İhlas Holding A.Ş.

Convenience Translation into English of Financial Statements
and Independent Auditor's Report for
the Period between January 1, 2018 and December 31, 2018
(Originally Issued in Turkish)

(Convenience Translation into English of Independent Auditor's Report Originally Issued in Turkish)

Independent Auditor's Report
for the Period Between
January 1, 2018 and December 31, 2018
İhlas Holding A.Ş.

To the Board of Directors of İhlas Holding Anonim Şirketi,

Opinion

We have audited the accompanying consolidated financial statements of İhlas Holding A.Ş. (the "Company"), and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at December 31, 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

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

Basis for Opinion

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

Key Audit Matters

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

- *Impairment of Trade Receivables:* Explanations regarding the Group's trade receivables are included in Notes 2 and 10. Trade receivables should be tested for impairment annually, as required by TAS. Impairment of trade receivables includes significant estimates in terms of the Group management and material misstatement of trade receivables and/or impairment losses according to the applicable accounting principles and standards contains potential risks. As a result, the detection of the impairment of trade receivables is considered as key matter for audit of the consolidated financial statements. We performed the following procedures; understanding of trade receivables, testing for controls, aging client accounts, analytically investigating of aging, assessing key ratios, examining ongoing litigations against the Group from legal counsels, assessing the recognized provisions considering the past collection abilities according to the Group's prudence policy. Also, we performed confirmation letters of receivables, assessment of sample impairment of receivables according to current accounting principles, standards and fairness of impairment of receivables.

- *Construction projects:* Explanations regarding the Group's construction inventories and advances are included in Notes 2, 10, 13, 24 and 41. The Group recognizes contruction inventories, advances and includes the liability for the provision of these inventories in the financial statements. Construction inventories consist of the land acquired by the Group for building residential properties for sale and the costs of the houses to be built on these land. Construction inventories and liabilities are considered as key matter for audit of the consolidated financial statements. We performed the following procedures; assessing the Group management's accounting policies of inventories, advances and trade payables in accordance with TAS and related legislation, understanding the Group's procurement process and evaluating the design and effectiveness of internal controls on the procurement process, evaluating the selection of realized transactions of construction inventories, advances and trade payables and determining appropriateness of transactions, reviewing of contracts for construction inventories, examining the sample documents processed through and analyzing construction projects.
- *Valuation of property, plant and equipment and investment properties:* Explanations regarding the Group's property, plant and equipment and investment properties are included in Notes 2, 17 and 18. The valuation of real estates includes significant estimates in terms of the Group's management. The changes in the key assumptions are leaded to an increase or decrease in the value of property, plant and equipment and investment properties. These valuations are based not on quoted prices in active markets, but on models developed by independent real estate valuation specialists determined by the Group's management, depending on the specific nature and conditions of these assets. The valuation of these real estates is a key matter for audit because there are significant estimates in these valuations. We performed the following procedures; evaluating the qualifications, independence of independent real estate valuation specialists appointed by the Group management for valuation of real estates and assessing appropriateness of used valuation methods and testing for accuracy of valuation.
- *Recoverability of deferred tax assets on unrecognized tax losses:* Explanations regarding the Group's deferred tax asset calculated on unrecognized tax losses are included in Notes 2 and 35. Deferred tax assets calculated on unrecognized tax losses of the Group are required to be reviewed annually in accordance with TAS. During the review process, future business plans and profit projections are taken into consideration of losses incurred in the current period and the date when the unrecognized tax losses can be used. The assumptions and uncertainties surrounding the estimation of future taxable profit affect deferred tax assets on unrecognized tax losses. Also, unrecognized financial losses are significant for the Group's financial statements and is considered as a key matter for audit. We performed the following procedures; controlling the Group management's approved plans and expridation dates of unrecognized tax losses, assessing future profit projections and current period profit or loss.
- *Employee termination benefits:* Explanations regarding the Group's employee termination benefits are included in Notes 2 and 22. The Group management calculates the provision for employment termination benefits by assuming various assumptions such as discount rate, inflation rate, real salary increase rate, resignation rates in calculation of provision for employee termination benefits. As a result, the employee termination benefits may differ from the amount in the statement of financial position, since the changes in the assumptions used in the calculation affect the valuation. We performed the following procedures; examining and questioning key assumptions such as discount rates, resignation rates, etc., controlling personnel information of calculated employee termination benefits and testing whether the assumptions used are within a reasonable range.
- *Recognition of revenues:* Explanations regarding the Group's recognition of revenues are included in Notes 2 and 28. Due to material importance, total revenue from variable channels such as construction, media, marketing segments and nature of the Group's operations, the recognition of revenues is considered as a key matter for audit. We performed the following procedures; assessing the Group management's accounting policies of revenues in accordance with TAS and related legislation, understanding the Group's revenue cycle and evaluating the effectiveness of its design and internal control of the revenue process, obtaining confirmation letters, determining appropriateness of transactions, reviewing of contracts for revenues, examining the sample documents processed through and analyzing revenues.

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Other Responsibilities Arising From Regulatory Requirements

In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on March 11, 2019.

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

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

The name of the engagement partner who supervised and concluded this audit is Salim AKGÜL.

İstanbul, March 11, 2019

Irfan Bağımsız Denetim ve
Yeminli Mali Müşavirlik A.Ş.

Salim AKGÜL, YMM
Partner

İhlas Holding A.Ş.

Contents **Index**

Consolidated Statement of Financial Positions at December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **December 31, 2018**	Audited **December 31, 2017**
ASSETS			
Current Assets		**1,608,984,747**	**2,062,215,760**
Cash and Cash Equivalents	6	38,017,127	18,109,173
Financial Investments		-	-
Trade Receivables		764,959,966	859,819,355
Trade Receivables From Related Parties	*10-37*	*1,351,928*	*1,018,010*
Trade Receivables From Non-Related Parties	*10*	*763,608,038*	*858,801,345*
Other Receivables	11	7,409,488	2,117,321
Inventories	13	587,748,895	817,948,796
Prepaid Expenses	24	146,677,751	310,899,598
Current Tax Assets	25	378,432	452,524
Other Current Assets	26	63,793,088	52,491,003
(Sub-Total)		1,608,984,747	2,061,837,770
Assets held for sale	34	-	377,990
Non-Current Assets		**867,013,818**	**645,546,094**
Financial Investments	7	914,306	914,306
Trade Receivables	10	166,574,308	75,528,720
Other Receivables	11	3,820,048	1,869,904
Investments Accounted for Using Equity Method	16	22,486,685	29,160,917
Investment Property	17	215,543,853	238,529,454
Property, Plant and Equipment	18	252,502,692	206,545,659
Intangible Assets		16,223,300	17,864,606
Goodwill	*19*	*6,975,245*	*9,692,733*
Other Intangible Assets	*19*	*9,248,055*	*8,171,873*
Prepaid Expenses	24	118,338,188	1,746,967
Deferred Tax Asset	35	70,610,438	73,385,561
TOTAL ASSETS		**2,475,998,565**	**2,707,761,854**

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

Consolidated Statements of Financial Positions at December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited December 31, 2018	Audited December 31, 2017
LIABILITIES			
Current Liabilities		**979,948,395**	**1,465,243,669**
Short-Term Financial Borrowings	8	81,270,828	68,637,656
Short-Term Portion of Long-Term Financial Borrowings	8	65,699,243	46,779,734
Trade Payables		281,276,024	218,700,447
Trade Payables to Related Parties	*10-37*	*9,614,951*	*4,429,031*
Trade Payables to Non-Related Parties	*10*	*271,661,073*	*214,271,416*
Payables Related to Employee Benefits	22	26,103,107	20,638,561
Other Payables		10,402,624	5,307,609
Other Payables to Related Parties	*11-37*	*1,129,136*	*435,000*
Other Payables to Non-Related Parties	*11*	*9,273,488*	*4,872,609*
Deferred Income	24	450,731,435	1,053,588,471
Current Tax Provision	35	6,864,430	400,010
Short-Term Provisions	21-22	12,131,547	9,500,630
Other Current Liabilities	26	45,469,157	41,690,551
Non-Current Liabilities		**682,441,614**	**414,196,651**
Long-Term Financial Borrowings	8	249,666,903	202,922,007
Other Payables	11	30,594	30,594
Deferred Income	24	324,603,190	112,327,795
Long-Term Provisions		49,463,069	45,639,489
Long-Term Provisions for Employee Benefits	*22*	*48,432,196*	*44,290,814*
Other Long-Term Provisions	*21*	*1,030,873*	*1,348,675*
Deferred Tax Liability	35	44,624,039	31,340,677
Other Non-Current Liabilities	26	14,053,819	21,936,089
EQUITY		**813,608,556**	**828,321,534**
Equity Holders of the Parent		**520,005,741**	**549,251,325**
Paid-in Share Capital	27	790,400,000	790,400,000
Share Premium	27	7,260,265	7,260,265
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss		86,004,462	76,327,966
Increases/Decreases on Revaluation of Property, Plant and Equipment	*27*	*92,827,143*	*80,654,433*
Gains/Losses on Remeasurements of Defined Benefit Plans	*27*	*(6,754,993)*	*(4,333,402)*
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	*27*	*(67,688)*	*6,935*
Restricted Reserves Appropriated From Profits	27	21,196,531	21,422,891
Other Reserves	27	(44,598,745)	(39,136,386)
Prior Years' Profits or Losses	27	(301,665,632)	(349,769,331)
Profit/Loss for the period	36	(38,591,140)	42,745,920
Non-Controlling Interests	**27**	**293,602,815**	**279,070,209**
TOTAL LIABILITIES AND EQUITY		**2,475,998,565**	**2,707,761,854**

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **January 1 - December 31, 2018**	Audited **January 1 - December 31, 2017**
Revenue	28	1,273,608,432	712,387,940
Cost of Sales (-)	29	(1,029,319,771)	(560,390,219)
Gross Profit/Loss		**244,288,661**	**151,997,721**
General Administrative Expenses (-)	29	(119,263,425)	(100,576,552)
Marketing, Selling and Distribution Expenses (-)	29	(29,514,584)	(38,409,785)
Research and Development Expenses (-)	29	(504,537)	(787,628)
Other Operating Income	30	74,568,509	145,080,785
Other Operating Expenses (-)	30	(114,413,914)	(61,534,418)
Operating Profit/Loss		**55,160,710**	**95,770,123**
Income from Investment Activities	31	47,278,812	16,247,398
Expenses from Investment Activities (-)	31	(14,205,926)	(16,523,614)
Share of Profit/Loss from Investments Accounted for Using Equity Method	16	(398,427)	(581,297)
Operating Profit Before Financial Income/ Expense		**87,835,169**	**94,912,610**
Financial Income	33	34,293,628	19,412,311
Financial Expense (-)	32	(136,979,706)	(86,288,344)
Profit Before Tax From Continuing Operations		**(14,850,909)**	**28,036,577**
Tax Income/ Expense of Continuing Operations	**35**	**(17,751,376)**	**7,178,094**
- Current Tax Expense for the Period	*35*	*(9,292,029)*	*(6,108,165)*
- Deferred Tax Income/ Expense	*35*	*(8,459,347)*	*13,286,259*
Profit For The Period From Continuing Operations		**(32,602,285)**	**35,214,671**
Period Profit/Loss From Discontinued Operations		**-**	**-**
Profit (Loss) For The Period	**36**	**(32,602,285)**	**35,214,671**
Distribution of profit of the year			
Non- Controlling Interests	*36*	*5,988,855*	*(7,531,249)*
Parent Shares	*36*	*(38,591,140)*	*42,745,920*
Basic Earnings Per Share	**36**	**(0.0412)**	**0.0446**
- Basic Earnings / Loss per Share from Continuing Operations	*36*	*(0.0412)*	*0.0446*
- Basic Earnings / Loss per Share from Discontinued Operations		-	-
Diluted Earnings Per Share		**-**	**-**

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **January 1 - December 31, 2018**	Audited **January 1 - December 31, 2017**
Profit (Loss) For The Period	**36**	**(32,602,285)**	**35,214,671**
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			
Gains/Losses on Remeasurements of Defined Benefit Plans		(2,408,271)	(1,368,677)
Increases/Decreases on Revaluation of Property, Plant and Equipment		13,980,437	5,834,890
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		(125,528)	(66,142)
Other Comprehensive Income		**11,446,638**	**4,400,071**
TOTAL COMPREHENSIVE INCOME		**(21,155,647)**	**39,614,742**
Distribution of Total Comprehensive Income			
Non- Controlling Interests		*7,758,997*	*(6,425,739)*
Parent Shares		*(28,914,644)*	*46,040,481*

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

						Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			Retained earnings/losses				
	Notes	**Paid-in Share Capital**	**Share Premium**	**Restricted Reserves Appropriated From Profits**	**Other Reserves**	**Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss**	**Increases/ Decreases on Revaluation of Property, Plant and Equipment**	**Gains/Losses on Remeasurements of Defined Benefit Plans**	**Prior Years' Profits or Losses**	**Profit for the period**	**Equity Holders of the Parent**	**Non-Controlling Interests**	**Total Equity**
January 1, 2018		790,400,000	7,260,265	21,422,891	(39,136,386)	6,935	80,654,433	(4,333,402)	(349,769,331)	42,745,920	549,251,325	279,070,209	828,321,534
Total comprehensive income/ loss	27-36	-	-	-	-	(74,623)	12,172,710	(2,421,591)	-	(38,591,140)	(28,914,644)	7,758,997	(21,155,647)
Transfers		-	-	-	-	-	-	-	42,745,920	(42,745,920)	-	-	-
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	27	-	-	-	(5,456,089)	-	-	-	5,947,034	-	490,945	5,968,861	6,459,806
Increase (decrease) through other changes, equity	27	-	-	(226,360)	(6,270)	-	-	-	(589,255)	-	(821,885)	804,748	(17,137)
December 31, 2018		**790,400,000**	**7,260,265**	**21,196,531**	**(44,598,745)**	**(67,688)**	**92,827,143**	**(6,754,993)**	**(301,665,632)**	**(38,591,140)**	**520,005,741**	**293,602,815**	**813,608,556**

						Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss			Retained earnings/losses				
	Notes	**Paid-in Share Capital**	**Share Premium**	**Restricted Reserves Appropriated From Profits**	**Other Reserves**	**Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss**	**Increases/ Decreases on Revaluation of Property, Plant and Equipment**	**Gains/Losses on Remeasurements of Defined Benefit Plans**	**Prior Years' Profits or Losses**	**Profit for the period**	**Equity Holders of the Parent**	**Non-Controlling Interests**	**Total Equity**
January 1, 2017		790,400,000	7,218,627	20,067,133	(39,020,867)	25,601	97,681,199	(2,958,805)	(433,327,470)	63,088,322	503,173,740	285,287,496	788,461,236
Total comprehensive income/ loss	27-36	-	-	-	-	(18,666)	4,687,824	(1,374,597)	-	42,745,920	46,040,481	(6,425,739)	39,614,742
Transfers		-	-	-	-	-	-	-	63,088,322	(63,088,322)	-	-	-
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity	27	-	-	-	-	-	-	-	-	-	-	9,900	9,900
Increase (decrease) through other changes, equity	27	-	41,638	1,274,729	-	-	(21,714,590)	-	20,469,817	-	71,594	36,192	107,786
Transactions with non-controlling shareholders	27	-	-	81,029	(115,519)	-	-	-	-	-	(34,490)	162,360	127,870
December 31, 2017		**790,400,000**	**7,260,265**	**21,422,891**	**(39,136,386)**	**6,935**	**80,654,433**	**(4,333,402)**	**(349,769,331)**	**42,745,920**	**549,251,325**	**279,070,209**	**828,321,534**

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

Consolidated Statements of Cash Flows
for the years ended December 31, 2018 and 2017

