tic. A.Ş.	15,226	13,943
Ak-Sigorta A.Ş. (2)	122,068	81,707
Hacı Ömer Sabancı Holding A.Ş. (1)	3,685	37,325
	304,514	**304,924**
Less: Financing expenses not accrued	(17,014)	(9,636)
	287,500	**295,288**

The maturity of the payables to the related parties is shorter than 3 months and the payables to the related parties are discounted by using the annual rates of 23.67% and LIBOR rates respectively over TL and foreign currency on December 31, 2018.

b) Bank deposits	31 December 2018	31 December 2017
Akbank T.A.Ş. (2)		
- Demand deposit	2,403,629	10,610,819
	2,403,629	**10,610,819**

c) Bank loans	31 December 2018	31 December 2017
Akbank T.A.Ş. (2)		501,509
Short	-	501,509
Short term liability/(Asset)	**-**	**501,509**

d) Short term derivative financial asset/(liability)	December 31, 2018	December 31, 2017
Derivative Instruments	-	3,547,571
Short term derivative asset/(liability)	**-**	**3,547,571**

(1) Parent company

(2) Companies controlled by the parent company

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

7. Related party disclosures (contd.)

e) Goods purchased from related parties:

	1 January - 31 December 2018	1 January - 31 December 2017
Carrefoursa A.Ş. [2]	279,181	11,542
Teknosa İç ve Dış Ticaret A.Ş. [2]	-	321
	279,181	**11,863**

f) Product sales to related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Carrefoursa A.Ş. [2]	37,566	520,941
	37,566	**520,941**

g) Service purchases from related parties

	1 January - 31 December 2018	1 January - 31 December2017
Hacı Ömer Sabancı Holding A.Ş. [**][1]	926,408	746,030
Aksigorta A.Ş.[*][2]	1,620,585	1,426,064
Sabancı DX Sabancı Dijital Teknoloji Hizmetleri [***][2]	432,642	731,603
Avivasa Emeklilik ve Hayat A.Ş. [***][2]	3,148	100,231
Sabtek San. Ve Tic. A.Ş. [****][2]	71,564	38,873
	3,054,347	**3,042,801**

[*] The Group is receiving insurance service from Aksigorta A.Ş.

[**] The Group is receiving health service, maintenance-repair service and receiving building services from Hacı Ömer Sabancı Holding.

[***] The Group is receiving information-processing services and fixed assets from Sabancı DX Sabancı Dijital Teknoloji Hizmetleri A.Ş.

[****] The Group is receiving insurance service from Avivasa Emeklilik Hayat A.Ş.

[*****] The Group takes training service from Sabtek San. Ve Tic. A.Ş.

[1] Parent company

[2] Companies controlled by the parent company

h) Fixed asset purchases from related parties:

	1 January- 31 December 2018	1 January- 31 December 2017
Sabancı DX Sabancı Dijital Teknoloji Hizmetleri A.Ş. [2]	467,223	289,594
Teknosa İç ve Dış Ticaret A.Ş.	5,081	-
	472,304	**289,594**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

7. Related party disclosures (continued)

I) Other income:

	1 January - 31 December 2018	1 January - 31 December 2017
Aksigorta A.Ş. (2)	24,786	1,032
Sabancı DX Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2)	2,65	1,743
	27,436	**2,775**

j) Other expense:

	1 January - 31 December 2018	1 January - 31 December 2017
Aksigorta A.Ş. (2)	67,023	1,423
Sabancı DX Sabancı Dijital Teknoloji Hizmetleri A.Ş. (2)	12,293	8,122
	79,316	**9,545**

k) Interest and foreign exchange (expense)/income

	1 January - 31 December 2018	1 January - 31 December 2017
Akbank T.A.Ş. (*)(2)		
- Interest and foreign exchange income/(expense)	(13,885,613)	(1,961,222)
- Derivative financial instrument loss	(12,018,900)	8,807,600)
- Other comprehensive income/(expense)	(3,547,571)	6,139,486
	(29,452,084)	**(4,629,336)**

(2) Companies controlled by the parent company

(*) All the interest and foreign exchange difference expenses realized within the year with Akbank is composed of the foreign exchange expense (2017: 794,709 TL of the interest and foreign exchange expenses realized within the year with Akbank is composed of foreign exchange expense).

l) Wages and similar remuneration paid to Board members and senior management personnel:

	1 January - 31 December 2018	1 January - 31 December 2017
Salaries and other short term benefits	3,527,121	3,152,885
Other long term benefits	434,825	346,337
	3,961,946	**3,499,222**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

8. Trade receivables and payables

Short term trade receivables	31 December 2018	31 December 2017
Trade receivables	90,483,604	60,228,636
Related party receivables (Note 7)	12,787	520,941
Notes receivable	13,866,918	16,746,119
Provision for doubtful trade receivables	(4,656,439)	(2,726,738)
	99,706,870	**74,768,958**
Less: Financing income not accrued	(1,777,437)	(575,323)
Trade receivables, net	**97,929,433**	**74,193,635**

Trade receivables are generally have a maturity less than 90 days (2017: less than 3 months) and the trade receivables are discounted by using the annual rates of 23.67% (31 December 2017: 12.91%) and LIBOR rates respectively over TL and foreign currency on 31 December 2018.

The explanations of nature and level of risks in trade receivables are given in note 33.

Provision for doubtful receivables	2018	2017
1 January	(2,726,738)	(2,886,251)
Provisions made during the period	(4,422,171)	(475,656)
Provisions no longer required	770,060	635,169
Doubtful receivables written off	1,722,410	-
31 December	**(4,656,439)**	**(2,726,738)**

Short term trade payables	31 December 2018	31 December 2017
Trade payables to foreign suppliers	48,759,578	49,318,044
Trade payables to domestic suppliers	25,705,354	13,041,591
Work and service payables	2,619,593	2,586,396
Payables to the related parties (Note 7)	304,514	304,924
	77,389,039	**65,250,955**
Less: Financing expense not accrued	(1,491,640)	(599,004)
Trade payables, net	**75,897,399**	**64,651,951**

The maturity of the trade payables is between 3 to 5 months and the trade receivables are discounted by using the annual rates of 23.67% (31 December 2017: 12.91%) and LIBOR rates respectively over TL and foreign currency on 31 December 2018.

The explanations of nature and level of risks in trade receivables are given in note 33.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

9. Other receivables and deferred income

Other receivables	31 December 2018	31 December 2017
Income accruals (*)	562,088	626,154
Due from personnel	101,147	72,310
Deposits and guarantees given	674,774	-
Other	479,369	183,967
	1,817,378	**882,431**

(*) As of 31 December 2018 and 2017, income accruals are mainly consist of incentive accruals.

Deferred income	31 December 2018	31 December 2017
Order advances received	1,346,070	844,707
	1,346,070	**844,707**

10. Inventories

	31 December 2018	31 December 2017
Raw materials	11,380,803	17,640,310
Work in progress	34,888,265	20,676,643
Finished goods	35,096,333	27,300,927
Trade goods	626,575	703,892
Goods in transit	1,473,185	10,604
Other inventories	7,589,716	4,505,792
Provision for impairment of inventories (-)	(786,290)	(997,582)
	90,268,587	**69,840,586**

The movement in the provision for impairment of inventories is as follows:

	1 January- 31 December 2018	1 January 31 December 2017
1 January	(997,582)	(10,157,583)
Provisions used within the period	4,365,968	9,789,581
Provisions recognized during the period	(4,154,676)	(629,580)
	(786,290)	**(997,582)**

As of 31 December 2018, TL 4,365,968 of the inventory impairment provision has been canceled due to the fact these impaired inventories were sold in the current period (31 December 2017: 9,789,581 TL). The provision expense and reversals of inventory impairment is recognised in the cost of goods sold.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

11. Biological assets

None (2017: None.)

12. Prepaid expenses

Short term	31 December 2018	31 December 2017
Consultancy and fair advances	1,467,574	-
Insurances expenses	121,854	-
Advance given for inventory purchase	-	11,273
Other	1,374,920	77,891
	2,964,348	**89,164**

Long term	31 December 2018	31 December 2017
Consultancy expenses	-	267,240
Insurance expenses	-	84,125
Expo travelling advances	-	527,384
Other	8,893	65,341
	8,893	**944,090**

13. Investment properties

None (2017: None).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

14. Property, plant and equipment

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
Cost:					
Land	340,501	-	-	-	**340,501**
Land improvements	7,284,251	-	-	-	**7,284,251**
Buildings	47,428,116	2,309,769	-	13,310	**49,751,195**
Machinery, plant and equipment	185,955,004	2,603,712	(620,008)	2,081,534	**190,020,242**
Vehicles	131,669	4,576	-	-	**136,245**
Furniture and fixture	6,668,707	517,239	-	-	**7,185,946**
Leasehold improvements	1,156,896		-	-	**1,156,896**
Construction in progress	380,801	476,670	-	(378,361)	**479,110**
	249,345,945	**5,911,966**	**(620,008)**	**1,716,483**	**256,354,386**
Accumulated depreciation :					
Land improvements	(6,367,336)	(122,551)	-	-	**(6,489,887)**
Buildings	(29,437,116)	(1,026,304)	-	-	**(30,463,420)**
Machinery and equipment	(160,225,790)	(5,499,684)	579,659	-	**(165,144,815)**
Vehicles	(48,503)	(25,562)	-	-	**(74,065)**
Furniture and fixture	(5,315,265)	(600,944)	-	-	**(5,916,209)**
Leasehold improvements	(931,056)	(61,035)	-	-	**(992,091)**
	(202,325,066)	**(7,336,080)**	**579,659**	**-**	**(209,081,487)**
Net book value	**47,020,879**				**47,272,899**

Current period depreciation expenses have been included in cost of goods sold amounting to TL 7,045,902, in operating expenses amounting to TL 203,418. The depreciation expense capitalized on the inventory amounting to 86,760 TL. (as of 31 December 2017, depreciation and amortization expenses was included in cost of goods sold amounting to TL 7,121,981, in operating expenses amounting to TL 145,610.) There are no pledges or mortgages on property, plant and equipment. (2017: None).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

14. Property, plant and equipment (continued)

The movements of the tangible assets in the previous period are as follows:

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost:					
Land	340,501	-	-	-	**340,501**
Land improvements	7,236,934	47,317	-	-	**7,284,251**
Buildings	45,514,254	1,633,862	-	280,000	**47,428,116**
Machinery, plant and equipment	189,606,002	3,263,246	(6,919,703)	5,459	**185,955,004**
Vehicles	131,669	-	-	-	**131,669**
Furniture and fixture	6,457,032	209,154	(2,849)	5,370	**6,668,707**
Leasehold improvements	1,140,396	16,500	-	-	**1,156,896**
Construction in progress	306,375	365,255	-	(290,829)	**380,801**
	250,733,163	**5,535,334**	**(6,922,552)**	**-**	**249,345,945**
Accumulated amortization:					
Land improvements	(6,245,976)	(121,360)	-	-	**(6,367,336)**
Buildings	(28,460,212)	(976,904)	-	-	**(29,437,116)**
Machinery plants and equipment	(159,738,696)	(5,597,878)	5,110,784	-	**(160,225,790)**
Vehicles	(22,942)	(25,561)	-	-	**(48,503)**
Furniture and fixture	(4,832,476)	(483,781)	992	-	**(5,315,265)**
Leasehold improvements	(868,949)	(62,107)	-	-	**(931,056)**
	(200,169,251)	**(7,267,591)**	**5,111,776**	**-**	**(202,325,066)**
Net book value	**50,563,812**				**47,020,879**

15. Intangible assets

	1 January 2018	Additions	Disposals	Transfers	31 December 2018
Cost:					
Rights	345,542				345,542
Software programs	9,583,352	620,860	-	-	10,204,212
R&D projects in progress	7,567,289	7,921,058	(894,502)	(9,735,437)	4,858,408
Capitalized development project costs	23,252,466	-	-	8,018,954	31,271,420
	40,748,649	**8,541,918**	**(894,502)**	**(1,716,483)**	**46,679,582**
Accumulated amortization:					
Rights	(140,476)	(15,933)			(156,409)
Software programs	(7,918,768)	(998,207)	-	-	(8,916,975)
R&D projects	(15,840,101)	(3,194,495)	-	-	(19,034,596)
	(23,899,345)	**(4,208,635)**	**-**	**-**	**(28,107,980)**
Net book value	**16,849,304**				**18,571,602**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

15. Intangible assets (continued)

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost:					
Rights	345,542				**345,542**
Software programs	9,281,320	302,167	(135)	-	**9,583,352**
R&D projects in progress	3,621,708	6,536,801	(356,482)	(2,234,738)	**7,567,289**
Capitalized development project cost	21,017,728	-	-	2,234,738	**23,252,466**
	34,266,298	**6,838,968**	**(356,617)**	**-**	**40,748,649**
Accumulated amortization:					
Rights	(123,800)	(16,676)	-	-	**(140i476)**
Software programs	(6,948,285)	(970,483)	-	-	**(7,918,768)**
R&D projects	(12,279,885)	(3,560,216)	-	-	**(15,840,101)**
	(19,351,970)	**(4,547,375)**	**-**	**-**	**(23,899,345)**
Net book value	**14,914,328**				**16,849,304**

Current period depreciation has been included in the cost of goods sold amounting to TL 4,043,714, and in operating expenses amounting to TL 116,743. Depreciation expense capitalized on the inventory amounting to TL 48,178 (as of 31 December 2017, depreciation has been included in the cost of goods sold amounting to TL 4,456,266 and in operating expenses amounting to TL 91,109.). There are no collaterals, pledges or mortgages on tangible assets (2017- None). Government grant amounting to TL 387,959 has been received for intangible asset (2017: TL 791,837)

16. Goodwill

None (2017: None)

17. Government incentives and grants

	31 December 2018	31 December 2017
Development incentive (*)	7,161,392	6,114,605
	7,161,392	**6,114,605**

(*) Group, as a result of Research and Development Center application, has been granted to obtain, Industry and Trade Ministry's Research and Development Center Certificate on October 25, 2010 consists of the incentive amount received according to 5746 numbered Research and Development Activities in Support of the Law on the framework provided in the amount of Research and Development Center staff on the wages benefited income Tax, Stamp Tax, Social Security incentives, approved TUBITAK projects and European Union (EU) Horizon 2020 project.

Government incentives, as a finance tool, recognized at balance sheet by netting cost of investments instead of recognizing in profit or loss, and depreciated over the useful lives of related assets on a systematic basis in profit or loss.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

18. Loans and borrowings

	31 December 2018		31 December 2017	
	Weighted average annual effective interest rate %	TL	Weighted average annual effective interest rate %	TL
Short term bank loans:				
TL borrowings	23.67	45,631,622	12.91	59,769,667
Euro borrowings	0.65	78,725,680	3.27	30,253,850
Interest accrual		3,899,700		2,937,256
Total		**128,257,002**		**92,960,773**

Explanations of nature and level of risks in financial liabilities are given in note 33.

Movement of loans and borrowings are as follows:

	2018	2017
Financial liabilities at the beginning of the period, 1 January 2018	92,960,773	155,881,650
Inflows during the period	613,779,954	947,956,615
Outflows during the period	(581,130,663)	(1,013,610,457)
Interest payment for the period	(9,442,436)	(12,517,945)
Interest expense for the period	10,001,323	12,743,390
Effects of exchange rate changes during the period	2,088,051	2,507,520
Financial liabilities at the end of the period	**128,257,002**	**92,960,773**

As of 31 December 2018, the Group does not have any mortgages or guarantees given for its financial borrowings.