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited **January 1 - December 31, 2018**	Audited **January 1 - December 31, 2017**
Cash Flows from Operating Activities			
Profit/Loss for the period	36	(32,602,285)	35,214,671
Adjustments to reconcile Profit/Loss			
Adjustments for depreciation and amortisation expense	18,19	11,410,405	11,624,182
Adjustments for impairment loss			
Adjustments for provision/reversal of provision of receivables	10	4,488,877	(44,319,613)
Adjustments for impairment loss/reversal of impairment loss of inventories	13	(3,183,184)	(1,078,730)
Adjustments for impairment loss/reversal of impairment loss of goodwill	19	2,717,488	4,749,906
Adjustments for impairment loss/reversal of impairment loss of property, plant and equipment	31	2,830,465	-
Adjustments for provisions			
Adjustments for/reversal of provisions related with employee benefits		10,530,627	9,669,133
Adjustments for/reversal of lawsuit and/or penalty provisions	21	269,236	(2,737,935)
Adjustments for/reversal of warranty provisions	21	(7,069)	279,940
Adjustments for finance costs			
Adjustments for interest income	33	(5,620,638)	(10,365,155)
Adjustments for interest expense	32	70,287,577	63,770,958
Other adjustments for fair value losses/gains			
Adjustments for fair value losses/gains of investment property	31	(26,714,526)	(9,229,448)
Adjustments for undistributed profits of investments in equity instruments			
Adjustments for undistributed profits of associates	16	398,427	581,297
Adjustments for income/ expense caused by sale or changes in share of associates, joint ventures and financial investments	31	(6,110,699)	-
Adjustments for tax/income expenses	35	17,751,376	(7,178,094)
Adjustments for losses/gains on disposal of non-current assets		(3,536,923)	4,345,693
Adjustments for losses/ gains arised from sale of non-current assets or disposal groups classified as held for sale or as held for distribution to owners		17,116	-
Other adjustments for non-cash items		465,621	(48,751)
Changes in working capital			
Decrease/increase in trade receivables from non-related parties		(292,440)	(6,836,430)
Decrease/increase in trade receivables from related parties		(382,636)	2,482,543
Decrease/increase in other receivables from non-related parties	11	(7,215,480)	(482,250)
Decrease/increase in other receivables from related parties	11,37	(26,831)	-
Decrease/increase in inventories		233,383,085	(14,379,869)
Decrease/increase in prepaid expenses	24	47,630,626	(136,491,136)
Decrease/increase in trade payables to non-related parties	10	57,389,657	39,390,341
Decrease/increase in trade payables to related parties	10,37	5,185,920	324,140
Decrease/increase in payables related to employee benefits	22	5,464,546	994,336
Decrease/increase in deferred income	24	(390,581,641)	97,089,866
Decrease/increase in other payables to non-related parties	11	4,400,879	1,686,956
Decrease/increase in other payables to related parties	11,37	694,136	185,000
Decrease/increase in other assets	25,26	(11,227,993)	(12,876,793)
Decrease/increase in other liabilities		(4,905,743)	(2,076,747)
Cash Flows from Operations			
Income taxes paid/refund		(2,827,609)	(11,356,753)
Retirement provision paid	22	(7,348,960)	(6,841,062)
Net cash generated from operations (A)		**(27,268,593)**	**6,090,196**
Cash Flows from Investing Activities			
Purchase of property, plant, equipment and investment property	18	(19,277,486)	(11,456,533)
Purchase of intangible assets	19	(3,407,704)	(4,629,592)
Proceeds from sales of property, plant, equipment		707,141	26,822,240
Proceeds from sales of investment properties		35,691,272	375,864
Proceeds from sales of assets held for sale		360,874	-
Cash outlows from acquisition of assets held for sale	34	-	(377,990)
Cash outfflows arising from purchase of shares or capital increase of associates and/or joint ventures		12,260,975	(15,566,136)
Cash inflows from sale of shares of subsidiaries that doesn't cause loss of control		6,290,374	-
Cash outflows arising from additional share purchases of associates		-	(137,300)
Other inflows/outflows of cash		118,384	266,200
Net cash generated from investing activities (B)		**32,743,830**	**(4,703,247)**
Cash Flows from Financing Activities			
Interest received		3,434,735	558,635
Interest paid		(30,556,943)	(45,982,069)
Proceeds/repayments from financial borrowings, net		41,474,118	37,875,091
Net cash used in financing activities (C)		**14,351,910**	**(7,548,343)**
Net increase/(decrease) in cash and cash equivalents (D=A+B+C)		**19,827,147**	**(6,161,394)**
Cash and cash equivalents at the beginning of the period (E)	6	**18,109,173**	**24,202,969**
Cash and cash equivalents at the end of the period (F=D+E)	6	**37,936,320**	**18,041,575**

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

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 1 – Group's Organization and Nature of Operations

İhlas Holding A.Ş. ("Parent Company") was founded under the name of İhlas Matbaacılık ve Dağıtım Anonim Şirketi" on December 25, 1980. The Parent Company changed its name first to İhlas Matbaacılık ve Sağlık Hizmetleri A.Ş. on March 6, 1986, and subsequently to İhlas Holding A.Ş. on August 2, 1993. As a result of amendments to the Articles of Association; the Parent Company set construction, healthcare, marketing, domestic trade, education and soft drinks as its areas of business; and removed printing, newspaper and magazine publishing from the list. Although the Articles of Association of the Parent Company includes a diverse range of businesses, the legal entity of the Parent Company was active only in the construction, healthcare, education services and domestic trade sectors on the report date.

As of the balance sheet date, the Group employed a total of 2,589 people (December 31, 2017: 2,901), of which 849 (December 31, 2017: 863) worked for the Parent Company.

The Parent Company headquarters is located at "Merkez Mahallesi, 29 Ekim Cad., İhlas Plaza No:11, B/21 Yenibosna, Bahçelievler, Istanbul."

The principal shareholders and their respective shareholding rates in the Parent Company are as follows:

	December 31, 2018		December 31, 2017	
Shareholder Name/Title	**Share Ratio**	**Share Amount**	**Share Ratio**	**Share Amount**
Publicly traded	86.37%	682,674,283	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047	10.58%	83,563,047
Others	3.05%	24,162,670	3.05%	24,162,670
Total Capital	**100,00%**	**790,400,000**	**100,00%**	**790,400,000**

The distribution of the privileged shares of the Parent Company (Group B shares) as of the balance sheet date is as follows:

Shareholder Name/Title	Series	Group	Bearer/ Registered	Number of Shares	Amount
Ahmet Mücahid Ören	I	B	Bearer	3,579,750	35,797.5
Others	I	B	Bearer	920,250	9,202.5

The Parent Company's Board of Directors are selected from Group B shareholders' nominees of at least three board members if the Board of Directors are determined as 5 members; at least five board members if the Board of Directors are determined as 7 members; at least five board members if the Board of Directors are determined as 9 members; at least nine board members if the Board of Directors are determined as 11 members by the General Assembly.

Information regarding the operations of subsidiaries and associates of İhlas Holding A.Ş. is provided below, listed on the basis of their effective rates and number of privileged shares.

Subsidiaries Included in Consolidation

1. İhlas Pazarlama A.Ş.: Involved in the manufacturing and sale of electrical, electronic and mechanical kitchen appliances, durable goods, as well as construction works.

2. İhlas Gazetecilik A.Ş.: Publishes, sells, distributes and markets newspapers and all other types of publications, in Turkish and in foreign languages, both in Turkey and abroad.

3. İhlas Ev Aletleri İmalat San.Tic.A.Ş.: Manufactures electrical home appliances.

4. İhlas Haber Ajansı A.Ş.: Operates as a news agency.

5. İhlas Yayın Holding A.Ş.: Joins or participates in the capital, management, and control of all types of partnerships, whether existing or to be established, which are, or will be, involved in all types of printed, audio-visual publishing, advertising and news agency activities as well as in other related industries, and establishes businesses and companies on its behalf in the aforementioned industries

6. Kuzuluk Kaplıca İnşaat Turizm Sağlık ve Petrol Ürünleri Tic.A.Ş.: Operates a hot spring and health facility in Akyazı, Kuzuluk village of Sakarya.

7. İhlas Motor A.Ş.: Involved in the manufacturing, assembling, trading, importing and exporting of all types of motorized and non-motorized vehicles and spare parts, and serves as a representative for real estate and durable/non-durable goods.

8. TGRT Haber TV A.Ş.: Mainly broadcasts; produces and performs audio and visual recordings for television and radio programs, television films, videos and commercials; leases TV channels and sets up radio stations.

9. TGRT Dijital TV Hizmetleri A.Ş.: Mainly broadcasts - produces and performs audio and visual recordings for television and radio programs, television films, videos and commercials; leases TV channels and sets up radio stations.

10. Bisiklet Pazarlama ve Tic. A.Ş.: Markets bicycles, mopeds and spare parts.

11. İhlas Net A.Ş.: Mainly offers IT and internet services, sets up networks and trades computers and computer components.

12. İletişim Magazin Gazt. Yan. San ve Tic. A.Ş.: Prints and markets newspapers, magazines, books, etc (Note 3).

13. İhlas Yapı Turizm ve Sağlık A.Ş.: Involved in the construction, installation and undertaking of projects; also invests, builds, sells and operates tourism and health facilities.

14. Cyprus Branch: Established in the Turkish Republic of Northern Cyprus as a branch of İhlas Holding, this division distributes newspapers and markets electric home appliances.

15. İhlas Medya Planlama ve Satınalma Hiz. Ltd.Şti.: Operates as an advertising, publicity, and photography agency (Note 3).

16. İhlas Gelişim Yayıncılık A.Ş.: The Company's core business line is to circulate, sell, distribute and market newspapers and all forms of publications in Turkish and foreign languages in both Turkey and foreign countries (Note 3).

17. Armutlu Tatil ve Turizm İşletmeleri A.Ş.: Operates as a thermal spring tourism entrepreneur, the Company also manages the İhlas Armutlu Timeshare Holiday Village.

18. İhlas İnşaat Holding A.Ş.: The main purpose of the Company is to participate in the management and capital of primarily construction companies that are either established or will be established; and to establish commercial, industrial and financial enterprises for this purpose.

19. İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.: Involved in tourism investments and management, real estate purchases and sales, construction projects, and the like.

20. Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.: Involved in representation, consultancy, import, export and domestic trading activities with regard to advertising, publicity, photography, publication and advertising agencies (Note 3).

21. Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.: Mainly involved in the production and marketing of catering.

22. KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.: Mainly involved in the operation of domestic and international shipping, personnel transport, storage and bonded warehousing.

23. İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership: İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership based on revenue sharing and apartment-for-land models to develop a project with the owners of the 92,293-square meter land registered on block 498, parcel 1 in the Güzelce neighborhood of Büyükçekmece district in Istanbul. The company was established as an ordinary partnership to mutually carry out the "revenue sharing in return for land" task on the land.

24. İhlas Marmara Evleri Ordinary Partnership: In order to construct residential and business properties with the land owner, Kiler Gayrimenkul Yatırım Ortaklığı A.Ş., of 31,309-square meter land registered on block 482, parcel 3 and 30,396-square meter land registered on block 484, parcel 12 in Yakuplu neighborhood of Beylikdüzü district in Istanbul, the Group signed "revenue sharing in return for land" agreement for construction, sales and marketing. The ordinary partnership is established for the construction of approximately 1,200 flats and 60 commercial units within the scope of the project which is planned to be started in 2017 and to be completed within 40 months from the signing of the contract.

Associates Included in Consolidation through Equity Method

1. İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş.: Within the framework of the decision of the General Assembly dated April 14,2017, the Company changed its title as İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş., and it enlarged its activities on construction, marketing and energy sectors.

Subsidiaries Not Included in Consolidation (Based on Effective Rates)

1. İhlas Dış Ticaret A.Ş.: Involved in tourism investments and management, real estate purchase and sale, construction projects, etc.

2. İhlas Finans Kurumu A.Ş. in Liquidation: Utilizes the funds acquired through private current accounts and profit/loss accounts. The company is in the process of liquidation, with its operations having been discontinued as of the balance sheet date.

Financial Investments Not Included in Consolidation

1. Detes Enerji Üretim A.Ş.: The Company is currently inactive. Its core business involves building, operating and renting electric power plants, producing electricity, and selling customers the electricity and/or capacity produced.

2. Mir Maden İşletmeciliği Enerji ve Kimya San. Ltd. Şti.: Involved in mining, energy and chemical activities.

3. İhlas Holding A.Ş. - Belbeton Beton Elemanları Sanayi Üretim ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership: Ordinary partnership established in order to become involved in construction operations.

4. Swiss PB AG: The company is one of Switzerland's prime international financial institutions involved in businesses such as asset management and professional brokerage.

5. Doğu Yatırım Holding A.Ş.: Established to make investments in Eastern and Southeastern Anatolia regions.

Note 2 – Basis of Presentation of Consolidated Financial Statements

A. Basis of Presentation

TAS Compliance Statement

The Group keeps accounting records and statutory financial statements in Turkish lira (TL) in compliance with trade legislation, financial legislation and Uniform Chart of Accounts requirements issued by the Ministry of Finance. Based on the Group's legal records, consolidated financial statements have been rectified and classified so as to ensure compliance with the Turkish Accounting Standards (TAS) and the Turkish Financial Reporting Standards (TFRS), issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA), and with the appendices and footnotes related to them.

The Capital Markets Board Communiqué Serial II, No: 14.1 on "Principles Regarding Financial Reporting in Capital Markets" was issued in the Official Gazette dated June 13, 2013, and entered into effect on the date of issue to be valid as of the interim period of financial reports ending after April 1, 2013. The communiqué sets the policies, procedures and principles regarding the financial statements that will be drawn up by the businesses, and regarding their preparation and submission to the authorities. This communiqué annuls the Communiqué Serial XI, No: 29 on "Principles Regarding Financial Reporting in the Capital Markets."

In the preparation of financial statements, businesses refer to the TAS and TFRS provisions issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA) in compliance with the provisions of the Capital Markets Board Communiqué Serial: II, No: 14.1 on “Principles Regarding Financial Reporting in Capital Markets.” Accordingly, the attached consolidated financial statements have been prepared based on the TAS and TFRS, and on the related appendices and comments. Moreover, the consolidated financial statements and footnotes have been presented in the formats and with the information required by the POA.

Related Parties

For the purpose of these consolidated financial statements, the Group’s shareholders and group companies with indirect capital relationships with the Group, as well as board members and senior managers and other key executive personnel are defined as “related parties.” Key management personnel include executives (administrative or otherwise) with direct or indirect authority and responsibility to plan, manage and control the Group’s operations.

Related party transactions consist of the transfer of assets, services, or liabilities between related parties, regardless of whether a fee is applicable.

Due to ordinary activities, related party transactions have generally been performed at prices compatible with market conditions.

Note 37 provides information on the Group's balances and all transactions with regard to the companies it has direct or indirect relationships.

Comparatives and adjustment of prior periods’ financial statements

The Group's financial statements are prepared comparatively with the previous year's so as to allow for the identification of financial status and performance trends. In order to provide comparability when the presentation or classification of items of financial statements changes, the financial statements are also reclassified accordingly.

If the Group retroactively applies an accounting policy or retrospectively restates an entity's financial statements or reclassifies items in its financial statements; the footnotes related to the 2-period table are presented for each of the following three tables of the consolidated statement of financial position (balance sheet), the other statements (profit or loss and other comprehensive income statement, consolidated statements of cash flows, consolidated statement of changes in shareholders' equity).

Explanation of Inflation Accounting and Presentation Currency

In accordance with a decision made by the CMB dated March 17, 2005, effective from January 1, 2005, companies that operate in the Turkish market and prepare financial statements according to the CMB Financial Reporting Standards do not need to apply inflation accounting. Therefore, starting from January 1, 2005, the TAS 29 standard titled “Financial Reporting Standard on High-Inflation Economies” published by the POA was not applied to the Group’s consolidated financial statements.

The enclosed consolidated financial statements have been prepared in Turkish lira (TL) with the inclusion of the consolidated financial statements dated December 31, 2018, and the consolidated financial statements from previous periods to be used for comparison.

As per TAS 21 standard “Effects of Changes in Foreign Exchange Rates”, the Group records foreign currency transactions based on the spot exchange rate amount that is calculated as the difference between the foreign currency and the functional currency at the time of the transaction.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Foreign currency closing rates published by the Central Bank of Turkey for the December 31, 2018 - December 31, 2017 period:

	Foreign Exchange Rates (TL/Foreign Currency)	
Currency	**December 31, 2018**	**December 31, 2017**
USD	5.2609	3.7719
EUR	6.0280	4.5155
GBP	6.6528	5.0803
CHF	5.3352	3.8548
SEK	0.5844	0.4569

Continuity of Business

The Group's consolidated financial statements are prepared under the going concern principle.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously. Offsetting does not pertain to showing assets after deducting regulatory accounts, such as inventory impairment provisions and doubtful payables provisions.

B. Changes in Accounting Policies

Users of the financial statements should have the ability to compare the entity's financial statements over time with a view to determining the entity's financial position, performance and trends in cash flows. For this reason, the same accounting policies are applied in each interim period and every accounting period.

The following are not considered changes in accounting policies;

- the application of an accounting policy for transactions or events that differ intrinsically from those that occurred before,

- Implementation of a new accounting policy for transactions or events that have not arisen or are not significant.

The same accounting policies are applied by the Group as per the period consistency principle.

The New Standards, Amendments and Interpretations

The new standards, amendments and interpretations which are effective as of January 01, 2018 are as follows:

TAS 40 Investment Property

In these amendments, the transfer of real estate used by the owner of the investment property and the real estate used by the owner is clarified. These amendments have not affected the Group's financial position and performance. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2018.

TFRS 2 Share-based Payments

This arrangement provides some clarification on accounting for cash based share-based payment transactions and the classification of share-based payment transactions by new agreement features. These amendments have not affected the Group's financial position and performance. These amendments are to be applied for annual periods beginning on or after January 1, 2018.

TFRS 4 Insurance Contracts

These amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after January 1, 2018. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments have not affected the Group's financial position and performance.

TFRS 9 Financial Instruments – Final Standard

TFRS 9 Financial Instruments is the replacement of TAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. TFRS 9 relies on a rational, single classification and measurement approach that reflects the business model and cash flow characteristics that are managed within financial assets. Based on this, a single model has been established that can be applied to all financial instruments that are subject to impairment accounting, with a forward-looking expected credit loss model that will enable credit losses to be accounted for more timely. In addition, TFRS 9 requires that banks and other entities choose an option to measure their financial liabilities at fair value, which is the so-called "own credit risk" that results in the recording of income in the profit or loss table due to a decrease in the fair value of the financial liability, The problem is addressed. The standard also includes a financial hedging model developed to better correlate the risk management economy with accounting practices. However, early application is allowed. In addition, early amendments to 'own credit risk' are allowed to be applied alone, without changing the accounting for financial instruments. TFRS 9 is effective for annual periods beginning on or after January 1, 2018.

TFRS 15 Revenue from Contracts with Customers

The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard establishes a model for accounting for and measuring the sale of certain non-financial assets (e.g. property, plant and equipment) that are not related to the ordinary activities of an entity to be applied to revenue generated from contracts with customers. There are two alternative applications for transition to TFRS 15; full retroactive application or modified retroactive application. When modified retroactive application is preferred, prior periods are not be restated but comparative numerical information is provided in the footnotes of the financial statements. This amendment replaced TAS 11 "Construction Contracts" and TAS 18 "Revenue" standards. TFRS 15 is effective for annual periods beginning on or after January 1, 2018.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

This interpretation includes an explanation of the recognition of advances received or paid in foreign currency. According to this interpretation, it is stated that the transaction date should be based on the first transaction dates in non-monetary payments/purchases, and in case of multiple payments/purchases, transactions should be made according to each payment/purchase dates. There is a retrospective application option. These amendments have not affected the Group's financial position and performance. This interpretation are to be applied prospectively for annual periods beginning on or after January 1, 2018.

<u>Annual Improvements to TFRSs - 2014–2016 Cycle</u>

- TFRS 1 First-time Adoption of Turkish Financial Reporting Standards – Deleted the short-term exemptions in paragraphs E3–E7 of TFRS 1.

- TAS 28 Investments in Associates and os – Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity.

Improvements to TFRS 1 and TAS 28 will be applied prospectively for annual periods beginning on or after January 1, 2018. These amendments have not affected the Group's financial position and performance.

Standards published but not implemented and no early implemention

New standards, interpretations and amendments published as of the date of approval of the financial statements but not yet effective for the current reporting period and not early adopted by the Company are as follows. The Company will make necessary changes to affect its financial statements and footnotes after the new standards and interpretations have entered into force, unless otherwise stated.

New and amended standards and interpretations that have been issued by the IASB and the POA, but whose effective dates are an advanced date or not early adopted:

TFRS 9 Financial Instruments – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2019. These amendments confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Group assesses the impact of the standard on its financial position and performance.

TFRS 16 Leases

The new standard removes the distinction between operating leases and financial leases, requiring that many leases for leaseholders be included in a single model. The accounting for the leaseholders has not changed substantially and the difference between operating lease and financial leasing continues. TFRS 16 will replace TAS 17, and TSIC 17. The new standard is effective for annual periods beginning on or after January 1, 2019. Early application is permitted for TFRS 16 as long as TFRS 15 "Revenue from Contracts with Customers" is also applied. The Group assesses the impact of the standard on its financial position and performance.

TAS 19 Employee Benefits – Amendment

These amendments are to be applied for annual periods beginning on or after January 1, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

TAS 28 Investments in associates and joint venture – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. These amendments are not expected to have an impact on the Group's financial position and performance.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

These amendments are to be applied for annual periods beginning on or after January 1, 2019. This TFRS clarifies how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. These amendments are not expected to have an impact on the Group's financial position and performance.

Annual Improvements to TFRSs - 2015–2017 Cycle

- TFRS 3 Business Combinations - The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

- TFRS 11 Joint Arrangements - The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- TAS 12 Income Taxes - The amendments clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises.

- TAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These interpretations are to be applied prospectively for annual periods beginning on or after January 1, 2019. These amendments are not expected to have an impact on the Group's financial position and performance.

New and revised standards and interpretations issued by the IASB but not published by the POA:

The new standards, interpretations and amendments to existing IFRS standards listed below have been published by the IASB but have not yet entered into force for the current reporting period. These new standards, interpretations and amendments have not yet been adapted to the TFRS by the POA and therefore do not form part of TFRS. The Company will make the necessary changes to its financial statements and footnotes after such standards and interpretations have been entered into force in TFRS.

TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2020. These amendments clarifies definition of materiality and financial reporting framework; clarification on explanation of the definition of materiality; and inclusion of some guidance on non-essential information.

TFRS 3 Business Combinations – Amendments

These amendments are to be applied for annual periods beginning on or after January 1, 2020. With this amendment, the definition of entity is revised.

TFRS 17 Insurance Contracts

These amendments are to be applied for annual periods beginning on or after January 1, 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. These amendments are not expected to have an impact on the Group's financial position and performance.

C. Accounting Policies, Estimates and Errors

Accounting policy changes arising from the initial application of a new standard are, if any, applied retroactively or in accordance with the transition provisions. Significant changes in the accounting policy or changes in accounting policy that are not included in any transition clause are applied retrospectively and the financial statements are restated in the previous period's consol. Changes in accounting estimates are only applied in the current period in which the change is made, in the period in which the change is made, and prospectively, if it relates to future periods.

D. Summary of Significant Accounting Policies

The preparation of financial statements in accordance with TAS/TFRS requires the use of certain significant accounting estimates. At the same time, the management is required to make some important decisions when determining the Group's accounting policies. Higher level of reasoning or complexity is discussed in Note 2.E to the explanations of the issues, assumptions or estimates that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible into cash, and that do not pose a risk of significant value change. The book value of these assets approximates their fair value.

Trade Receivables

Trade receivables are related to commercial goods sold or services provided to customers. According to TFRS 15 Revenue from Contracts with Customers, the Group recognizes trade receivables at transaction price that do not comprise of any significant finance component.

Trade receivables, which comprise of significant finance component, are recognized at amortized cost using effective interest method. LIBOR rates are used as the effective interest rate for the Group due to the absence of any cash and cash equivalents in accordance with the commercial practices and due to the fact that the maturity difference is not applied to sales. The difference between the nominal value of the trade receivables with significant finance components and the discounted value is recognized as "credit finance income/expense arising from trading activities " according to TFRS 9 Financial Instruments standard.

The Group uses past credit losses to estimate expected credit losses. The Group measures the loss allowances regarding its trade receivables at an amount equal to lifetime expected credit losses. Uncollectible trade receivables are deducted from the provision account. The changes in the expected credit loss provisions are recognized in the income statement.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all procurement costs, conversion costs and other costs incurred to bring the inventories to their present state and position. The unit cost of inventories is determined by the average cost method.

When the cost of inventories falls below the net realizable value, inventories are reduced to net realizable value and are recorded in "Cost of Sales" in the statement of comprehensive income for the year of impairment. The provision for impairment loss is reversed if it is proven that the circumstances causing the reduction of the net realizable value of the inventory have become invalid or the net realizable value has increased due to the changing economic conditions. The amount that has been canceled is limited to the amount of impairment that is previously recorded and is recorded in the "Cost of Sales" line. The Company management assesses whether there is any impairment in inventories as of the balance sheet date and if any. Replacement costs for the first materials and materials are used as the best measure reflecting the net realizable value.

If inventories are acquired on a deferred payment basis, if the difference between the purchase price and the prepaid price includes the significant finance component, these components are recognized as interest expense in the period in which they are financed.

Investment Properties, Property, Plant, Equipment and Intangible Assets

Investment Properties

Investment properties are real estate held (held by the lessee according to ownership or lease contract) (some or both of land or building or building) in order to obtain rental income or value increase gain or both.

Investment property is initially measured at cost. Transaction costs are also included in the initial measurement. Investment property acquired through finance leases are accounted for at fair value less the present value of the minimum lease payments.

In subsequent periods, the investment property is valued using either the fair value method or the cost method and the Group uses the fair value method to valuate the investment property.

Fair value of an investment property is determined as the price to be paid between market participants in a normal transaction at the measurement date, on the sale of an asset, or on a payback period. The fair value is determined based on the best estimate even if the real estate does not have a market. From this point of view, fair value can change depending on the forecast and changes in market conditions. Factors such as the inherent risks of the asset, market conditions, and depreciation are taken into account in determining the fair value.

Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in the period in which they are incurred and are recognized in the Income/Expense from Investment Activities.

Lands and buildings are a separate tangible asset even though they are taken together and are accounted separately.

The properties leased and used by the parent or its subsidiaries are not included in the scope of investment property in the consolidated financial statements. These real estates are treated as real estates used by the owner and reported in property, plant and equipment.

Property, plant, equipment and Intangible assets

An item of property, plant, equipment and intangible asset that meets the criteria for recognition as an asset is measured at cost at initial recognition. In subsequent periods, they are valued using either cost or revaluation method.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Intangible assets represent rights and other intangible items. Intangible assets are reflected to the purchases before January 1, 2005 by deducting the accumulated amortization and impairment losses from the purchase cost values for items purchased after December 31, 2004 and the cost values adjusted for the effect of inflation as of 31 December 2004.

The initial costs of fixed assets are comprised of the purchase price including the customs taxes, non-refundable purchase taxes, direct costs incurred until the asset becomes operational and the asset is returned to its use.

In the cost model, presentations are made by subtracting accumulated depreciation and impairment losses from the cost values of property, plant, equipment and intangible assets.

In the revaluation model, the fair value is the depreciation based on the revalued amount of a property, plant, equipment and intangible asset that can be measured reliably, after the asset is accounted for as an asset. The revaluation gross or net value method is used. Revaluations are made at the balance sheet date in such a way that the amount to be obtained by using the fair value is not significantly different from the carrying amount. Appreciation of the resulting value is attributable to the value increase fund under equity, while the value decreases are deducted from the pre-existing value increases if any, otherwise they are recorded in the account of Expense from Investment Activities.

The Group revaluates the revaluation model when there are significant changes in the real estates it uses and it uses the cost model because there is no active market for other property, plant, equipment assets and intangible assets other than real estate.

Provisions of TAS 2 "Inventories" and TAS 16 "Property, Plant and Equipment" are applied in the transfers of the Group to property, plant, equipment assets for use in operating activities. Accordingly, the fair value at the date of transfer is based on fair value.

Depreciation is measured by the straight-line method based on a pro-rata basis according to the useful lives and methods indicated below:

	Useful Life (Years)	Method
Land improvements	50	Straight-Line
Buildings	50	Straight-Line
Machinery and equipments	3-20	Straight-Line
Vehicles	3-15	Straight-Line
Furniture and fixtures	2-50	Straight-Line
Other property, plant, equipment	2-30	Straight-Line
Rights	3-16	Straight-Line
Other intangible assets	3-15	Straight-Line

The useful life and depreciation method are regularly monitored and accordingly the method and the period of depreciation are considered to be consistent with the economic benefit to be gained from the related asset. If there is a change in the useful life, changes from the current year are reflected in the statement of comprehensive income.

Lands and buildings are a separate tangible asset even though they are taken together and are accounted separately. Depreciation is not allocated for assets such as land and land whose useful lives can not be determined or which have an indefinite useful life.

If there are any events or changes in the existing conditions that the carrying values of the property, plant and equipment cannot be recovered, the value of the property, plant and equipment is examined. In the event that such indications exist or the carrying amount exceeds the recoverable amount, the related assets are reduced to their recoverable amount. Realizable value is the higher of net selling price and value in use. When usage value is found, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects the risks specific to that asset. For assets that do not independently generate cash inflows in large amounts, the recoverable amount is calculated for the cash-generating unit to which that asset belongs. The related tangible asset is depreciated over the remaining estimated useful life. Depreciation amounts of property, plant and equipment are associated with operating expenses and cost of sales items in the statement of comprehensive income. Impairment losses are recognized in Expense from Investment Activities in the statement of comprehensive income.

The Group tests for impairment of assets and determines net selling prices by taking into consideration "second hand market values" of some assets and "amortized replacement costs" for non-second hand assets. Since the net selling prices for these assets are equal to or greater than the net carrying amount of the assets, the calculation of the value in use is not required and no provision for impairment is made. For certain assets (e.g. goodwill), if it is not possible to determine the net selling prices, the impairment test is performed based on the usage values.

An item of property, plant and equipment, and intangible assets is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as Income/Expense from Investment Activities in statement of profit or loss.