19. Provisions, contingent assets and contingent liabilities

Contingent assets and liabilities:

	31 December 2018	31 December 2017
Bails received and guarantee notes	31,618,801	26,078,308
Letters of guarantees received	15,934,296	7,202,279
Mortgages received	655,000	1,655,050
	48,208,097	**34,935,637**

Guarantees received has been received essentially regarding the sale made to customers. Financial risks regarding with letter of guarantee received is shown in Note 33. Company's exports are also insured by Turkish Eximbank.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

19. Provisions, contingent assets and contingent liabilities (continued)

Group's collaterals, pledge and mortgage ("CPM") positions is as follows:

	31 December 2018					31 December 2017				
	TL eqv.	TL	US Dollar	Euro	Other	TL equivalent	TL	US Dollar	Euro	Other
A. Total amount of CPM's given for companies own legal entity	**4,699,337**	**4,096,537**	**-**	**100,000**	**-**	**7,393,613**	**6,824,003**	**31,300**	**100,000**	**-**
Collateral	4,699,337	4,096,537	-	100,000	-	7,393,613	6,824,003	31,300	100,000	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
B. Total amount of CPM's given on behalf of fully consolidated companies	-	-	-	-	-	-	-	-	-	-
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
C. Total amount of CPM's given for continuation of its economic activities on behalf of third parties										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
D. Total amount of other CPM's given										
i. Total amount of CPM's given on behalf of the majority shareholder										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
ii. Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
Total CPM	**4,699,337**	**4,096,537**	**-**	**100,000**	**-**	**7,393,613**	**6,824,003**	**31,300**	**100,000**	**-**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

19. Provisions contingent assets and liabilities

The ratio between other CPM's given by the Group and the Group's equity is 0% as of 31 December 2018. (31 December 2017: 0%)

Letters of guarantee are given to various Customs Directorates. As of 31 December 2018 and 31 December 2017, the Group has no other given CPMs.

20. Commitments

The Group, under the inward processing authorization documents, has export commitment amounting US Dollar 15,904,518 (31 December 2017: US Dollar 8,410,000).

Lease Contracts

As of 31 December 2018, Group's expenses associated with current year operating leases are TL 1,949,460 (31 December 2017: TL 1,622,864).

The Group's lease commitments related to operating leases are as follows:

	31 December 2018	31 December 2017
Within 1 year	1,023,033	472,042
Within 1-5 years	825,772	656,961
	1,848,805	**1,129,003**

21. Provision and liabilities related to employee benefits

Short term provision for employee benefits:

	31 December 2018	31 December 2017
Wages of employee payable	1,396,676	1,146,031
Taxes and funds payable	1,573,854	1,355,916
Social security deductions payable	1,849,369	3,239,832
	4,819,899	**5,741,779**

Provisions for long-term employee benefits:

	31 December 2018	31 December 2017
Provision for employee termination benefits	16,112,388	12,617,015
	16,112,388	**12,617,015**

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

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

21. Provision and liabilities related to employee benefits (continued)

The indemnity payable is one month's salary limited to a maximum of TL 5,434.42 for each year of service as of 31 December 2018 (31 December 2017 - 4,732.48 TL).

TAS 19 ("Employee Benefits") suggests that the Group's liabilities are developed using the actuarial valuation techniques within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are mentioned below:

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. Therefore, as of 31 December 2018, provisions in the accompanying consolidated financial statements, future, contingent liabilities due to retirement of employees is calculated by estimating the present value. Provisions in the balance sheet date, 7% of the annual inflation rate and 11,60% of discount rate is calculated on the estimations obtained as 4,30% real discount rate used (31 December 2017: 4,02%).Estimated turnover rate for probability of retirement is calculated as 95,90%. The severance pay amount that not given to the employee, as a consequence of optional reginations is taken into account. Employees of the Group as of 31 December 2018 of 4,10% are more likely to leave the job with their requests. (31 December 2017: 3,34%).

For the periods ended 31 December; movements in the provision for employment termination benefits are as follows:

	2018	2017
1 January	12,617,015	11,233,561
Interest cost	3,143,895	1,190,757
Cost of services	507,039	2,475,350
Actuarial gain / loss	1,601,230	(141,268)
Payments	(1,756,791)	(2,141,385)
31 December	**16,112,388**	**12,617,015**

22. Other assets and liabilities

Short term derivative financial instruments:

	31 December 2018	31 December 2017
Derivative financial assets / (liabilities)	-	3,547,571
	-	**3,547,571**

A part of the Group' sale has been hedged with foreign currency forward contracts.

Other current assets	31 December 2018	31 December 2017
Deferred VAT	8,441,091	7,064,568
VAT return to be requested	1,148,466	1,131,613
Other	42,800	525,556
Job advances	1,413	91,042
	9,633,770	**8,812,779**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

22. Other assets and liabilities (continued)

Other short term liabilities	31 December 2018	31 December 2017
Expense provision	813,980	822,974
Other	200,468	213,623
	1,014,448	**1,036,597**

Other provisions	31 December 2018	31 December 2017
Lawsuit provisions	650,179	-
	650,179	-

Short term provisions for employee benefits	31 December 2018	31 December 2017
Unused vacation liability	2,477,552	1,762,450
Bonus provisions	1,800,000	-
	4,277,552	**1,762,450**

For the periods ended on 31 December, the movement of vacation pay provision is as follows:

	2018	2017
1 January	1,762,450	1,544,863
Current period expense	715,102	1,075,609
No longer required	-	(858,022)
31 December	**2,477,552**	**1,762,450**

The movements for the bonus provisions for the period ending on December 31 are as follows:

	2018	2017
1 January	-	-
Provision	1,800,000	-
Payments	-	-
31 December	**1,800,000**	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

23. Share capital and reserves

A) Paid in capital:

As of 31 December 2018, the issued capital of the Group is TL 29.160.000 and it is divided into 2.916.000.000 bearer shares with a nominal value of 1 Kurus each. a total of 2,916,000,000 shares. There are no privileged shares (31 December 2017: 2.916.000.000 bearer shares with a nominal value of 1 Kurus each. a total of 2,916,000,000 shares).

Shareholders of the Company as of 31 December 2018 and 31 December 2017 are as follows:

31 December 2018 and 31 December 2017	TL	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	16,878,507	57.88
Publicly listed and other	12,281,493	42.12
	29,160,000	**100**

The Company adopted the registered capital system according to the provisions of the Capital Market Board ("SPK") Law no 6362 and passed to this system under the permit of the Capital Market Board ("SPK") no 280 dated 3 May 1990. The Company's registered capital ceiling is 35,000,000 TL and it is composed of 3,500,000,000 shares each one with a nominal value of 1 Kuruş.

The capital adjustment differences in the amount of 30,657,866 TL as of 31 December 2018 is composed of the capital adjustment differences arising of the inflation adjustment of the paid in capital of the Company and not set off from the previous year losses or not added to the capital (31 December 2017: 30,657,866 TL).

B) Restricted reserves

Restricted reserves are reserves which are reserved for specific purposes other than law or contractual obligations or dividend payments. These reserves are presented as the same amount in Company's statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

The details of the Group's reserves on restricted reserves as of 31 December 2018 and 2017are as follows:

	31 December 2018	31 December 2017
1st group legal reserves	5,545,174	5,545,174
2nd group legal reserves	4,029,428	4,029,428
Extraordinary reserves	1,173,194	1,173,194
Special fund (*)	11,230,753	11,230,753
Total	**21,978,549**	**21,978,549**

(*) Related to the sale of land.