Research and development expenses

Expenses for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria:

- The product or process is clearly defined and costs are separately identified and measured reliably,

- The technical feasibility of the product is demonstrated,

- The intention and possibility of using or selling the product,

- Possibility of the product to provide economic benefit in future,

- Adequate technical, financial and other resources required for completion of the project are available.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group measures significant investment property and property, plant, equipment using the revaluation model on the basis of valuation transactions made by an independent expert who has relevant expertise and relevant professional background and up-to-date knowledge of the class and location of the property. Information on significant real estate properties is presented in the following table;

List of Real Estates Appraised for Fair Value	Fair Value	Revaluation Gain / Loss	Appraisal Date	Appraisal Methods	Fair Value Hierarchy
Yenibosna - İstanbul Real Estates	180,836,801	2,001,447	January 17, 2019	Peer Comparison and Discounted Income Methods	Level 2 and 3
Armutlu - Yalova Real Estates	82,335,000	2,082,404	December 31, 2018	Peer Comparison, Replacement Cost Methods	Level 2
Konak - İzmir Real Estates	27,125,000	5,940,451	January 9, 2019	Peer Comparison, Replacement Cost Methods	Level 2
Avcılar - İstanbul Real Estates	10,165,000	3,925,000	January 9, 2019	Peer Comparison, Discounted Income Methods	Level 2 and 3
Kuzuluk - Adapazarı Real Estates	17,010,000	508,599	December 30, 2018- January 17, 2019	Peer Comparison, Discounted Income, Cost Methods	Level 2 and 3
Beylikuzü - İstanbul Real Estates	55,430,000	23,770,364	January 17-21, 2019	Peer Comparison, Discounted Income and Cost Methods	Level 2
Kahramanlar - İzmir Real Estates	4,100,000	-	January 18, 2019	Peer Comparison Method	Level 2
Zonguldak Real Estates	1,610,000	(985,000)	January 18, 2019	Peer Comparison Method	Level 2
Tekkeköy - Samsun Real Estates	3,088,675	162,675	January 9-17, 2019	Peer Comparison, Discounted Income Methods Nethods	Level 2 and 3
Other Real Estates	38,439,615	7,908,247	December 25, 2018- January 17, 2019	Peer Comparison, Discounted Income, Cost ve Project Development Methods	Level 2 and 3

The significant unobservable data for non-financial assets measured by Level 3 inputs are expected market rent payments growth. If the expected market lease payment growth is high, the estimated fair value will also increase (decrease).
Significant unobservable data for non-financial assets measured by Level 2 inputs are precedent values based on the location and characteristics of the property. If the precedent values of similar properties increase (decrease) due to their location and characteristics, the predicted fair value will also increase (decrease).

Assets Held for Sale and Discontinued Operations

Assets that meet the criteria for classification as assets held for sale are measured at carrying amounts and depreciation over the assets is discontinued and presented separately in the balance sheet. In order for an asset to be classified as a held for sale asset, the asset (or group of assets to be removed) must be readily available for sale in the ordinary course of sale of such assets (or the group of assets to be dismissed) and highly likely to be sold. In order to increase the likelihood of a sale, an appropriate management stage has made a plan for the sale of the asset (or the group of assets to be removed) and an active program for the detection of the buyers and the completion of the plan has been initiated. In addition, the asset (or group of assets to be removed) must be actively marketed at a price consistent with its fair value. Various events or circumstances may extend the completion period of the sales process beyond one year.

If there is sufficient evidence that the related delay has occurred due to events or circumstances outside the control of the Group and the Group has a continuing sales plan for the sale of the related asset (or disposal group), the asset is to be classified as assets held for sale.

Impairment of Non-Financial Assets

If there are events or situations which the book value of assets subject to amortization may not be recoverable, the impairment test is applied. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash generating unit). At each reporting date, the Company assesses whether there is any indication that carrying value of assets except financial assets and deferred tax assets is impaired or not.

Taxation and Deferred Taxes

Tax expense / (income) of the Group is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

Current year tax liability is calculated on the portion of the period profit subject to taxation. The taxable profit differs from the profit stated in the income statement because it excludes income or expense items that can be taxable or deductible in other years and items that are not taxable or deductible. The Group's current tax liability is calculated by using the tax rate that is either legally enacted or the tax law is final.

Current tax payable is netted off with prepaid tax amounts in case they are paid or paid to the same tax authority. Deferred tax assets and liabilities are also netted.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values (balance sheet method/balance sheet liability method). These differences are divided into two categories: deductible and taxable. For all temporary differences in the nature of taxable deductible expenses, it is highly probable that future taxable income will be available for the reduction of these expenses in the future and is recognized in the deferred tax asset if the transaction is not part of a business combination or is not the result of the initial recognition of the obligation. All temporary differences subject to taxation are recognized in deferred tax liability. However, deferred tax is not recognized for temporary differences arising from the initial recognition of goodwill arising from the initial recognition of an asset or a liability, or from transactions that are not transactional.

In accordance with tax laws, unused tax losses and tax benefits are recognized as deferred tax assets if it is probable that future taxable income will be sufficient to offset them in the future.

Deferred income tax is calculated using tax rates that are currently enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, while deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized (Note 35).

Deferred tax assets and deferred tax liabilities are offset against each other if the same entity is subject to taxation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

Business Combination and Goodwill

The purchase method is applied when all business combinations are accounted. Goodwill is calculated as the difference between the cost at the date of acquisition of the acquiree's share or the assets acquired and the fair value of net assets (assets for acquired assets).

Over the fair value of net assets acquired with purchase price, the difference is reflected in the statement of financial position as goodwill. If the purchase price is less than the fair value of the acquired net assets, the difference is reflected in the statemtn of comprehensive income as a bargain purchase gain (negative goodwill). The honoraria resulting from the acquisition of the associates is included in the cost of the subsidiary and presented under the heading "Investments in Equity Instruments".

At each balance sheet date, the Group assesses goodwill for any indication that there is an impairment loss related to the cash-generating units that related to the goodwill. If such an indicator exists, the recorded value of that asset is compared with the net realizable value that is higher than the amounts that would be obtained through use or sale. If the value of the asset or any unit generating cash that the asset belongs to is higher than the net realizable value, the value has become impaired. Impairment losses are recognized in the statement of comprehensive income.

Business Combinations under Common Control

There is no specific accounting policy related to this transaction in TFRS since the main partnership is still unaffected and the main partnership is still jointly controlled. Accordingly, the Group has considered such business combinations within the scope of "TAS 8 Accounting Policies, Accounting Estimates and Errors Standard" and within the framework of the Resolution on Implementation of Turkish Accounting Standards dated September 11, 2018 regarding Accounting of Business Combinations under Common Control of the POA.

There are no goodwill or bargain purchase gain as a result of the legal mergers that have taken place by the entities controlled by the Group.

Leases

Finance Lease:

Finance leases that transfer all the risks and benefits of ownership of the leased asset to the Group are recognized at the inception of the lease on the basis of the fair value of the leased asset and the present value of the lease payments. Finance lease payments are allocated as principal and finance interest during the lease term to generate a fixed periodic rate of interest for the remaining debt for each period.

The fair value of financial leases is the purchase price used to purchase the asset and determined between the parties. Minimum lease payments include total liabilities such as principal, interest and tax, which are accounted for at the acquisition cost since their present value is not lower than the purchase price (capital).

Principal rent payments are shown as liabilities and are reduced as payments are made. Interest payments are expensed as interest expense in the comprehensive income statement over the term of the lease. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset.

Operational Lease:

Leases where the leaseholder holds all risks and benefits of the leased asset are classified as operating leases. Operational lease payments are recorded in the income statement as a straight line expense over the lease term.

Sale and Leaseback:

The Group has entered into a sale and leaseback agreement under which some of the land and buildings in investment properties are subject. The Group has considered this contract within the scope of TAS 17 "Leases" and the amount corresponding to the fair value of the real estate subject to the contract and collected from the financial leasing institution is accounted under "Financial borrowings" account in the financial statements.

Provisions for Employee Benefits

In accordance with Turkish Labor Law, the retirement pay provision shall be made in accordance with the Law on the Regulation of the Relations between the Employees of the Press Personnel and the Turkish Labor Code or by the completion of at least one year of service (at least 5 years service for the press staff), calling for military service, represents the discounted value of the estimated total liability of future liabilities at the balance sheet date. The actuarial valuation method has been used to reduce the retirement pay liability. Actuarial assumptions have been made for this. The most important of these is the discount rate used in discounts.

The rate to be used to discount defined benefit obligations (provisions for employee benefits) after leaving the office is determined by looking at the market returns for high quality corporate bonds at the balance sheet date. Because of the lack of a deep market for such securities, the real interest rate has been used, taking into account the market returns (compound interest rates) of government bonds (on the balance sheet date). In other words, inflation-adjusted interest rate (real interest rate) is used (Note 22).

In this context, financial institutions subject to labor law have accounted for the provision for severance indemnity at the actuarial method in the financial statements for the retirement of retirement benefits for all personnel or for the termination of the business relationship by calling for military service or for the future probable liability amounts in case of death.

The assumptions used in calculating the provision for employment termination benefits are explained in Note 22. According to Turkish Labor Law, if the employer has terminated the employment contract for any reason, unused vacation provision needs to be paid to him or his beneficiaries at the end of the contract. Unused vacation provision is recognized according to the stated framework.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are only recognized if the entity has a present and legally enforceable obligation (legal or constructive), it is probable that the economic benefits of the entity will be derecognized because of the obligation, and the amount of the obligation can be reliably determined.

In cases where it is expected that some or all of the expenditures required to fulfill an obligation related to the obligation are to be compensated by another party, the related indemnification shall be recognized in the financial statements. However, it is highly probable that the compensation will be obtained if the operator fulfills the obligation.

One of three methods is used according to the situation which is subject to compensation in the case of provisioning. This method is applied when the time value of money is important. When the value of money is significant over time, the provisions are reflected by the reduced value of the possible future costs incurred on the balance sheet date. When discounted value is used, increases due to the passage of time are recorded as interest payments. Assuming that the time value of the money is significant, it is reduced by using the risk-free discount rate, which is based on the estimated cash flows at the same time as the estimated cash flow, assuming no risk or uncertainty in determining the estimated cash flows. The second method is the expected value method. This method is used when the counterpart is related to a large cluster or to a large number of events, and the liability is estimated taking into account all possible outcomes. The third method is to estimate the most probable outcome of a single obligation or event and to reflect the reversal in the balance sheet to the financial statements.

Liabilities and assets arising from past events that may be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not fully under the control of the entity are disclosed in footnotes, but not in the financial statements, but as contingent assets, liabilities and commitments (Note 21).

Warranty Provisions

Warranty provisions are the repairs and maintenance costs of the goods manufactured and sold by the companies, the labor and material costs incurred by the authorized services without customer compensation under the guarantee, the first maintenance costs incurred by the companies and the products that are recorded as income during the following years and the estimates of repair levels resulting from past experience are recorded.

Revenue

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognizes the revenue as the amount of the transaction price, invoice value of goods calculated by deducting discounts and commissions, that is allocated to that performance obligation.

Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time in consolidated financial statements. The Group recognizes revenue based on the following principles in consolidated financial statement:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of the transaction price in the contracts,
- Allocation of transaction price to the performance obligations,
- Recognition of revenue when the performance obligations are satisfied.

The Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

The transaction price in the contract usually includes a single amount. If there is more than one good or service to transfer in the contract, the Group allocates the transaction price to each performance liability. The Group measures non-cash price using fair value in order to determine transaction price related to agreements which include client's commitment to pay price except for cash.

At the beginning of the agreement, the Group evaluates the goods or services committed to the client in the agreement. The Group evaluates whether meeting the performance obligation during the agreement (in writing or orally) process.

The Group recognizes revenue as it meets the performance obligation of transferring the goods or services committed ot the client. The Group recognizes the revenue, when the control of goods or services transfers to the client.

While evaluating the transfer of control of the goods and services, the Group considers the following indicators:

- Presence of the Group's collection right of the consideration for the goods or services,

- Customer's ownership of the legal title on goods or services,

- Physical transfer of the goods or services,

- Customer's ownership of significant risks and rewards related to the goods or services,

- Customer's acceptance of goods or services.

When the contract of promised goods and services effectively constitutes a financing component (credit finance), the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the credit finance consideration is recognised on an accrual basis as "other operating income".

Sale of goods (household appliances, real estate, motor vehicles etc.)

Revenue is recognized when the interest and benefits of the goods sold are transferred to the buyer and the amount of income can be reliably calculated. Net sales, discounts and commissions are the estimated future sales price.

Construction Revenues

As the Group does not have a progress payment amount, the revenue related to construction activities is measured according to TFRS 15 "Revenue from Contracts with Customers" standard. In TFRS 15, the conditions for the goods and services sales to be reflected in the financial statements are specified and the construction revenues are reflected to the financial tables in accordance with these conditions. In the sales made against advance payment, the risk remains until the goods are delivered and invoiced, and no revenue is generated until the goods are delivered and invoiced.

Service revenues (Advertisement, sponsorship, maintenance services, etc.)

The revenue generated from the service revenue is deemed to have occurred when the measurable completion rate is reached. Where income can not be reliably measured, income is considered as much as the recoverable amount of the expense incurred.

When there is reliable estimation of transation outcome of service revenue, the Group recognizes its revenue with the level of completion as of the balance sheet date.

TFRS 15 "Revenue from Contracts with Customers" standard has no material impact on the Group's revenue recognition.

Settlement ("Barter") Agreements

The Group is buying real estate for the provision of advertising services. The exchange of goods or services with similar characteristics and value is not defined as transactions that generate revenue, while the exchange of goods or services with different characteristics and value is defined as transactions that generate income. Revenue is recognized as the fair value of the goods or services received, including cash and cash equivalents transferred. Where the fair value of the service rendered can not be measured reliably, revenue is recognized as the fair value of the goods or services received, including cash and cash equivalents transferred. Settlement agreements are recorded on an accrual basis.

Unrealized Financial Income/Expenses

Unearned financial income/expenses represent financial income and expenses on credit sales and purchases. These revenues and expenses are calculated over the period of credit sales and purchases by the effective interest rate method and are presented under "other operating income/expense" item.

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets are capitalized as part of the cost of the respective assets. Capitalization is ceased when the -operations to bring the qualifying asset ready for sale or use- are completed. Qualifying assets are those assets whose construction or production takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

In subsequent periods, the difference between the cash inflow provided and the payback value is recognized in the income statement over the period of the borrowing.

Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss by the weighted average number of ordinary shares outstanding during the year. The weighted average of the shares in circulation during the period is calculated taking into consideration the shares (bonus shares) issued without generating an increase in the sources.

Financial Instruments

Recognition and Derecognition of Financial Instruments;

The Group reflects the financial asset or liability in the consolidated statement of financial position only if it is a party to the contract of the financial instrument. The Group derecognizes the financial asset when it transfers the asset or fulfills the conditions of the exclusion from financial statements.

Fair Value of Financial Instruments;

Fair value of a financial instrument is determined by the market participants in normal transaction at the date of the measurement period or the price to ve paid at the time of a debt.

Financial Assets;

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

The Group initially recognizes financial assets carried at amortized cost at fair value on the transaction date. Subsequently, the Group measures these assets at amortized cost using effective interest method.

The Group initially recognizes financial assets carried at fair value through other comprehensive income at fair value on the transaction date. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for foreign exchange gains and losses. When an equity security is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

The Group initially recognizes financial assets carried at fair value though profit or loss, which are assets that are not measured at amortised cost or at fair value through other comprehensive income, at fair value on the transaction date. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Financial Liabilities;

The Group subsequently recognizes all financial liabilities through amortized cost, except financial liabilities carried at fair value through profit or loss. The accounting policies for certain financial liabilities and equity instruments are as follows.

Short- and long-term financial borrowings are carried at amortized cost. Financial borrowings denominated in foreign currencies are translated at year-end exchange rates and approximate fair values are calculated.

In the event the Group is planning or preferring to refinance or rotate its financial liability within at least 12 months after the reporting period, this liability is classified as a long-term liability, even if the new payment program is short-termed. However, if the company does not choose or prefer to refinance or rotate its financial liabilities, a possibility of refinancing is not considered and the liability is reset in the short-term.

Impairment on Financial Instruments;

“Realized credit losses model” was defined in TAS 39 “Financial Instruments: Accounting and Measurement Standard”, valid before January 1, 2018, instead, “expected credit loss model” defined in TFRS 9 “Financial Instruments” Standard.

The Group calculates impairment according to TFRS 9 “Financial Instruments” standard. The impairment model in accordance with TFRS 9 “Financial Instruments” applies to financial assets carried at amortized cost and contractual assets.

At the end of each reporting period, the Group assesses whether there is objective evidence of impairment in financial assets and liabilities. The Group evaluates expected loss provision in financial instruments. The Group measures expected credit losses for a financial instrument to reflect:

- Weighted and unbiased amount according to the probabilities determined by considering possible results,

- Reasonable and supportable information based on past events, current conditions, forecasts of future economic conditions, which can be obtained without excessive cost or effort at the reporting date.

For all financial assets, except for the trade receivables where the carrying amount is reduced by the use of an allowance account, the impairment is directly deducted from the carrying amount of the financial asset.

The Group considers the default of a financial asset as the failure of the debtor to fully fulfill its credit obligation without applying any guarantee (if any).

Changes in the classification of financial assets and liabilities under TFRS 9 “Financial Instruments” are summarized below. These differences do not have an impact on the measurement of the Group’s financial assets:

Financial Assets	**Original classification and measurement under TAS 39**	**New classificationand measurement under TFRS 9**
Cash and cash equivalents	Loans and receivables (effective interest method)	Amortized cost (effective interest method)
Trade receivables	Loans and receivables (effective interest method)	Amortized cost (effective interest method)
Financial investments	Available for sale financial assets (cost method)	Fair value through statement of other comprehensive income (fair value)

Financial liabilities	**Original classification and measurement under TAS 39**	**New classificationand measurement under TFRS 9**
Borrowings	Amortized cost (effective interest method)	Amortized cost (effective interest method)
Trade payables	Amortized cost (effective interest method)	Amortized cost (effective interest method)

Trade Payables

Trade payables (inc. notes and trade payables) are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. If the expected period for the payment of trade payable is one year or less (or longer but is part of the working capital), these payables are classified as short-term payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial Risk Management

The Group is exposed to various financial risks due to its operations. These risks include; credit, exchange rate and liquidity risks. The Group's overall risk management program focuses on minimizing the variability of financial markets and the potential adverse effects on the Group's financial performance to a minimum level.

Credit Risk

Group's risk of credit is generally due to its trade receivables. Trade receivables are assessed in light of market conditions together with past experience in the management of the Group and provision for doubtful receivables is appropriately allocated. Provision is provided for doubtful receivables up to the reporting date.

Exchange Rate Risk

Currency risk arises from the fact that the value of any financial instrument changes depending on the currency exchange rate. The foreign currency transactions arising from the Group's operations, investments and financial activities are disclosed in Note 38 as of the report date. As of December 31, 2018, the Group’s net foreign currency position is negative, and its foreign currency risk occurs when the TL depreciates against foreign currencies.

Liquidity Risk

Liquidity risk refers to the risk of encountering difficulty in obtaining funds to fulfill an operator's commitment to financial instruments. The Group manages liquidity risk by balancing the distribution of assets and liabilities.

Effects of Currency Exhange

The Group's currency is expressed in Turkish Liras ("TL"). The Group is based on the related currencies effective at the transaction date when the Group first acquires foreign currency transactions (currencies other than the functional currency of the related entity) in functional currency. Monetary assets and liabilities denominated in foreign currencies are measured at the rates prevailing at the balance sheet date and foreign exchange gains or losses are recognized in profit or loss in the related period. All monetary assets and liabilities are translated at period-end exchange rates and the related exchange differences are reflected in the profit or loss account. Non-monetary items that are denominated in foreign currencies and are measured at cost value are converted to functional currency at the dates of the initial transaction. Non-monetary items denominated in foreign currencies, which are measured at fair value, are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

Dividend

Dividend receivables are recognized as income in the period when they are declared. Dividend payables are reflected in the consolidated financial statements as a liability in the period when declared as an element of profit distribution.

Paid-in Capital

Ordinary shares are classified in equity. The costs associated with new share issues are reflected in equity on an after-tax proceeds basis.

Share Premiums

Share premiums represent the difference arising from sale of shares belonging to the Group, to its subsidiaries or its investments that are valued through equity method, at a price higher than their nominal value; or from the difference between the nominal and fair values of shares issued by the Group in respect of the companies it has acquired.

Subsequent Events

Subsequent events represent events that occur in favor or against the business between the date of the balance sheet date and the authorization date for the release of the consent. According to TAS 10, if there are new evidence that the related events exist as of the balance sheet date in accordance with the " Events After Reporting Period" or if such events arise after the balance sheet date and these events necessitate correction of the financial statements, as appropriate. If these events do not require the restatement of the financial statements, the Group discloses them in the relevant footnotes.

Government Incentives and Grants

Government grants are recognized at fair value when there is a reasonable assurance that donations will be received and the Group meets the conditions for which it is obliged to comply. Government grants for costs and incentives are recognized as income consistently over the periods in which they match the costs they will meet.

Statement of Cash Flows

In terms of statement of cash flows, cash; cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments whose value is easily convertible into a certain amount of cash and whose value is not material to the risk of change. Cash equivalents are assets held for short term cash liabilities and are not used for investment purposes or other purposes. In order for an asset to be regarded as a cash equivalent, it is essential that the value can be transformed into a definite cash and the risk of change in value is insignificant. Accordingly, investments with a duration of 3 months or less are considered cash equivalent investments. Investments made in respect of securities representing equity are not considered cash equivalents unless they are essentially cash equivalents.

The Group prepares statement of cash flows to inform users of the ability to direct changes in the amount and timing of their changes in net assets, financial structure and cash flows according to changing circumstances.

In the statement of cash flows, the cash flows related to the turnover are reported in a form that is based on operations, investment and financing activities. Cash flows from operating activities represent cash flows arising from the entries in the Group's operating area. Cash flows from investing activities represent the cash flows from investment activities the Group uses in its investment activities (fixed investments and financial investments). Cash flows related to financing activities represent the resources used by the Group in its financing activities and repayments of those resources.

Segment Reporting

The Group management has organized the reportable segments of the Group as construction, marketing, media and other. The reportable segments of the Group are strategic business units that offer different products and services and the details are presented in Note 5.

Group Accounting

a) Consolidated financial statements are prepared by the parent company İhlas Holding A.Ş. and its subsidiaries. The financial statements of the companies included in the scope of consolidation have been prepared in accordance with TFRS, taking into account the uniform accounting principles and practices as of the date of the financial statements. The results of operations of subsidiaries and associates are included or excluded from the effective date of such transactions in accordance with the purchase or exemption procedures.

b) Subsidiaries are entitled to exercise more than 50% of the voting rights of the Group either directly or indirectly; or companies that have the power and power to control their financial and operating policies in the interests of the Group, using the actual control over their financial and operating policies, while not having the authority to exercise more than 50% of the voting rights.

The following table shows the subsidiaries included in consolidation and their effective ownership interest as of balance sheet date:

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Consolidated Subsidiaries	Effective Rates %
İhlas Gazetecilik A.Ş. (*)	31.32
İhlas Ev Aletleri İmalat San. Tic. A.Ş. (*)	21.74
İhlas Pazarlama A.Ş.	98.32
İhlas Haber Ajansı A.Ş. (*)	45.11
İhlas Yayın Holding A.Ş. (*)	49.71
Kuzuluk Kapl. İnş. Tur. Sağ. Petr. Ür. Tic. A.Ş.	95.01
İhlas Net A.Ş.	92.98
İhlas Motor A.Ş.	95.03
TGRT Haber TV A.Ş. (*)	49.45
TGRT Dijital TV Hizmetleri A.Ş. (*)	49.53
Bisiklet Pazarlama ve Tic. A.Ş.	96.65
İhlas Yapı Turizm ve Sağlık A.Ş.	94.10
Kıbrıs Bürosu	100.00
Armutlu Tatil ve Turizm İşletmeleri A.Ş.	95.00
İhlas İnşaat Holding A.Ş.	95.00
İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	90.25
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	50.70
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş. (*)	21.74
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş. (*)	21.74
İhlas Pazarlama A.Ş. – İhlas Yapı Turizm ve Sağlık A.Ş. Adi Ortaklığı	99.54
İhlas Marmara Evleri Ordinary Partnership	99.54

(*) Although the total effective shareholding ratio is less than 50%, when the capital structure of the companies is taken into account, the parent company is exposed to the volatility of these companies, they are entitled to these assets and have the opportunity to influence this asset by force; therefore they control and consolidated these companies.

The financial statements and income statements of the subsidiaries are consolidated using the full consolidation method and the carrying value of the shares held by the parent Company and its subsidiaries is deducted from the equity.

The Group considers the purchase and sale transactions of the non-controlling interests and the shares of the partnerships that it controls as the use of the main partner expansion method. Accordingly, the difference between the cost of acquisition and the net asset value of the share acquired in partnership is accounted for under shareholders' equity in extraordinary share purchases and sales. In other words, if there is no loss of control despite changes in the ownership ratio of a subsidiary of a parent, the changes occurring are accounted for as equity transactions.

Transactions and balances between the parent company and its subsidiaries are eliminated on consolidation basis. The cost of financing the shares held by the parent and its subsidiaries in the subsidiary and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

If the Group is no longer in control of the subsidiary, the Group's share on the subsidiary is measured at the fair value at the date the control is lost and the difference with the carrying amount is recognized in profit or loss in the statement of comprehensive income.

Fair value is the initial purchase price for the subsequent accounting of the shares held in associates, jointly controlled entities and financial assets. In addition, amounts previously recognized as other comprehensive income for the entity are recognized as if the related asset or liability were removed from the Group.

As of the balance sheet date, the financial statements of the subsidiaries that do not have significant cash flow and which are not monetary due to the financial position and the results of operations for the period then ended are not enumerated either individually or collectively. These subsidiaries are classified as available-for-sale financial assets in accordance with TAS 39 and are accounted for in this consolidated financial statements.

c) In the event that the investee, directly or indirectly, holds 20% to 50% of the voting right of the investee and it is not clearly stated otherwise, it is considered to have a significant effect on the said transaction and the invested company is considered as an affiliate.

Associates	Effective Rates %
İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. (eski ünvanı: İhlas Madencilik A.Ş.) (*)	12,05

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

(*) The invested business is regarded as an associate because the Group is represented on the board of directors or its equivalent administrative body of the business, and significant transactions are made between the invested business and the Group.

The equity method is applied when investments in associates are accounted for. According to the equity method, investment in associates is initially recorded at acquisition cost. After the acquisition date, the book value of the investment is increased or decreased to reflect the share of the investor's profit or loss of the invested company to the financial statement. The investor's share of profit or loss of the investee is accounted as profit or loss of the investor. In addition, the goodwill associated with the associate is included in the carrying amount of the investment in the associate.

Jointly controlled entities are companies that are subject to joint control of the Group and one or more enterprising partners and to which contractual economic activity is undertaken. The Group has used the equity method in consolidation of the joint venture. Jointly controlled entity in the equity method; In the Consolidated Consolidated Balance Sheets, the costs are included in the Group's post-acquisition changes to the net assets of the jointly controlled entity, and any impairment, if any, is deducted. The consolidated statement of comprehensive income reflects the share of the Group's joint venture in its operating results.

d) Financial investments in which the Group holds 20% or less voting rights are classified financial assets carried at fair value though OCI under TFRS 9 and are accounted for as a requirement of this standard; those fair values cannot be determined are evaluated with cost.

E. Significant Accounting Judgments, Estimations and Assumptions

The preparation of consolidated financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the balance sheet date, the disclosure of contingent assets and liabilities and the amounts of income and expenses reported during the period. Accounting assessments, estimates and assumptions are continuously assessed based on past experience, other factors and reasonable expectations of future events with respect to those circumstances. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

Significant estimates and assumptions the Group uses to prepare its consolidated financial statements are stated in the following footnotes:

Note 2/D	Determination of fair values
Note 35/B	Deferred tax assets and liabilities
Note 21	Litigation and warranty provisions
Note 22	Provisions for employee benefits
Note 2/D,17,18,19	Investment property, property, plant, equipment, useful lives, valuation allowances/ impairment provisions
Note 7 and 38/E	Financial investment appreciation/impairment
Note 10 and 38/E	Trade receivables impairment provision
Note 13	Inventory impairment provision

At the balance sheet date, the sources of the assumptions and uncertainties regarding the future period that may cause significant adjustments to the assets and liabilities in the next reporting period are explained below.

(a) Estimation of goodwill impairment

The Company tests each year for impairment in the light of the accounting policy in Note 2.D to determine whether there is any impairment in value. The recoverable value of cash generating units is calculated on the basis of usage value. These calculations require the use of estimates (Note 19).

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The effects of the significant assumptions used in the base scenario of impairment tests have been analyzed for each cash generating unit. The sensitivity analysis of each rate used for goodwill calculation is summarized in the following table:

	Change	**Sensitivity analysis**
Discount rate	1% increase	TL 1,410 thousands (2017: TL 1,198 thousands) more goodwill impairment
Growth rate	1% decrease	TL 635 thousands (2017: TL 1.175 thousands) more goodwill impairment

(b) Deferred tax

Deferred tax is recognized in the income statement when it is probable that taxable income will be available in the future. Where it is probable that taxable profit will be realized, deferred tax asset is recognized in the income statement for all deductible temporary differences (Note 35).

(c) Provisions for changes in the useful lives and impairment, provision for impairment of doubtful receivables and litigation provisions are made by the management during the determination of useful lives

Determination of doubtful receivables (Note 10 and 38) and calculation of litigation reserves (Note 21) include significant assumptions and forecasts.

If the doubtful receivables can not be collected, the impairment will be reflected in the financial statements for impairment and the amount recorded in trade receivables will be reduced by this amount. Detailed information is given in Note 38.E.

The Group is based on estimated sales prices in the calculation of provision for the inventory impairment. Detailed information about the inventory impairment is given in Note 13.

The Group management is based on the experience of the appraisal team and legal arrangements when determining the useful lives of the property, plant and equipments.

The Group management is based on the opinions of legal counsel on the likelihood of loss of the related cases and/or possible consequences in the event of loss in determining the legal case. Detailed information is given in Note 21.

The Group calculates warranty provisions by estimating the costs of maintenance and spare parts, including labor and materials costs, estimated for the products sold under guarantee, repair and replacement parts, and possible replacement parts of the products sold during the following years. Detailed information is given in Note 21.

(d) Change in the fair value of investment property

In order to determine the fair value of the investment property, the Group evaluates an independent expert each year in accordance with the accounting policy in Note 2.D. These calculations require estimation.

The fair market value of investment property is determined based on the current market conditions. Detailed information is given in note 17.

(e) Retirement payments

The present value of the provision for employment termination benefits is determined on an actuarial basis using certain assumptions. These assumptions are used to determine the net retirement obligation (income) and include the discount rate. Any change in the underlying assumptions affects the recorded value of the pension liability.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group determines the appropriate discount rate at the end of each year. This rate is the percentage that should be used to calculate the present value of estimated future cash outflows required to meet pension obligations. When determining the appropriate discount rate, the Group considers high quality corporate bond rates in the same currency as the seniority obligation and in similar maturity periods. The sensitivity analysis of each rate used for severance payment liabilities calculation is summarized in the following table:

	Change	**Sensitivity analysis**
Discount rate	1% increase	TL 1,557 thousands (2017: TL 1,659 thousands) less severance payment liabilities
Non-payment of severance payment liabilities	1% increase	TL 671 thousands (2017: TL 803 thousands) less severance payment liabilities

Other factors that are significant for the termination liabilities are based on the current market conditions. Detailed information is given in Note 22.

(f) Determination of fair value

Information related to the determination of fair value of financial instruments is presented in Note 39.

The accounting and finance department of the Group has a valuation unit for valuation of investment properties and land and buildings, including Level 3 real values for financial reporting purpose. This unit directly reports to the accounting and finance director. Opinions and results on valuation processes are handled by the director and valuation unit in line with the Group's reporting dates.

The group annually appoints an external, independent and qualified specialist to determine the fair value of investment properties and land and buildings. The Group's non-financial assets measured at fair value at December 31, 2018 and December 31, 2017 are presented in Note 2.D.