In accordance with the Turkish Commercial Code ("TCC") numbered 519, the first legal reserve is appropriated out of statutory profits at the rate of 5 percent per annum, until the total reserve reaches 20 percent of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent per annum of all cash distributions in excess of 5 percent of the paid-in share capital.

As of 31 December 2018, The Company's 1st group legal reserve amounting to 19% of the paid in / issued capital and there is no limit for the 2nd group legal reserves. As long as the mentioned reserves do not exceed the half of the Company's paid in/issued capital, they can be only used for covering the losses, and for continuing the operations of the entity in times in which the business is not going well or for prevention of unemployment and mitigate its results.

23. Share capital and reserves (continued)

C) Foreign currency translation difference

Financial statements of the each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in Turkish Lira ("TL"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

The movements in the foreign currency conversion differences are as follows:

Foreign currency conversion difference:

	31 December 2018	31 December 2017
Opening balance	962,254	566,466
Foreign based entity's net assets conversion exchange differences	1,019,616	395,788
Closing balance	**1,981,870**	**962,254**

D) Other comprehensive income and expenses not to be re-classified to accumulated profit or loss

	31 December 2018	31 December 2017
Opening balance	(2,708,929)	(2,821,943)
Remeasurement earnings / (losses of the defined benefit plans)	(1,280,984)	113,014
Closing balance	**(3,989,913)**	**(2,708,929)**

E) Cash flow hedge fund

	31 December 2018	31 December 2017
Opening balance	2,838,057	(2,073,532)
Cash flow hedge gain /(losses)	(2,838,057)	4,911,589
Closing balance	**-**	**2,838,057**

24. Revenue and cost of sales

a) Revenue	1 January - 31 December 2018	1 January - 31 December 2017
Export sales	249,367,725	199,092,898
Domestic sales	127,491,934	104,407,944
Sales returns (-)	(4,949,268)	(5,666,705)
Sales discounts (-)	(2,001,057)	(253,774)
Other discounts from the sales (-)	(2,111,435)	(709,251)
Net sales	**367,797,899**	**296,871,112**
Cost of sales	**(270,531,888)**	**(228,168,815)**
Gross profit	**97,266,011**	**68,702,297**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

24. Revenue and cost of sales (continued)

b) Cost of sales	1 January - 31 December 2018	1 January - 31 December 2017
Raw material and material expenses	(171,080,061)	(111,382,254)
Direct labor costs	(39,023,235)	(32,154,934)
General production expenses	(70,776,564)	(49,792,120)
Depreciation and amortization expense	(11,089,616)	(11,578,247)
Change in inventories of work in progress	14,233,076	(1,695,905)
Changes in inventories of finished goods	7,215,345	(30,541,100)
Cost of finished goods sold	**(270,521,055)**	**(237,144,560)**
Cost of trade goods sold	**(222,125)**	**(184,256)**
Cost of services sold	**-**	**-**
Change in provision for impairment of inventories(Note: 10)	**211,292**	**9,160,001**
Cost of sales	**(270,531,888)**	**(228,168,815)**

25. Assets related to ongoing construction contracts

None (2017: None)

26. Marketing, general administrative expenses and research and development expenses

General administrative expenses

	1 January- 31 December 2018	1 January - 31 December 2017
Personnel	(9,388,049)	(6,577,805)
Rent	(812,122)	(678,119)
Consulting	(460,823)	(671,845)
Depreciation and amortization	(118,810)	(95,457)
Changes in unused vacation liability	(103,702)	(217,587)
Other	(972,096)	(891,900)
Total general administrative expenses	**(11,855,602)**	**(9,132,713)**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

26. Marketing, general administrative expenses and research and development expenses (continued)

Marketing expenses

	1 January-31 December 2018	1 January-31 December 2017
Export and freight	(12,835,190)	(10,348,443)
Consulting	(11,092,048)	(6,536,234)
Transportation	(4,029,310)	(2,743,112)
Personnel	(3,934,573)	(3,779,265)
Advertising expenses	(1,691,096)	(1,109,827)
Travel and communication expenses	(1,667,867)	(1,245,353)
Rent	(440,972)	(470,285)
Depreciation and amortization	(142,552)	(129,302)
Other	(856,073)	(424,271)
Total marketing expenses	**(36,689,681)**	**(26,786,092)**

Research and development expenses

	1 January-31 December 2018	1 January-31 December 2017
Personnel	(1,457,230)	(307,914)
Depreciation and amortization	(58,799)	(11,960)
Other	(707,888)	(333,704)
Total research and development expenses	**(2,223,917)**	**(653,578)**

27. Other operating income/(expenses) and income from investing activities

Other operating income

	1 January-31 December 2018	1 January-31 December 2017
Foreign exchange gain from trade receivables and payables	47,942,014	26,065,328
Fair incentive incomes	2,075,435	2,016,264
Incentives	1,648,805	491,478
Rediscount revenues	-	379,444
Price difference claim income	288,645	289,783
Raw material and scrap material sales income	284,381	336,453
Interest income due to overdue receivables	142,855	102,634
Other	979,778	275,935
Total other operating income	**53,361,913**	**29,957,319**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

27. Other operating income/(expenses) and income from investing activities (continued)

Other operating expenses

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange loss from trade receivables and payables	(40,073,602)	(16,316,721)
Rediscount expenses	(1,713,828)	-
Eximbank credit insurance premiums	(1,630,274)	(1,124,944)
Monthly fees	(641,745)	(947,226)
Special transaction tax	(30,123)	(20,745)
Compensations and penalties	(49,621)	(120,000)
Other	(2,284,002)	(1,310,975)
Total other operating expenses	**(46,423,195)**	**(19,840,611)**

	1 January- 31 December 2018	1 January 31 December 2017
Gain on sale of property, plant and equipment	279,741	1,809,733
Total income from investment activities	**279,741**	**1,809,733**

28. Expenses by nature

A) Accrued wages and salaries	1 January- 31 December 2018	1 January- 31 December 2017
Cost of the goods sold	(48,289,158)	(39,526,368)
Marketing, selling and distribution expenses	(3,934,573)	(3,779,265)
General administrative expenses	(9,388,049)	(5,053,082)
Research and development expenses	(1,457,230)	(307,914)
	(63,069,010)	**(48,666.629)**

B) Distribution of depreciation and amortization	1 January- 31 December 2018	1 January- 31 December 2017
Cost of the goods sold	(11,089,616)	(11,578,247)
Marketing, selling and distribution expenses	(142,552)	(129,302)
General administrative expenses	(58,799)	(11,960)
Research and development expense	(118,810)	(95,457)
	(11,409,777)	**(11,814,966)**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

29. Finance expenses

	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange difference (expense)/revenue	(9,875,046)	(13,728,150)
Interest expense	(10,001,323)	(12,743,390)
Other financial expenses	(1,395,240)	(1,452,481)
	(21,271,609)	**(27,924,021)**

30. Available for sale long-term assets and discontinued operations

None (2017: None)

31. Tax assets and liabilities

Tax amounts recognized is as follows:

	31 December 2018	31 December 2017
Current income tax payable	-	-
Less: Prepaid taxes	(31,652)	(22,568)
	(31,652)	**(22,568)**

Corporation tax

The Group's main shareholder, the Company is subject to corporation tax applicable in Turkey. Corporate tax expense recognized in the consolidated accompanying financial statements for the estimated tax liabilities related to the Group's results for the current period. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit after adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In Turkey, corporate tax rate is 22% as of 31 December 2018 (2017: 20%). According to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.The tax legislation provides for a temporary tax of 22% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2018. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020.

Exemptions from corporation tax:

75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2018. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2018 will be calculated using 50%.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

31. Tax assets and liabilities (continued)

Exemptions from corporation tax: (continued)

In Turkey, advance tax are calculated and accrued quarterly. Corporate income tax in 2017 is calculated at 22%(2017: 20%).