It is expected that the effects of the past period will have a similar effect in the next period. In this respect, the footnotes affecting the assumptions included in the prior years' financial statements provide sufficient information and forecasts for future assessments.

Note 3 – Business Combinations

December 31, 2018:

Subsidiaries of the Group, İhlas Medya Planlama ve Satınalma Hiz. Ltd.Şti., İhlas Gelişim Yayıncılık A.Ş., İletişim Magazin Gazt. ve Tic. A.Ş. and Dijital Varlıklar Görsel Medya ve İnternet Hizm. Ltd. Şti. were merged entirely with all of their assets and liabilities on July 24, 2018, pursuant to articles 136 of the TCC No. 6102 and articles 19 and 20 of CTL No. 5520. No goodwill was derived since the aforementioned merger was completed between companies included in the consolidation.

Subsidiaries of the Group, isan Bisiklet Moped Otomotiv Sanayi ve Ticaret A.Ş. and İhlas Motor A.Ş. were merged entirely with all of their assets and liabilities on March 15, 2018, pursuant to articles 136 of the TCC No. 6102 and articles 19 and 20 of CTL No. 5520. No goodwill was derived since the aforementioned merger was completed between companies included in the consolidation.

December 31, 2017:

None.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 4 – Shares in Other Businesses

Details of the associates, which the Group shows as interests in other entities are accounted for by the equity method, are disclosed in Note 16.

The subsidiaries of the Group whose non-controlling interests are at significant levels are İhlas Gazetecilik (69%), İhlas Ev Aletleri (78%) and İhlas Yayın Holding (50%) and the total amount is TL 313,419,984 (previous year: TL 265,284,495). Non-controlling interests in other companies are not significant.

After the consolidation adjustments related to the mentioned subsidiaries, the summary financial information before elimination transactions are as follows:

	December 31, 2018	December 31, 2017
Summary of Balance Sheet		
Current assets	309,819,337	287,782,456
Non-current assets	485,203,421	315,823,767
Total liabilities	148,989,731	126,378,988
Net assets	646,033,027	477,227,235
Summary of Statement of Profit/Loss		
Revenue	306,499,116	235,648,524
Cost of sales	(255,461,909)	(202,581,153)
Gross profit/loss	51,037,207	33,067,371
Summary of Statement of Cash Flow		
Cash and cash equivalents at the beginning of period	839,762	1,238,659
Net increase/decrease in cash and cash equivalents	13,848,675	(398,897)
Cash and cash equivalents at the end of period	14,688,437	839,762

Sale of subsidiary share

The Company's subsidiary İhlas Yayın Holding A.Ş. sold 9,500,000 shares of its subsidiary İhlas Gazetecilik A.Ş. in the price range of TL 0.64-0.72 in Borsa İstanbul A.Ş. (BİST) on December 27, 2018. As a result of the sale, the parent company's effective rate decreased to 31%.

Note 5 – Segment Reporting

a) Basic information about reportable segments

The Group management organized the reportable segments of the Group as construction, marketing, media and other. The reportable segments defined as strategic business units, which produces different products and services. The reportable segment definitions is as follows:

Reportable segments	Operations
Construction	Real estate trading, construction projects, installation and contracting works, tourism and health investments, marketing, operating and other construction operations
Marketing	Home appliances manufacturing, all kinds of motorized and non-motorized vehicles production, and import, export, consumer durable trade, and its marketing
Media	Publishing, selling, distributing and marketing of newspapers and all kinds of publications in Turkey and abroad, news agency, television and radio broadcasting, all kinds of advertising, relations, photography, advertisement, advertising agency
Other	Food production, marketing, transportation, personnel transportation, education and health services, tourism, hotel and other services

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group management monitors its reportable segment performance with EBITDA (earnings before financial income/expense, tax income/expense, and other financial income/expense, credit finance income/expense arising from trading activities, foreign exchange gains/losses, and amortization and depreciation expense in Note 30). In addition, we included EBITDA of reportable segments in order to help investors for their analysis.

b) Department-based reporting is as follows;

January 1 – December 31, 2018 period;

	Construction	Media	Marketing	Other (*)	Group
Revenue	704,189,300	199,443,495	199,952,670	170,022,967	1,273,608,432
Cost of sales (-)	(585,788,611)	(178,686,939)	(135,656,806)	(129,187,415)	(1,029,319,771)
Gross Profit/Loss	**118,400,689**	**20,756,556**	**64,295,864**	**40,835,552**	**244,288,661**
Operating Expenses	(19,868,339)	(42,124,335)	(23,986,795)	(63,303,077)	(149,282,546)
Other Income from Operating Activities	13,050,249	15,931,044	38,102,489	7,484,727	74,568,509
Other Expenses from Operating Activities (-)	(21,350,896)	(18,212,982)	(65,109,952)	(9,740,084)	(114,413,914)
Profit/Loss from Operating Activities	**90,231,703**	**(23,649,717)**	**13,301,606**	**(24,722,882)**	**55,160,710**
Investment Activity Income/Expense (net)	(421,653)	14,808,034	8,217,604	10,468,901	33,072,886
Share of Profit/Loss from Investments Accounted for Using Equity Method	-	-	-	(398,427)	(398,427)
Profit/Loss before Financing Expense	**89,810,050**	**(8,841,683)**	**21,519,210**	**(14,652,408)**	**87,835,169**
Finance Income/Expense (net)	(9,372,472)	(423,578)	(37,890,587)	(54,999,441)	(102,686,078)
Profit/Loss from Continuing Operations, before tax	**80,437,578**	**(9,265,261)**	**(16,371,377)**	**(69,651,849)**	**(14,850,909)**
Tax Income/Expense (net)	(8,877,731)	(663,737)	(4,977,443)	(3,232,465)	(17,751,376)
EBITDA	77,467,034	1,913,833	49,891,972	12,939,381	142,212,220
Total Assets	**1,142,027,443**	**311,630,230**	**581,686,176**	**440,654,716**	**2,475,998,565**
Total Liabilities	**959,904,565**	**117,829,901**	**202,324,217**	**382,331,326**	**1,662,390,009**

(*) In the current period, revenue of TL 170,022,967 was reported as other. The revenues were generated from these operations: TL 85,062,695 from health (hospital, etc.); TL 37,435,508 from education; TL 29,139,388 from tourism and hotel business; TL 4,535,031 from catering; TL 10,081,922 logistics; TL 472,319 from IT services and the remaining balance of TL 3,296,104 was from other operations.

January 1 – December 31, 2017 period;

	Construction	Media	Marketing	Other (*)	Group
Revenue	266,434,257	163,534,794	141,998,974	140,419,915	712,387,940
Cost of sales (-)	(202,526,061)	(149,744,017)	(106,529,000)	(101,591,141)	(560,390,219)
Gross Profit/Loss	**63,908,196**	**13,790,777**	**35,469,974**	**38,828,774**	**151,997,721**
Operating Expenses	(24,712,591)	(41,041,282)	(22,693,091)	(51,327,001)	(139,773,965)
Other Income from Operating Activities	19,823,390	26,715,368	64,833,919	33,708,108	145,080,785
Other Expenses from Operating Activities (-)	(11,931,746)	(10,248,234)	(36,382,672)	(2,971,766)	(61,534,418)
Profit/Loss from Operating Activities	**47,087,249**	**(10,783,371)**	**41,228,130**	**18,238,115**	**95,770,123**
Investment Activity Income/Expense (net)	(7,520)	1,445,366	(4,049,395)	2,335,333	(276,216)
Share of Profit/Loss from Investments Accounted for Using Equity Method	-	-	-	(581,297)	(581,297)
Profit/Loss before Financing Expense	**47,079,729**	**(9,338,005)**	**37,178,735**	**19,992,151**	**94,912,610**
Finance Income/Expense (net)	(3,420,035)	(2,185,975)	(40,533,398)	(20,736,625)	(66,876,033)
Profit/Loss from Continuing Operations, before tax	**43,659,694**	**(11,523,980)**	**(3,354,663)**	**(744,474)**	**28,036,577**
Tax Income/Expense (net)	(13,133,662)	(749,837)	21,840,101	(778,508)	7,178,094
EBITDA	36,702,008	(14,048,132)	34,067,882	26,580,578	83,302,336
Total Assets	**1,207,397,443**	**288,455,513**	**544,786,079**	**667,122,819**	**2,707,761,854**
Total Liabilities	**1,062,132,213**	**98,607,455**	**174,047,122**	**544,653,530**	**1,879,440,320**

(*) In the prior period, revenue of TL 140, 419,915 was reported as other. The revenues were generated from these operations: TL 65,927,343 from health (hospital, etc.); TL 35,348,420 from education; TL 25,900,190 from tourism and hotel business; TL 2,985,137 from catering; TL 7,114,172 logistics; TL 2,022,993 from sales of vehicles with or without engines; TL 455,519 from IT services and the remaining balance of TL 666,141 was from other operations.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Depreciation and amortization expenses of the Group for the marketing activities of TL 1,911,473 (previous period: TL 1,820,301), for construction activities of TL 746,294 (previous period: TL 711,000), for media operations of TL 4,938,954 (previous period: TL 5,425,970) and TL 3,813,684 (previous period: TL 3,666,911) in other operating segments.

Capital expenditures of the Group for the marketing activities of TL 3,691,723 (previous period: TL 3,567,666), for construction activities none (previous period: TL 2,416,636), for media operations of TL 4,845,072 (previous period: TL 6,387,558) and TL 14,148,395 (previous period: TL 3,714,265) in other operating segments.

c) Reconciliation of segments

Revenue	**January 1 – December 31, 2018**	**January 1 – December 31, 2017**
Total revenue of reportable segments	1,227,668,211	589,988,964
Total revenue of other segments	185,562,875	239,613,368
Eliminations and adjustments	(139,622,654)	(117,214,392)
Consolidated revenue	**1,273,608,432**	**712,387,940**

Earnings before taxes	**January 1 – December 31, 2018**	**January 1 – December 31, 2017**
Earnings before taxes of reportable segments	78,291,537	19,161,391
Earnings before taxes of other segments	(35,236,206)	4,100,150
Eliminations and adjustments	(57,906,240)	4,775,036
Consolidated earnings before taxes	**(14,850,909)**	**28,036,577**

Assets	**January 1 – December 31, 2018**	**January 1 – December 31, 2017**
Total assets of reportable segments	3,041,926,243	2,737,361,129
Total assets of other segments	1,944,091,036	1,284,975,927
Eliminations and adjustments	(2,510,018,714)	(1,314,575,202)
Consolidated assets	**2,475,998,565**	**2,707,761,854**

Liabilities	**January 1 – December 31, 2018**	**January 1 – December 31, 2017**
Total liabilities of reportable segments	1,741,929,407	1,678,324,169
Total liabilities of other segments	494,695,787	645,615,833
Eliminations and adjustments	(574,235,185)	(444,499,682)
Consolidated liabilities	**1,662,390,009**	**1,879,440,320**

d) Segment reporting based on geographical areas

Since the Group mainly carries out its activities in Turkey, there is no report on the basis of geographical regions.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 6 – Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Cash	1,692,043	1,320,397
Banks		
Current deposits	*5,234,691*	*8,869,728*
Non-restricted term deposits with a maturity of less than 3 months	*22,228,231*	*1,845,000*
Restricted term deposits with maturities of less than 3 months	*3,649,723*	*382,343*
Credit card slips	3,794,131	4,550,646
Other cash equivalents	1,418,308	1,141,059
Total	**38,017,127**	**18,109,173**

Interest rate for restricted term deposits in TL: 16%-26% (December 31, 2017: 9% - 13%).

As of December 31, 2018 and 2017, cash and cash equivalents represented in consolidated cash flow statement are presented below:

	December 31, 2018	December 31, 2017
Total cash and cash equivalents	38,017,127	18,109,173
Interest accruals (-)	(80,807)	(67,598)
Cash and cash equivalents based on cash flow statement	**37,936,320**	**18,041,575**

Note 7 – Financial Investments

Short-Term Financial Investments

December 31, 2018: None (December 31, 2017: None)

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Long-Term Financial Investments

	December 31, 2018		December 31, 2017	
	Effective Rate %	Participation Amount, net	Effective Rate %	Participation Amount, net
İhlas Dış Ticaret A.Ş. (İhlas Dış Ticaret)	88.49	1,800,000	88.49	1,800,000
İhlas Finans Kurumu A.Ş. in Liquidation (İFK)	55.23	5,537,061	55.23	5,537,061
Detes Enerji Üretim A.Ş. (Detes Enerji)	21.70	6,075,878	21.70	6,075,878
İhlas Madencilik Enerji ve Ticaret A.Ş. (old title: Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti.) (İhlas Madencilik)	16.96	2,515,000	16.96	2,515,000
Doğu Yatırım Holding A.Ş.	1.43	12,500	1.43	12,500
Swiss PB AG	0.43	726,365	0.43	726,365
İhlas Holding A.Ş. - Belbeton Beton Elemanları San. Ür. ve Tic. A.Ş. - Ulubol İnşaat Harfiyat Gıda Tur. San. ve Tic. Ltd. Şti. Ordinary Partnership (Ordinary Partnership)	1.00	-	1.00	-
		16,666,804		**16,666,804**
Impairment (-)		(15,752,498)		(15,752,498)
Total		**914,306**		**914,306**

Reasons for not including those companies which have relations with the Parent Company and the subsidiaries in terms of capital, management and auditing, and the shares held by the Parent Company in the participation to the consolidation:

- İhlas Finans Kurumu A.Ş. is in the process of liquidation. The Group has allocated a provision for the entirety of its participation value; in other words, the financial statements of the aforementioned subsidiary no longer have financial importance according to the consolidated financial statements, and the company was therefore not included in the consolidation. The Group has no responsibility towards the aforementioned subsidiary other than the capital it has contributed. According to Article 480 of Turkish Commercial Code, the only shareholder obligation can be the capital contribution undertaken by the respective shareholder to the company, and this obligation is limited to the amount of capital that each shareholder has undertaken to contribute; additionally, this obligation ends with the contribution of the capital to the subsidiary.
- İhlas Dış Ticaret A.Ş. and Detes Enerji Üretim A.Ş. do not have financial importance according to the consolidated financial statements, and do not provide cash flow at a considerable level. Therefore, they were not included in the consolidation. The Group has no responsibility towards the aforementioned subsidiary other than the capital it has contributed.