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Withholding tax

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revise. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, was increased from 10% to 15%. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Witholding tax computation over investment tax credits regarding with the investment incentive certificates obtained prior to 24 April 2003 required to be computed by using 19.8%. No withholding tax computed over the capital expenditures made without tax incentive certificate after this date.

For the years ended 31 December 2018 and 2017, tax amounts recognized in the profit or loss statement are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Tax expense for the period		-
Deferred tax income / (expense)	(698,116)	(1,443,025)
	(698,116)	**(1,443,025)**

Deferred Tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base financial statements and the financial statements prepared in accordance with TFRS. Such differences usually arise due to the fact that certain income and expense items are included in different periods in the tax base financial statements as well as in the consolidated financial statements prepared in accordance with TFRS, the differences are stated below.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities in the consolidated financial statements as of 31 December 2017 have a tax rate of 22% for the portion of temporary differences that will have a tax effect in 2018, 2019 and 2020 and 20% for temporary differences after 2020.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

31. Tax assets and liabilities (continued)

Deferred Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

The details of cumulative temporary differences and the resulting deferred tax assets/liabilities provided as of 31 December 2018 and 2017 using principal tax rates are as follows::

As at 31 December 2018, The Group estimates to utilize TL 6,917,433 reduced corporate tax in the future. In addition to this, since it is not predictable how long the benefit will be utilized, the Company recognized deferred tax asset amounting to TL 2,909,000 only for the foreseeable 3 years.

The movement of deferred tax assets are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Investment allowance	(2,909,000)	(811,615)	2,909,000	178,555
Tax loss carry-forward	-	(20,416,197)	-	4,491,563
Research and development discount	(9,039,479)	(12,226,571)	1,988,685	2,689,846
Property, plant and equipment and intangible assets	(9,991,235)	(10,312,248)	1,998,247	2,062,450
Inventories	(760,417)	10,409,632	167,292	(2,290,119)
Provision for employee termination benefits	(16,112,388)	(12,617,015)	3,222,478	2,523,403
Unused vacation liability	(2,477,552)	(1,762,450)	495,510	352,490
Other provisions	(2,450,179)	-	539,039	-
Provision for doubtful receivables	(2,901,123)	(1,554,813)	638,247	342,059
Non-accrued financial expenses (net)	(1,925,110)	(11,074,745)	423,524	2,436,444
Derivative financial liabilities	-	3,547,571	-	(709,514)
Other	452,316	620,650	(109,744)	(136,543)
Deferred tax assets - net	**(48,114,167)**		**12,272,278**	**11,940,634**

	2018	2017
Balance at 1 January	**11,940,634**	**14,639,810**
Current year deferred tax income / (expense)	(698,116)	(1,443,025)
Reflected to other comprehensive income statement	1,029,760	(1,256,151)
31 December	**12,272,278**	**11,940,634**

	31 December 2018	31 December 2017
Deferred tax assets expected to be benefitted from in a period longer than one year	6,388,515	10,236,853

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

31. Tax assets and liabilities (continued)

Deferred Tax (continued)

Reconciliation of the tax expense of the period and the profit of the period is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
(Loss)/profit before tax	**28,791,550**	**16,291,847**
Income tax rate %22	(6,334,141)	(3,258,370)
Tax effects of: Non-tax deductible expenses	(366,253)	(1,568,911)
Effects of tax rate changes	77,789	701,074
Research and development deduction	2,745,249	1,043,530
Utilization of tax losses carried forward in previous years	-	798,999
Lump sum expense deduction	291,224	917,692
Investment deduction	2,730,445	-
Other	157,571	(77,039)
Tax income/(expense) on profit or loss statement	**(698,116)**	**(1,443,025)**

32. Earnings / (Losses) per share

	31 December 2018	31 December 2017
Net profit	28,093,434	14,848,822
Weighted average number of shares per 1 Kr in nominal value	2,916,000,000	2,916,000,000
Diluted (loss)/earnings per share (Kr)	0.0096	0.0051

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments

a.1 Credit risk management

As of 31 December 2018, a portion of trade receivables amounting to TL 1,051,963 consist of receivables from credit card and maturity up to 3 months (31 December 2017: TL 388,623).

As at balance sheet date, the total amount of overdue receivables and guarantees received for these receivables is as follows:

	31 December 2018	31 December 2017
Overdue for 1-30 days	8,725,129	9,086,555
Overdue for 1-3 months	2,332,177	2,078,993
Overdue for 3-12 months	609,646	1,125,051
Overdue for 1-5 years	5,252	463,579
Total past due receivables	**11,672,204**	**12,754,178**
Secured portion covered by a guarantees etc.	**6,442,059**	**5,695,692**

Guarantees received for the overdue receivables for which a provision is not allocated:

	31 December 2018	31 December 2017
Export insurance	5,833,849	5,695,692
Letter of guarantee	608,210	-
	6,442,059	**5,695,692**

The credit risk is distributed due to the large number of institutions constituting the customer base. The following charts provide information about the credit risk of the trade receivables and contract assets for the customers to which sales are being carried out as of 31 December 2018 and 31 December 2017 and exposure to ECLs.

	Weighted average loss ratio %*	Gross book value	Loss provision
Current (not overdue)	0.01	86,257,229	141,435
Overdue for 1-30 days	0.11	8,725,129	386,317
Overdue for 31-90 days	0.13	2,332,177	102,286
Overdue for 91-360 days	0.14	609,646	29,497
Overdue for 360 or more days	0.17	5,252	465
		97,929,433	**660,000**

* It is calculated over the net receivables after reducing the guarantees in compliance with TFRS 9.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

a.1 Credit risk management (continued)

	Receivables						
Credit risks exposed by the types of financial instruments	Trade Receivables		Other receivables				
31 December 2018	Related party	Third party	Related party	Third party	Bank deposits	Derivative instruments	Others
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	**12,787**	**97,916,647**	**-**	**1,817,378**	**16,582,037**	**-**	**-**
- Secured portion of the maximum credit risk by guarantees etc.	-	48,208,097	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	12,787	86,244,442	-	1,817,738	16,582,037	-	-
B. Net book value of assets for whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	11,672,204	-	-	-	-	-
- Secured portion covered by guarantees etc.	-	6,442,059	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	4,656,439	-	-	-	-	-
- Impairment amount(-)	-	(4,656,439)	-	-	-	-	-
- Secured portion covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount(-)	-	-	-	-	-	-	-
- The part covered by guarantees etc.	-	-	-	-	-	-	-
E. Off -balance sheet items including risk	-	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

a.1 Credit risk management (continued)

	Receivables						
Credit risks exposed by the types of financial instruments	**Trade Receivables**		**Other receivables**				
31 December 2017	**Related party**	**Third party**	**Related party**	**Third party**	**Bank deposits**	**Derivative instruments**	**Others**
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	**520,941**	**73,672,694**	**-**	**882,431**	**10,897,681**	**8,949,000**	**-**
- Secured portion of the maximum credit risk by guarantees etc.	-	34,935,637	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	520,941	60,918,516	-	882,431	10,897,681	8,949,000	-
B. Net book value of assets whose conditions renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	12,754,178	-	-	-	-	-
- Secured portion covered by guarantees etc.	-	5,695,692	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	2,726,738	-	-	-	-	-
- Impairment amount (-)	-	(2,726,738)	-	-	-	-	-
- Secured portion covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount(-)	-	-	-	-	-	-	-
- The part covered by guarantees etc.	-	-	-	-	-	-	-
E. Off -balance sheet items including risk	-	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

a.1 Credit risk management (continued)

As of 31 December 2018, a portion of trade receivables amounting to TL 388.623 consist of receivables from credit card and maturity up to 3 months (31 December 2017: TL 349.554).

As at balance sheet date, the total amount of overdue receivables and guarantees received for these receivables is as follows:

	31 December 17
Overdue for 1-30 days	9,086,555
Overdue for 1-3 months	2,078,993
Overdue for 3-12 months	1,125,051
Overdue for 1-5 years	463,579
Total past due receivables	**12,754,178**
Secured portion covered by a guarantees etc.	**5,695,692**

Guarantees received for the overdue receivables for which a provision is not allocated:

	31 December 17
Export insurance	5,695,692
	5,695,692

As of 31 December 2018, the Group has cash and cash equivalents (except the cash balance) in the amount of 42,033,495 TL (2017: 10,897,936 TL). The cash and cash equivalents are kept at financial institutions with high credibility, domiciled in Turkey.

a.2 Liquidity risk management

Ultimate responsibility belongs to the Board of Directors for liquidity risk management. The Board of Directors has created an appropriate liquidity risk management for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages the liquidity risk estimation and monitoring of actual cash flows on a regular basis and ensures the availability of adequate funds and borrowing reserves by matching the maturities of financial assets and liabilities.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

a.2 Liquidity risk management (continued)

The following table shows the details of the Group's expected maturity for its non-derivative financial liabilities. Non-derivative financial liabilities is prepared on the basis of undiscounted cash flows and on the earliest dates. The interest payments on the obligations in question were included in the following table.

Liquidity risk chart

31 December 2018

Contractual maturities	Carrying value	Total cash outflows under contracts (I+II)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial liabilities					
Loans and borrowings	128,257,002	131,897,060	17,391,684	114,505,376	-
Trade payables	75,897,399	77,389,039	51,126,581	26,262,457	-
Total liabilities	**204,154,401**	**209,286,099**	**68,518,265**	**140,767,833**	

31 December 2017

Contractual maturities	Carrying value	Total cash outflows under contracts (I+II)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial liabilities					
Loans and borrowings	92,960,773	97,642,018	32,260,950	65,381,068	-
Trade payables	64,651,951	65,250,955	44,306,484	20,944,471	-
Total liabilities	**157,612,724**	**162,892,973**	**76,567,434**	**86,325,539**	

31 December 2017

Contractual maturities	Carrying value	Total cash outflows Under contracts (I+II)	Less than 3 months (I)	Between 3-12 months (II)
Derivative financial transactions				
Other financial transactions (cash in-out)	(3,547,571)	(8,949,999)	(1,070,250)	(7,878,750)
Total assets	**(3,547,571)**	**(8,949,000)**	**(1,070,250)**	**(7,878,750)**

33. Nature and extend of risk arising from financial instruments (continued)

b.3) Market risk management

The Group's activities are primarily exposed to financial risks related to changes in foreign currency exchange rates and interest rates, as detailed below.

Market risks are also assessed through sensitivity analyzes.

There has been no change in the Group's exposure to market risk or exposure to risks in its management and measurement methods in the current year.

b.3.1) Currency Risk Management

Group is exposed to foreign currency risk, principally the USD, Euro and GBP. The Group controls this risk through a natural method of offsetting foreign currency assets and liabilities. The Group also uses derivative financial instruments (principally foreign exchange forward contracts) to hedge certain financial commitments and related exchange rate fluctuations related to future transactions. Management is responsible for analyzing the Group's foreign exchange position and taking precautions when necessary.

The table below shows the Group's sensitivity to a 10% increase and a decrease in USD, EUR and GBP exchange rates. The 10% rate is used during the reporting of the foreign exchange risk within the Group to the senior management. This means that the rate management indicates the possible change in exchange rates. Sensitivity analysis only covers monetary items at the end of the period in terms of open foreign currencies and shows the effect of the 10% exchange rate change at the end of the year. This analysis includes loans that are used for foreign operations within the Group together with outsourced loans, as well as loans outside the functional currency of the employing parties. Positive value refers to the increase in profit / loss and other equity items.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

b.3) Market risk management (continued)

31 December 2018		TL Equivalent (Functional currency)	USD	Euro	GBP	Other
1.	Trade receivables	78,159,276	6,433,026	7,025,011	295,966	
2a.	Monetary financial assets (cash, bank accounts included)	40,357,239	154,346	6,560,034	204	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	**Current Assets (1+2+3)**	**118,516,515**	**6,587,372**	**13,585,045**	**296,170**	**-**
5.	Trade receivables					
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**118,516,515**	**6,587,372**	**13,585,045**	**296,170**	-
10.	Trade payables	48,051,054	5,434,421	3,122,786	95,742	
11.	Financial liabilities	78,725,680	-	13,060,000		-
12a.	Other monetary liabilities	-	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-	-
13.	**Current liabilities (10+11+12)**	**126,776,734**	**5,434,421**	**16,182,786**	**95,742**	**-**
14.	Trade payables					
15.	Financial liabilities	-	-	-	-	-
16a.	Other monetary liabilities	-	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**-**	**-**	**-**	**-**	**-**
18.	**Total liabilities(13+17)**	**126,776,734**	**5,434,421**	**16,182,786**	**95,742**	-
19.	Net asset/liability position of off -balance sheet derivatives(19a-19b)	-	-	-	-	-
19.a.	Foreign currency derivatives accounted assets	-	-	-	-	-
19b.	Foreign currency derivatives accounted liabilities	-	-	-	-	-
20.	**Net foreign currency(9-18+19)**	**(8,260,219)**	**1,152,951**	**(2,597,741)**	**200,428**	**-**
21.	Monetary items net foreign currency asset / liability position (1+2a+5+6a-10-11-12a-14-15-16a)	(8,260,219)	1,152,951	(2,597,741)	200,428	
22.	Fair value of financial assets for foreign currency hedge	-	-	-	-	-
23.	The amount of currency hedged portion of assets	-	-	-	-	-
24.	The amount of currency hedged portion of liabilities	-	-	-	-	-
25.	Export	249,367,725	9,832,662	36,536,146	1,769,697	-
26.	Import	179,603,039	27,574,762	5,418,180	238,762	1,183,895

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

b.3) Market risk management (continued)

31 December 2017		TL Equivalent (Functional currency)	US Dollar	Euro	GBP	Other
1.	Trade receivables	60,718,098	4,172,292	9,050,147	809,930	
2a.	Monetary financial assets (cash, bank accounts included)	10,060,292	223,338	2,018,202	20,607	1
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	**Current Assets (1+2+3)**	**70,778,390**	**4,395,630**	**11,068,349**	**830,537**	**1**
5.	Trade receivables					
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**70,778,390**	**4,395,630**	**11,068,349**	**830,537**	**1**
10.	Trade payables	49,169,116	11,683,395	1,084,417	40,123	
11.	Financial liabilities	30,253,850	-	6,700,000		-
12a.	Other monetary liabilities	-	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-	-
13.	**Current liabilities (10+11+12)**	**79,422,966**	**11,683,395**	**7,784,417**	**40,123**	**-**
14.	Trade payables					
15.	Financial liabilities	-	-	-	-	-
16a.	Other monetary liabilities	-	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**-**	**-**	**-**	**-**	**-**
18.	**Total liabilities (13+17)**	**79,422,966**	**11,683,395**	**7,784,417**	**40,123**	-
19.	Net asset/liability position of off balance sheet derivatives (19a-19b)	(81,279,000)	-	(18,000,000)	-	-
19a.	.Foreign currency derivatives accounted assets	-	-	-	-	-
19b.	Foreign currency derivatives accounted liabilities	81,279,000	-	18,000,000	-	-
20.	**Net foreign currency(9-18+19)**	**(89,923,576)**	**(7,287,765)**	**(14,716,068)**	**790,414**	**1**
21.	Monetary items net foreign currency asset / liability position (1+2a+5+6a-10-11-12a-14-15-16a)	(8,644,576)	(7,287,765)	3,283,932	790,414	1
22.	Fair value of financial assets for foreign currency hedge	3,547,571	-	-	-	-
23.	The amount of currency hedged portion of assets	81,279,000	-	18,000,000	-	-
24.	The amount of currency hedged portion of liabilities	-	-	-	-	-
25.	Export - 1 January - 31 December 2017	198,994,603	10,450,954	34,849,282	3,006,338	-
26.	Import - 1 January - 31 December 2017	108,013,466	23,701,264	3,830,460	181,554	118,020

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

b.3) Market risk management (continued)

The Group is exposed to foreign exchange risk, due to the impact of rate changes of foreign currency denominated assets and liabilities translated into Turkish Lira. The foreign exchange risk, foreign currency position is monitored and limited by the analysis.