The subsidiaries not included in the consolidation were recorded in the consolidated financial statements after the reduction, if any, of the provisions for impairment.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Information on financial statements of not consolidated subsidiaries and not consolidated associates from available for sale financial assets are as follows;

December 31, 2018	**İhlas Dış Ticaret**	**Detes Enerji**
Current Assets	409,682	6,026,262
Non-Current Assets	1,003,200	-
Current Liabilities	3,011,073	47,132
Long-Term Liabilities	-	-
Equity	(1,598,191)	5,979,130
Revenue	-	-
Net Profit/Loss	(580,872)	(9,289)

December 31, 2017	**İhlas Dış Ticaret**	**Detes Enerji**
Current Assets	617,929	6,026,335
Non-Current Assets	1,238,836	-
Current Liabilities	2,874,084	37,915
Long-Term Liabilities	-	-
Equity	(1,017,319)	5,988,420
Revenue	-	-
Net Profit/Loss	(60,966)	(6,972)

İhlas Finans Kurumu A.Ş. in Liquidation	**December 31, 2018**	**December 31, 2017**
Cash and cash equivalents	4,824	2,088
Banks	4,802	1,475
Investments in Liquidation	1,057,519,742	773,280,195
Loan Reserves	(88,928,213)	(66,878,684)
Various Receivables	29,691	21,287
Fixed Assets	34,687	34,686
Other Assets	5,290,487	5,089,610
Funds Collected	924,478,863	673,769,297
Taxes Payable and Legal Liabilities	203,289	249,145
Various Liabilities	43,891,097	32,130,291
Other Liabilities	33,774	11,412
Provisions	219,256	189,764
Equities	5,129,741	5,200,748
Total Income	2,863,328	5,170,701
Total Expenses	2,934,335	5,125,617
Net Profit/(Loss) for the Period	(71,007)	45,084

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 8 – Financial Borrowings

	December 31, 2018	December 31, 2017
Bank loans	81,229,186	68,637,656
Finance leasing payables	41,642	-
Short-Term Financial Borrowings	**81,270,828**	**68,637,656**
Bank loans	65,039,620	41,603,669
Finance leasing payables	659,623	5,176,065
Short-Term Portion of Long-Term Financial Borrowings	**65,699,243**	**46,779,734**
Bank loans	245,959,919	199,627,967
Finance leasing payables	3,706,984	3,294,040
Long-Term Financial Borrowings	**249,666,903**	**202,922,007**

Bank Loans Details:

December 31, 2018					
	Currency	**Interest Rates (%) Minimum**	**Interest Rates (%) Maximum**	**Maturity**	**TL Amount**
Short-Term Bank Loans	Revolving Loans	Maturities and range of interest rate vary.			4,153,355
	TL		Overdue loans		7,199,691
	TL	17%	20%	Up to 3 months	847,529
	EUR	10%	11%	Up to 3 months	1,657,700
	TL	16%	38%	3 to 12 months	5,174,343
	EUR	10%	14%	3 to 12 months	62,196,568
					81,229,186
Long-Term Bank Loans	TL	13%	38%	1 to 5 years	179,612,117
	USD	6%	8%	1 to 5 years	59,586,478
	EUR	9%	10%	1 to 5 years	6,761,324
					245,959,919
Short-Term Portion of Long-Term Bank Loans	TL	13%	38%	Up to 3 months	20,729,662
	USD	6%	8%	Up to 3 months	2,469,356
	EUR	9%	10%	Up to 3 months	1,259,681
	TL	13%	38%	3 to 12 months	29,751,387
	USD	6%	8%	3 to 12 months	6,031,746
	EUR	9%	10%	3 to 12 months	4,797,788
					65,039,620

December 31, 2017					
	Currency	**Interest Rates (%) Minimum**	**Interest Rates (%) Maximum**	**Maturity**	**TL Amount**
Kısa Vadeli Krediler	Revolving Loans	Maturities and range of interest rate vary.			5,162,249
	TL		Overdue loans		387,180
	TL	15%	17%	Up to 3 months	3,389,340
	AVRO	7%	14%	Up to 3 months	42,390,968
	TL	16%	16%	3 to 12 months	4,438,744
	AVRO	10%	14%	3 to 12 months	12,869,175
					68,637,656
Uzun Vadeli Krediler	TL	13%	20%	1 to 5 years	163,390,141
	USD	6%	8%	1 to 5 years	36,237,826
					199,627,967
Uzun Vadeli Kredilerin Kısa Vadeli Kısımları	TL	15%	20%	Up to 3 months	7,775,267
	USD	6%	7%	Up to 3 months	4,913,406
	TL	13%	20%	3 to 12 months	23,589,067
	USD	6%	8%	3 to 12 months	5,325,929
					41,603,669

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Payback plan analysis of long-term bank loans as of December 31, 2018 and 2017 are as follows:

Years	**December 31, 2018**	**December 31, 2017**
1 to 2 years	85,048,164	42,755,580
2 to 3 years	88,289,222	44,990,097
3 to 4 years	65,911,781	67,449,647
4 to 5 years	6,710,752	44,432,643
Total	**245,959,919**	**199,627,967**

Finance Leasing Details:

			December 31, 2018	**December 31, 2017**
	Currency	**Maturity**	**TL Amount**	**TL Amount**
Short-Term Finance Leasing Payables	EUR	Up to 3 months	41,642	-
			41,642	**-**
Long-Term Finance Leasing Payables	TL	1 to 5 years	3,106,651	2,938,676
	EUR	1 to 5 years	600,333	355,364
			3,706,984	**3,294,040**
Short-Term Portion of Long-Term Finance Leasing Payables	TL	Up to 3 months	146,736	894,253
	EUR	Up to 3 months	-	364,784
	TL	3 to 12 months	271,158	2,779,811
	EUR	3 to 12 months	241,729	1,137,217
			659,623	**5,176,065**

Lease transactions are reported with the present value of less than the fair value of the minimum lease payments and the fair values (purchase prices-principal payments) in the calculations made are lower than the present value of the minimum lease payments. At the balance sheet dates, financial leases are reported at their fair values.

As of December 31, 2018 and 2017, net borrowing liabilities reconciliation is listed below:

	December 31, 2018	**December 31, 2017**
Beginning of the period	318,339,397	273,750,937
Cash flow effect	11,301,173	13,351,865
Interest accruals	31,648,915	17,653,123
Foreign exchange effect	35,347,489	13,583,472
End of period	**396,636,974**	**318,339,397**
Cash and cash equivalents	38,017,127	18,109,173
Net borrowing liabilities	**358,619,847**	**300,230,224**

Note 9 – Other Financial Liabilities

December 31, 2018: None (December 31, 2017: None).

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 10 – Trade Receivables and Payables

	December 31, 2018	December 31, 2017
Trade receivables from related parties (*)	1,351,928	1,018,010
Trade receivables from non-related parties		
Trade receivables	*352,578,881*	*328,885,687*
Notes receivables	*862,169,866*	*959,615,606*
Unearned finance income (-)	*(153,001,247)*	*(136,000,645)*
Provision for doubtful receivables (-)	*(298,139,462)*	*(293,699,303)*
Total Trade Receivables (Short-Term)	**764,959,966**	**859,819,355**
Notes receivables	194,284,411	84,366,720
Unearned finance income (-)	*(27,710,103)*	*(8,838,000)*
Total Trade Receivables (Long-Term)	**166,574,308**	**75,528,720**

(*) Details provided in Note 37.

Note 38-E explains in detail the aging analysis and any provisions reserved for overdue assets, for which the impairment provision was or was not recognized.

The statements related to the provisions for doubtful trade receivables:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	(293,765,344)	(338,084,957)
Reversals of provisions during the period	6,398,503	52,576,789
Provisions during the period	(10,887,380)	(8,257,176)
End of the period	**(298,254,221)**	**(293,765,344)**

	December 31, 2018	December 31, 2017
Trade payables to related parties (*)	9,614,951	4,429,031
Trade payables to non-related parties		
Trade Payables	*196,812,201*	*108,446,444*
Notes payables	*85,762,117*	*121,166,231*
Unearned finance expense (-)	*(10,913,245)*	*(15,341,260)*
Total Trade Payables (Short-term)	**281,276,024**	**218,700,446**

(*) Details provided in Note 37.

Note 11 – Other Receivables and Payables

	December 31, 2018	December 31, 2017
Other receivables from related parties (*)	26,831	-
Other receivables from non-related parties		
Receivables from state agencies	*2,419,717*	*129,412*
Deposits and guarantees given	*2,056,637*	*720,582*
Personnel receivables	*831,693*	*923,995*
Other various receivables	*2,074,610*	*343,332*
Other Receivables (Short-Term)	**7,409,488**	**2,117,321**
Deposits and guarantees given	3,820,048	1,869,904
Other Receivables (Long-Term)	**3,820,048**	**1,869,904**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	December 31, 2018	December 31, 2017
Other Payables to Related Parties (*)	1,129,136	435,000
Other Payables to Non-Related Parties		
Deposits and guarantees received	*4,851,730*	*2,213,270*
Other various payables	*4,421,758*	*2,659,339*
Other Payables (Short-Term)	**10,402,624**	**5,307,609**
Deposits and guarantees received	30,594	30,594
Other Payables (Long-Term)	**30,594**	**30,594**

(*) Details provided in Note 37.

Note 12 – Receivables From and Payables to Financial Sector Operations

December 31, 2018: None (December 31, 2017: None).

Note 13 – Inventories

	December 31, 2018	December 31, 2017
Raw materials and supplies	82,862,099	82,520,797
Work in progress	410,526,260	516,295,138
Finished goods	52,175,570	192,051,878
Merchandise	40,562,597	32,899,704
Goods in transit	10,723,950	6,780,735
Other inventories	813,211	498,519
Provision for impairment (-)	(9,914,792)	(13,097,975)
TOTAL	**587,748,895**	**817,948,796**

The Group has construction inventories of TL 14,804,767 from Bizimevler 6 Project, TL 9,455,555 from Bizimevler 6 Metro Project, TL 6,931,441 from Bizimevler 7 Project, TL 102,241,411 from Bizimevler Güzelce Project, TL 253,326,224 from Kristalşehir Project, TL 70,064,006 from İhlas Marmara Evleri Ordinary Partnership Project, TL 9,129,000 from Armutlu Holiday Village 2nd Stage Project. Details about ongoing construction projects are presented in Note 41-a.

Goods in transit are invoiced to the Group by foreign vendors as of the balance sheet date but are composed of goods that have not yet been withdrawn from customs by the Group.

Inventories related impairment losses/impairment reversals are associated with the cost of sales.

Movement of provision for impairment on inventories is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	(13,097,975)	(14,176,705)
Provisions for impairment in the current period	(550,216)	(1,399,966)
Reversals of provisions in the current period	3,733,399	2,478,696
End of the period	**(9,914,792)**	**(13,097,975)**

Note 14 – Biological Assets

December 31, 2018: None (December 31, 2017: None).

Note 15 – Derivatives

December 31, 2018: None (December 31, 2017: None).

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 16 – Investments in Equity Instruments

As of December 31, 2018 and 2017, the direct and indirect voting rights and the effective rates in the Group's associates are as follows:

	December 31, 2018		December 31, 2017	
Consolidated Associates (Equity method)	**Effective Rate %**	**Total**	**Effective Rate %**	**Total**
İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş.	12.05	22,486,685	13.23	29,160,917

	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	29,160,917	14,073,825
Share of associates' profit/loss	(398,427)	(581,297)
Share purchase/sale	(6,150,278)	15,566,136
Effect of changes in reserves of shares	-	138,462
Share of other comprehensive income	(125,527)	(36,209)
End of the period	**22,486,685**	**29,160,917**

Summary financial statement information for İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. as of December 31, 2018 and 2017;

	December 31, 2018	December 31, 2017
Current Assets	211.016.703	127.723.978
Non-Current Assets	41.520.057	37.043.234
Current Liabilities	44.940.558	48.249.156
Long-Term Liabilities	96.880.090	3.233.088
Net Assets	110.716.112	113.284.968
Revenue	17.859.678	10.898.258
Profit/Loss from Continuing Operations, before tax	(4.134.605)	(2.685.713)
Other Comprehensive Income/Loss	(617.809)	(140.629)

İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. was assessed as a single cash-generating unit and subjected to impairment test; for this purpose, the stock exchange quote is taken into consideration in calculating the recoverable amount of the investment. As a result of the impairment test, no impairment was recognized for the investment as of December 31, 2018.

Note 17 – Investment Properties

As of December 31, 2018 and December 31, 2017, the movement table of the investment properties is as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Net book value at the beginning of the period	238,529,454	211,824,813
Additions	-	4,500,000
Disposals	(31,820,001)	(372,284)
Transfers (*)	(16,731,916)	13,569,765
Revaluation gain/loss	25,566,316	9,007,160
Net book value at the end of the period	**215,543,853**	**238,529,454**

(*) Transfers between investment properties, and property, plant, equipments and inventories.

Investment properties consist of land and buildings used by various organizations.

Financial expenses regarding investment properties are recognized in the related income statement and are not capitalized.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 18 – Property, Plant and Equipment

January 1 – December 31, 2018 period

	Land and buildings	Machinery and equipment	Furniture, fixtures and vehicles	Constructions in progress	Other PP&E	Total
Beginning of the period						
Cost	177,460,246	139,552,920	143,003,132	1,388,695	2,470,229	463,875,222
Accumulated depreciation	(3,410,914)	(120,759,053)	(130,876,445)	-	(2,283,151)	(257,329,563)
Net book value	**174,049,332**	**18,793,867**	**12,126,687**	**1,388,695**	**187,078**	**206,545,659**
Net book value at the beginning of the period	174,049,332	18,793,867	12,126,687	1,388,695	187,078	206,545,659
Additions	3,480,000	7,866,099	3,584,022	-	4,347,365	19,277,486
Disposals	-	(637,796)	(73,260)	-	-	(711,056)
Transfers(*)	16,731,916	-	-	-	-	16,731,916
Revaluation gain / loss	19,747,871	-	-	-	-	19,747,871
Current period depreciation	(578,321)	(4,704,486)	(3,129,511)	-	(676,866)	(9,089,184)
Net book value at the end of the period	**213,430,798**	**21,317,684**	**12,507,938**	**1,388,695**	**3,857,577**	**252,502,692**
Balance at December 31, 2018						
Cost	221,649,937	87,011,701	37,623,061	1,388,695	4,696,544	352,369,938
Accumulated depreciation	(8,219,139)	(65,694,017)	(25,115,123)	-	(838,967)	(99,867,246)
Net book value	**213,430,798**	**21,317,684**	**12,507,938**	**1,388,695**	**3,857,577**	**252,502,692**

January 1 – December 31, 2017 period

	Land and buildings	Machinery and equipment	Furniture, fixtures and vehicles	Constructions in progress	Other PP&E	Total
Beginning of the period						
Cost	221,423,985	159,550,073	142,238,003	1,423,901	2,470,229	527,106,191
Accumulated depreciation	(4,066,724)	(142,083,718)	(131,319,799)	-	(1,982,901)	(279,453,142)
Net book value	**217,357,261**	**17,466,355**	**10,918,204**	**1,423,901**	**487,328**	**247,653,049**
Net book value at the beginning of the period	217,357,261	17,466,355	10,918,204	1,423,901	487,328	247,653,049
Additions	-	6,237,838	5,041,081	177,614	-	11,456,533
Disposals	(30,984,452)	(26,149)	(104,819)	-	-	(31,115,420)
Transfers*)	(18,021,179)	107,457	8,482	(212,820)	-	(18,118,060)
Revaluation gain / loss	6,361,290	-	-	-	-	6,361,290
Current period depreciation	(663,588)	(4,991,634)	(3,736,261)	-	(300,250)	(9,691,733)
Net book value at the end of the period	**174,049,332**	**18,793,867**	**12,126,687**	**1,388,695**	**187,078**	**206,545,659**
Balance at December 31, 2017						
Cost	177,460,246	139,552,920	143,003,132	1,388,695	2,470,229	463,875,222
Accumulated depreciation	(3,410,914)	(120,759,053)	(130,876,445)	-	(2,283,151)	(257,329,563)
Net book value	**174,049,332**	**18,793,867**	**12,126,687**	**1,388,695**	**187,078**	**206,545,659**

(*) Transfers between investment properties, and property, plant, equipments.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group has leased some of its production equipment with financial lease agreements. All leases are based on legal lease agreements. The machinery and equipments of the Group obtained through financial leasing are as follows:

	2018	2017
Balance at January 1		
Cost	16,366,941	16,204,940
Accumulated depreciation	(10,868,513)	(9,483,032)
Net book value	**5,498,428**	**6,721,908**
Net book value at the beginning of the period	5,498,428	6,721,908
Additions	-	162,000
Disposals	-	-
Current period depreciation	(1,440,452)	(1,385,480)
Net book value at the end of the period	**4,057,976**	**5,498,428**

Since property, plant and equipment are not within the scope of the special asset defined in TAS 23 "Borrowing Costs", finance expenses related to property, plant and equipment are related to the income statement.

The Group's mortgages on the properties are presented in Note 21.