	31 December 2018	31 December 2018
Profit/Loss		
	Appreciation of foreign currency	**Depreciation of foreign currency**
10% change in USD rate		
1 - ABD Dollar net asset/liability		
1- USD net asset/liability	606,556	(606,556)
2 - Hedged amount (-)	-	-
3- US net effect (1 +2)	**606,556**	**(606,556)**
10% change in EURO rate	(1,565,918)	1,565,918
4 - EURO net asset/liability		
5 - Hedged amount (-)	-	-
6- EURO net effect (4+5)	**(1,565,918)**	**1,565,918**
10% change in GBP rate	(133,340)	(133,340)
7- GBP net asset/liability		
8- Hedged amount (-)	-	-
9- GBP net effect (7+8)	**(133,340)**	**(133,340)**
10% change in CHF rate		
10- CHF net asset/liability	-	-
11- Hedged amount (-)	-	-
12- CHF net effect(10+11)	-	**-**
TOTAL (3 + 6 +9+12)	**(826,022)**	**826,022**

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

b.3) Market risk management (continued)

	31 December 2018	31 December 2017
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate		
1 - ABD Dollar net asset/liability		
1- USD net asset/liability	(2,748,872)	2,748,872
2 - Hedged amount (-)	-	-
3- US net effect (1 +2)	**(2,748,872)**	**2,748,872**
10% change in EURO rate		
4-EURO net asset/liability	(6,645,040)	6,645,040
5 - Hedged amount (-)	-	-
6- EURO net effect (4+5)	(6,645,040)	**6,645,040**
10% change in GBP rate	401,554	(401,554)
7- GBP net asset/liability		
8- Hedged amount (-)	-	-
9- GBP net effect (7+8)	401,554	**(401,554)**
10% change in CHF rate		
10- CHF net asset/liability	-	-
11- Hedged amount (-)	-	-
12- CHF net effect(10+11)	-	**-**
TOTAL (3 + 6 +9+12)	**(8,992,359)**	**8,992,359**

b.3.2) Interest rate risk management

Group is exposed to interest rate risk due to Group's borrowings at both fixed and floating interest rates. Mentioned risk is managed by maintaining an appropriate distribution between the fixed and floating rate borrowings by the Group.

The Group's interest rate sensitive financial instruments are as follows:

	Interest position table	
	31 December 2018	31 December 2017
Financial instruments with fixed interest rate		
Financial Assets	38,110,258	-
Financial Liabilities	128,257,002	92,960,773

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

33. Nature and extend of risk arising from financial instruments (continued)

c.1) Capital ratio 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 to maintain an optimal capital 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 monitors the capital by using the net financial debts/equities ratio. Net financial debts are calculated by deducting the cash and cash equivalents from the total financial debt amount.

Net debt/invested capital ratios as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Total financial debt	128,257,002	92,960,773
Cash values and banks (*)	42,033,495	10,897,936
Net financial debt	86,223,507	82,062,837
Equities	90,397,746	65,403,737
Net financial debt/equities ratio	**0.95**	**1.25**

(*) The amount of the cash values and banks as of 31 December; also includes the term deposits with maturity longer than three months shown in the financial investments possessed by the Group, in addition to cash and cash equivalents.

34. 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 methods. However, estimates are used in the interpretation of market data in the fair value estimation. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

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

34. Financial instruments (continued)

1) Monetary assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables are estimated to be their fair values.

2) Monetary liabilities

The carrying values of short-term financial liabilities and other financial liabilities are estimated to be at their fair values since they are short term.

Derivative financial instruments (futures contracts)

The Group enters into future contracts in foreign currency markets. The aforementioned future contracts made with respect to hedging in accordance with the risk management policies of the Group are recognized with their fair value under "derivative financial assets" (if revenue) or "derivative financial liabilities" (if expense) in financial statements since they do not provide appropriate conditions for hedge accounting according to IAS 39 Financial Instruments: Recognition and Measurement.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

34. Financial instruments (continued)

Derivative financial instruments (futures contracts) (continued)

Fair values of derivative financial instruments are considered as future cash returns discounted in publicly traded markets or reduced to balance sheet date. All derivative instruments are carried as assets when their fair values are positive and as debt when they are negative.

Gains or losses arising from an increase or decrease in the fair value of derivatives that do not meet the requirements for hedge accounting are directly attributed to the income statement.

31 December 2018	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Carrying value	Note
Financial assets					
Cash and cash equivalents	16,582,037			16,582,037	6
Financial investments	25,451,458	-	-	25,451,458	6,1
Trade receivables	97,916,646	-	-	97,916,646	8
Receivables from related parties	12,787	-	-	12,787	7
Other receivables	1,817,378	-	-	1,817,378	9
Financial liabilities					
Borrowings		128,257,002		128,257,002	18
Trade payables	-	75,609,899	-	75,609,899	8
Payables to related parties	-	287,500	-	287,500	7
Deferred revenues	-	1,346,070	-	1,346,070	9
Derivative instruments	-	-	-	-	22

31 December 2017	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Carrying value	Note
Financial assets					
Cash and cash equivalents	10,897,936	-	-	10,897,936	6
Trade receivables	73,672,694	-	-	73,672,694	8
Receivables from related parties	520,941	-	-	520,941	7
Derivative instruments	-	-	3,547,571	3,547,571	22
Other receivables	882,431		882,431	882,431	9
Financial liabilities					
Borrowings	-	92,960,773		92,960,773	18
Trade payables	-	64,651,951		64,651,951	8
Payables to related parties	-	295,288		295,288	7
Deferred income	-	844,707		844,707	9

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

34. Financial instruments (continued)

Fair value hierarchy:

The Group classifies the financial instruments that are reported with their fair values in the financial statements according to the source of the valuation inputs of each class of financial instruments using the three level hierarchy as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Other valuation techniques including indirectly and directly observable inputs

Level 3: Valuation techniques which do not include observable market inputs

As of 31 December 2017, the hierarchy chart of the Group's financial assets and liabilities followed over fair value is as follows:

Assets	Level 1	Level 2	Level 3	Total
31 December 2017				
Derivative financial instruments, net	-	3,547,571	-	**3,547,571**
Total	**-**	**3,547,571**	**-**	**3,547,571**

35. Subsequent events

None.

36. Other matters that may have a material effect on, or be explained for the clear understanding and interpretation of the consolidated financial statements

None.

YÜNSA YÜNLÜ SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
2018 DIVIDEND DISTRIBUTION TABLE (TL)

1. PAID / ISSUED CAPITAL			**29.160.000,00 TL**
2. General Legal Reserve (According to Legal Records)			9.954.166,41 TL
If there is a privilege in dividend distribution in accordance with the Articles of Association			None
		According to CMB	According to Legal Records
3	Period Profit (Loss)	28.791.550,00 TL	33.448.698,61 TL
4	Taxes (-)	698.116,00 TL	0,00 TL
5	Net Period Loss (=)	28.093.434,00 TL	33.448.698,61 TL
6	Losses from Previous Years (-)	7.622.850,59 TL	26.811.320,78 TL
7	General Legal Reserve (-)	286.825,59 TL	286.825,59 TL
8	**NET DISTRIBUTABLE PERIOD PROFIT (=)**	**20.183.757,82 TL**	**6.350.552,24 TL**
9	Donations Made During The Year (+)	91.702,00 TL	
10	Distributed Net Distributable Period Profit	20.275.459,82 TL	
11	First Dividend to Partners	1.458.000,00 TL	
	- Cash	1.458.000,00 TL	
	- Free	0,00 TL	
	- Total	1.458.000,00 TL	
12	Dividend Distributed to Preferred Owners	0,00 TL	
13	Other Dividend Distribution	0,00 TL	
	To the Members of the Board of Directors,	0,00 TL	
	Employees,	0,00 TL	
	To Shareholders other than Shareholders,	0,00 TL	
	Dividend Distributed to Redeemed	0,00 TL	
14	Shareholders	4.374.000,00 TL	
	Second Share of Shareholders	437.400,00 TL	
15	General Legal Reserve	0,00 TL	
16	Statutory Reserves	0,00 TL	
17	Special Reserves		
18			
19	**EXTRAORDINARY RESERVE**	**13.914.357,82 TL**	**81.152,24 TL**
20	Other Resources		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Pursuant to the Law and the Articles of Association		
	Distributable Other Reserves		

Dividend Rates Table

	Total Dividend Share		Total Distributed Dividend / Net Distributable Period Profit	Dividend share with a nominal value of 1 TL	
GROSS	CASH (TL)	FREE (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
	5.832.000,00	-	28,89	0,2000	20,00
NET*	4.957.200,00	-	24,56	0,1700	17,00

* Net calculation is based on the assumption that income tax withholding will be 15%.

PROFIT DISTRIBUTION PROPOSAL

Consolidated statement of financial position as of 31 December 2018 (Amounts expressed in Turkish Lira (TL) unless otherwise indicated.)

Our Company has been audited by an independent auditor KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in accordance with the Capital Markets Board Communiqué on Principles Regarding Financial Reporting in the Capital Markets (Series II - 14.1). According to our consolidated financial statements for the period between 01.01.2018 and 31.12.2018, TL 28.093.434 has been recorded as profit.

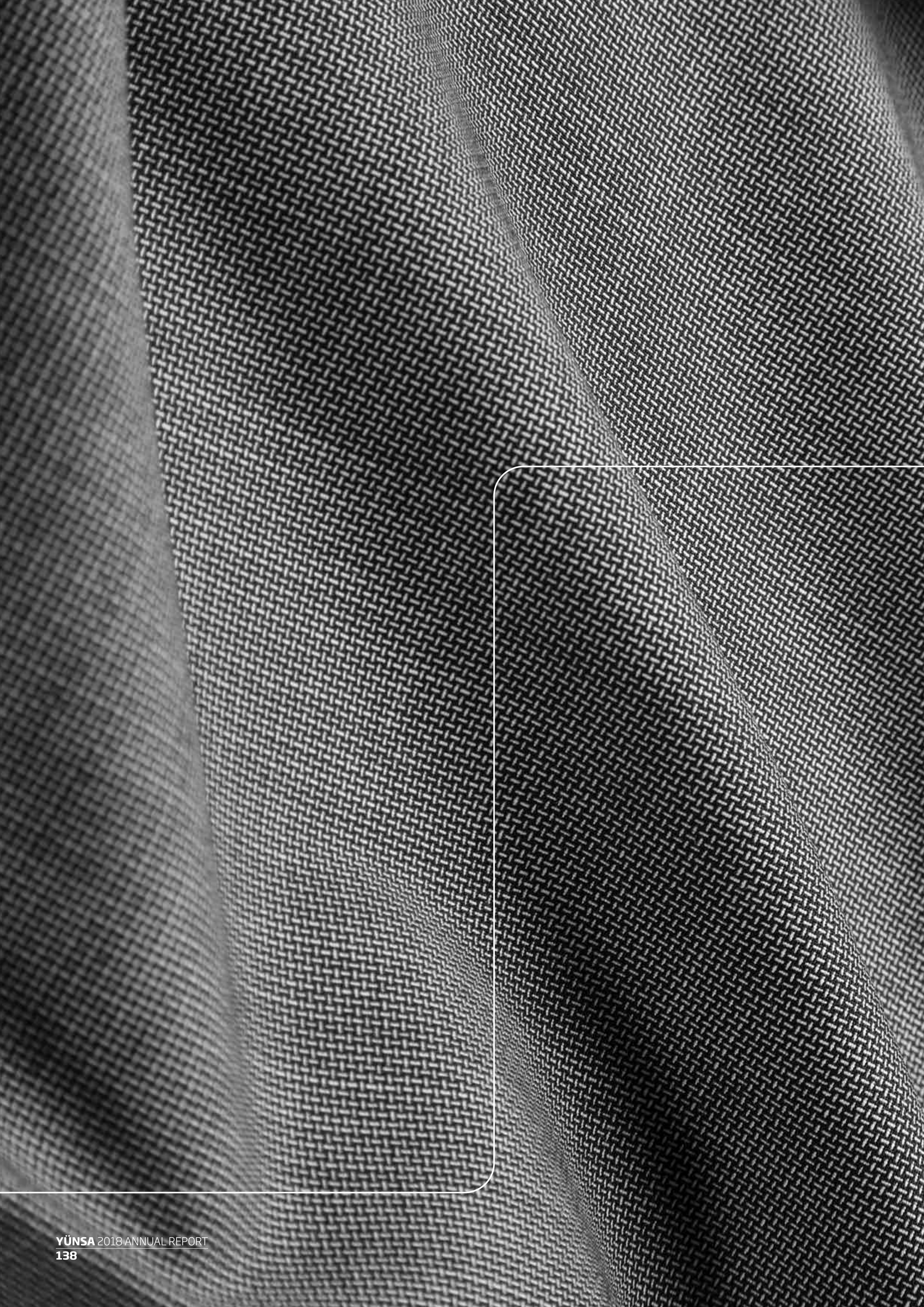
In accordance with Article 30 of the Articles of Association and in accordance with CMB Communiqués, the profit for the said period shall be distributed as follows, after deducting the Losses of General Year, General Legal Reserve and Legal Liabilities.

First Dividend:	1.458.000 TL
Second Profit Share:	4.374.000 TL
Total Gross Profit Share:	5.832.000 TL
General Legal Reserve (2nd Order):	437.400 TL
Extraordinary Reserve:	13.914.357,82 TL

Thus, According to the legal status of the shareholders representing the capital of 29.160.000,00 TL from the profit of the year 2018 it has been decided to submit these dividends to the approval of the Ordinary General Assembly to be held on March 28, 2019 by dividing the total of TL 5.832.000 of the dividends in cash by 20.00% (Gross) and 17% (Net) on 2 April 2019.

Sincerely,

Board of Directors



YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş. İLETİŞİM

İLETİŞİM

Internet Sitesi:
www.yunsa.com

Genel Müdürlük:
Sabancı Center
4.Levent 34330 Istanbul / Türkiye
T: 0 212 385 87 00
F: 0 212 282 50 67-68 / 270 17 83

Fabrika:
Çerkezköy Organize Sanayi Bölgesi, Gazi Osman Pasa Mah.
2. Cadde No: 9 59500 Çerkezköy / Tekirdag
T: 0 282 726 80 01
F: 0 282 726 63 85

Sosyal Medya Bilgileri:
www.linkedin.com/company/yunsa/
www.facebook.com/YunsaOfficial/
www.twitter.com/yunsaofficial
www.instagram.com/yunsaofficial
www.youtube.com/channel/UCP9xV5DBVBxadoqUUe_HVQw

YÜNSA

www.yunsa.com