Note 19 – Intangible Assets

a) Goodwill:

As of December 31, 2018 and December 31, 2017, the movement table of the goodwill is as follows:

	December 31, 2018	December 31, 2017
Beginning of the period	9,692,733	14,442,639
Provision for impairment during the period	(2,717,488)	(4,749,906)
End of period	**6,975,245**	**9,692,733**

The Group compared the goodwill amounts accounted in the consolidated financial statements in the impairment studies with values of use of the relevant cash generating units, as of December 31, 2018 and December 31, 2017. No impairment emerged as a result of these transactions in the current period.

The following assumptions were used in calculation of the goodwill impairment:

- Weighted Average Capital Cost calculated as 18-20 percent as the discount rate of the usage value within the scope of the Capital Asset Pricing Model.
- Projections include year 2023 with the calculated growth rates of 13%-14%
- Inflation rate estimations for the two years following the current reporting period were based on the expectations of the Central Bank of Republic of Turkey.
- Sales income in the projected period was calculated based on the course of the industries in which companies with calculated goodwill are included.

Goodwill carried onto the consolidated financial statements is derived from the acquisition of the companies is as follows: Şifa Yemek (2018: TL 6,975,245; 2017: TL 9,692,733).

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

b) Other Intangible Assets:

	2018	2017
Balance at January 1		
Cost	156,255,430	151,590,465
Accumulated amortization	(148,083,557)	(146,156,523)
Net book value	**8,171,873**	**5,433,942**
Net book value at the beginning of the period	8,171,873	5,433,942
Additions	3,407,704	4,629,592
Disposals, net	(10,301)	(56,093)
Transfers	-	96,881
Current period amortization	(2,321,221)	(1,932,449)
Net book value at the end of the period	**9,248,055**	**8,171,873**
Balance at December 31		
Cost	96,766,151	156,255,430
Accumulated amortization	(87,518,096)	(148,083,557)
Net book value	**9,248,055**	**8,171,873**

There are no pledges, restrictions or mortgages on the intangible assets of the Group (December 31, 2017: None).

Note 20 – Government Benefits and Grants

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş., a Group company, has been included in the account of restricted reserves for profit of TL 816,731 related to the cleaning robot developed by the Company in the account of share capital (Note 27). In the current period, the R&D discount for corporate tax is TL 2,115,769 (previous term: TL 1,426,614).

Note 21 – Provisions, Contingent Assets and Liabilities

Provisions

	December 31, 2018	December 31, 2017
Warranty provisions	165,521	166,338
Provisions for litigation	9,031,819	8,451,033
Other Short-Term Provisions	**9,197,340**	**8,617,371**
Warranty provisions	474,118	480,370
Provisions for litigation	556,755	868,305
Other Long-Term Provisions	**1,030,873**	**1,348,675**

The movement tables of the warranty provisions and provisions for litigation are as follows:

Warranty provisions	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	646,708	366,768
Current period provisions/reversal of provisions	(7,069)	279,940
End of the period	**639,639**	**646,708**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Provisions for litigation	January 1 – December 31, 2018	January 1 – December 31, 2017
Beginning of the period	9,319,338	12,057,273
Current period provisions/reversal of provisions and payments	269,236	(2,737,935)
End of the period	**9,588,574**	**9,319,338**

b) Commitments, letter of guarantees, guarantee notes given, mortgages and pledges given by the Group:

The following tables show the Group's letters of guarantees, guarantee notes given, mortgages and pledges (GNMP) position as of December 31, 2018 and December 31, 2017:

Total GNMP given by the Company (TL Equivalents) (December 31, 2018)	USD	EUR	TL	TOTAL (TL Equivalents)
A. Total amount of GNMPs given in the name of its own legal personality	6,765,000	9,667,751	315,697,439	409,564,631
B. i. Total amount of GNMPs given to subsidiaries and associates in the consolidation by the parent company	3,331,539	15,589,725	213,296,126	324,797,882
B. ii. Total amount of GNMPs given to subsidiaries and associates in the consolidation in their own favor and to each other	63,000	132,441	95,810,454	96,940,245
B. iii. Total amount of GNMPs given to the parent company by subsidiaries and associates in the consolidation	25,864,726	2,903,156	245,286,751	398,858,712
C. Total amount of GNMPs given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GNMPs given	-	-	14,790	14,790
i. Total amount of GNMPs given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GNMPs given to on behalf of other group companies which are not in scope of B and C.	-	-	14,790	14,790
iii. Total amount of GNMPs given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**36,024,265**	**28,293,073**	**870,105,560**	**1,230,176,260**
The Group's Total Equity				**813,608,556**
The Group's Other Total GNMP to its Total Equity				**0.01%**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Total GNMP given by the Company (TL Equivalents) (December 31, 2017)	**USD**	**EUR**	**TL**	**TOTAL (TL Equivalents)**
A. Total amount of GNMPs given in the name of its own legal personality	6,865,000	17,337,129	341,243,828	445,423,729
B. i. Total amount of GNMPs given to subsidiaries and associates in the consolidation by the parent company	3,338,274	17,259,088	211,045,231	301,570,279
B. ii. Total amount of GNMPs given to subsidiaries and associates in the consolidation in their own favor and to each other	77,500	310,995	46,997,445	48,694,065
B. iii. Total amount of GNMPs given to the parent company by subsidiaries and associates in the consolidation	26,036,867	4,236,548	249,994,195	367,332,786
C. Total amount of GNMPs given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other GNMPs given	-	-	83,290	83,290
i. Total amount of GNMPs given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of GNMPs given to on behalf of other group companies which are not in scope of B and C.	-	-	83,290	83,290
iii. Total amount of GNMPs given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**36,317,641**	**39,143,760**	**849,363,989**	**1,163,104,149**
The Group’s Total Equity				**828,321,534**
The Group’s Other Total GNMP to its Total Equity				**0.01%**

Details regarding the disclosure on the contingent assets, liabilities, and commitments given in the GNMP table above are listed below:

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 21,600,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Halk Bank.

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 6,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Pazarlama A.Ş.'s shares with a nominal value of TL 6,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against KWV Kooperationsgell schaft für Warenverkehr Mbh.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 40,000,000 in İhlas Yayın Holding A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 8,000,000 in İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 12,804,469 in İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (the Group company)'s shares with a nominal value of TL 10,000,000 in İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. have been pledged as a guarantee of past and future liabilities against KWV Kooperationsgell schaft für Warenverkehr Mbh.

- İhlas Yayın Holding A.Ş. (the Group company)'s shares with a nominal value of TL 8,500,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee to public institutions.

- İhlas Yayın Holding A.Ş. (the Group company)'s shares with a nominal value of TL 31,000,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee of past and future liabilities against Deniz Bank.

- İhlas Holding A.Ş.'s shares with a nominal value of TL 5,500,000 in İhlas Gazetecilik A.Ş. have been pledged as a guarantee of past and future liabilities against Ziraat Bank.

- There is a restricted term deposits in the amount of TL 3,059,723 belonging to İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership, the Group company, in connection with the Bizimevler-Güzelce project built by the company.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

There are mortgages totaling TL 439,335,392, USD 26,515,000 and EUR 7,518,470 on the property held by the Group on the basis of property, plant and equipment and investment properties (December 31, 2017: TL 439,335,392, USD 26,515,000 and EUR 15,975,778).

As of the reporting period, the minimum lease payments to be made in the future within the scope of operating lease that can not be canceled are as follows; Less than 1 year: TL 75,525, EUR 54,188 (December 31, 2017: TL 1,100, EUR 8,046); More than 1 year and less than 5 years: 74,544 EUR (December 31, 2107: EUR 6,924). In addition, a lease is made for one of the properties until 2043 and the rent payments are 1% of the annual revenue of the Company. In the reporting period, the Group expensed TL 34,657 and EUR 33,982 (December 31, 2017: TL 162,517, EUR 8,046) as operating lease in comprehensive income statement.

Summarized information on litigations and enforcement proceedings related to the Group as of December 31, 2018 listed as follows:

	Amount (TL)
Pending litigation initiated by the Group	17,292,189
Enforcement proceedings filed by the Group	21,879,183
Ongoing litigations initiated against the Group	13,525,033
Enforcement proceedings filed against the Group	16,506,261

As presented in the chart above, the Group has ongoing litigations of TL 13,525,033 and the Group has allocated provision amounting to TL 9,588,574, and the remaining TL 3,936,459 does not include any provision for the reason that it is probable that the portion will be recovered.

Note 22 – Provision for Employee Benefits and Payables Related to Employee Benefits

	December 31, 2018	**December 31, 2017**
Due to personnel (wages, pension)	17,949,612	14,380,525
Social security premiums	8,153,495	6,258,036
Payables Related to Employee Benefits	**26,103,107**	**20,638,561**

	December 31, 2018	**December 31, 2017**
Unused vacations	2,934,207	883,259
Short-Term Provisions for Employee Benefits	**2,934,207**	**883,259**
Provisions for severance payments	48,432,196	44,290,814
Long-Term Provisions for Employee Benefits	**48,432,196**	**44,290,814**

According to the Labor Law, the Group is legally required to offer a severance payment to an employee who has been terminated without due cause, on the condition of his/her being employed for at least one year; or who has been drafted into the military, has died, or has retired upon reaching retirement age (58 for females and 60 for males); and after 25 years of service for males and 20 years for females. As of December 31, 2018, the maximum payable amount is one month's salary for each employee for each year of service, subject to an upper limit of TL 5,434 (December 31, 2017: TL 4,732).

On the other hand, according to the Law on the Regulation of Relationships between Employees and Employers Engaged in the Profession of the Press, the Company is obliged to pay severance to each employee who is subject to this law, who has worked for a minimum of 5 years and whose employment is terminated without due cause. The maximum payable amount is 30 days' salary for each year of employment. There is no severance payment caps for press staff.

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated above. Early retirement rights of people working in press, publishing, packaging and printing works have been nullified since October 1, 2008.

No funds were allocated for such a liability since there are no requirements to allocate such funds.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Provisions for severance payments were calculated based on the estimated balance sheet date value of the possible future liabilities that will arise from retirement of the Group's employees.

The "TAS 19 - Employee Benefits" standard stipulates the use of actuarial evaluation methods when estimating the companies' liabilities within the scope of their specific social rights plans. Accordingly, actuarial assumptions and current legal obligations were used for each company to determine the total obligation.

	December 31, 2018	**December 31, 2017**
Discount rate	4.95%	3.72%
Average rate of non-payment of severance payment liabilities	12.3%	10.0%

The principal assumption in calculating the long-term provision of employee benefits is that the maximum provision for each year of service will increase in line with inflation. Thus, the discount rate applied represents the adjusted real-rate according to the expected effects of inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 6,017 which is effective from January 1, 2019 (January 1, 2018: TL 5,002) has been taken into consideration in calculating the provision for employment termination benefits.

Provisions for severance payments activities table is listed as follows:

	January 1 – December 31, 2018	**January 1 – December 31, 2017**
Beginning of the period	44,290,814	40,635,156
Payments	(7,348,960)	(6,841,062)
Actuarial gain/loss	3,010,663	1,710,846
Provision during period	8,479,679	8,785,874
End of the period	**48,432,196**	**44,290,814**

Note 23 – Pension Plans

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated in Note 22.

Note 24 – Prepaid Expenses and Deferred Income

	December 31, 2018	**December 31, 2017**
Advances given (*)	137,665,836	300,858,647
Work advances	6,751,046	7,929,343
Prepaid expenses	2,258,324	2,080,182
Personnel advances	2,545	31,426
Prepaid Expenses (Short-Term)	**146,677,751**	**310,899,598**
Advances given (*)	116,468,572	1,157,078
Prepaid expenses	1,869,616	589,889
Prepaid Expenses (Long-Term)	**118,338,188**	**1,746,967**

(*) Advances given related to the Bizimevler-7 Construction Project account for TL 109,174,245 of the advances given account balance in the current period (prior period: TL 265,225,349), the Marmara Evleri-4 Construction Project account for TL 45,843,911 of the advances given account balance in the current period, the Bizimevler Güzelce Construction Project account for TL 70,248,675 of the advances given account balance in the current period.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	December 31, 2018	December 31, 2017
Advances received (**)	449,217,537	1,051,817,956
Accrued income	1,513,898	1,770,515
Deferred Income (Short-Term)	**450,731,435**	**1,053,588,471**
Advances received (**)	289,360,840	112,327,795
Accrued income	35,242,350	-
Deferred Income (Long-Term)	**324,603,190**	**112,327,795**

(**) Advances received related to the Kristalşehir Project account for TL 294,559,804 of the advances received account balance in the current period (prior period: TL 638,164,315), the Bizimevler 6 and Metro Projects account for TL 28,473,934 of the advances received account balance in the current period (prior period: TL 96,166,801), the Bizimevler 7 Project account for TL 102,254,350 of the advances received account balance in the current period (prior period: TL 299,496,428), the Bizimevler Güzelce Project account for TL 156,154,573 of the advances received account balance in the current period (prior period: TL 78,757,171), the Marmara 4 Project account for TL 128,726,721 of the advances received account balance in the current period (prior period: TL 14,578,772), (prior period: TL 14,578,772 related to Armutlu Holiday Village Ordinary Partnership Project).

Note 25 – Current Tax Assets

	December 31, 2018	December 31, 2017
Prepaid taxes	378,432	452,524
Current Tax Assets	**378,432**	**452,524**

Note 26 – Other Assets and Liabilities

	December 31, 2018	December 31, 2017
VAT transferred and other VAT	63,793,088	52,491,003
Other Current Assets	**63,793,088**	**52,491,003**

	December 31, 2018	December 31, 2017
Taxes and funds payable	7,500,041	8,242,196
Past due, deferred, on-installment tax obligations	37,969,116	33,065,412
Others	-	382,943
Other Current Liabilities	**45,469,157**	**41,690,551**
Past due, deferred, on-installment tax obligations	14,053,819	21,936,089
Other Non-Current Liabilities	**14,053,819**	**21,936,089**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 27 – Paid-in Capital, Reserves and Other Equity Items

A. Paid-in Capital

As of December 31, 2018, the Group's registered and issued capital comprises 79,040,000,000 (31.12.2017: 79,040,000,000) shares, each with a nominal value of TL 0.01.

The Group's registered authorized capital is TL 2,000,000,000.

The Group's registered and issued capital, and capital structure as of December 31, 2018 and December 31, 2017:

	December 31, 2018		December 31, 2017	
Shareholder Name/Title	**Share Ratio**	**Share Amount**	**Share Ratio**	**Share Amount**
Publicly traded	86.37%	682,674,283	86.37%	682,674,283
Ahmet Mücahid Ören	10.58%	83,563,047	10.58%	83,563,047
Others	3.05%	24,162,670	3.05%	24,162,670
Total Capital	**100,00%**	**790,400,000**	**100,00%**	**790,400,000**

B. Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss

Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss consists of Increases/Decreases on Revaluation of Property, Plant and Equipment, Gains/Losses on Remeasurements of Defined Benefit Plans, Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss accounts.

i. Increases/Decreases on Revaluation of Property, Plant, and Equipment

Revaluation fund of Property, Plant, and Equipment consists of the Group's PP&E. Real estates recognised as property, plant and equipment in prior periods, can be transferred to investment property due to changes in use. The Group has reclassified some of its properties as investment property and has chosen to account such investment properties at fair value. After its deferred tax effect, revaluation of PP&E amount is reported on its net amount. Increases/Decreases on Revaluation of Property, Plant, and Equipment amounting to TL 92,827,143 is accounted under shareholders' equity (December 31, 2017: TL 80,654,433).

ii. Gains/Losses on Remeasurements of Defined Benefit Plans

Severance payment liabilities is calculated by estimating the present value of the future probable obligation and its deferred tax effect arising from the retirement of the employees of the Group recognised all actuarial gains and losses in other comprehensive income. Gains/Losses on Remeasurements of defined benefit plans amounting to TL 6,754,993 is accounted under shareholders' equity (December 31, 2017: TL 4,333,402).

iii. Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss

Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss consists of the Group's effective share in associate. The amount is TL 67,688 (December 31, 2017: TL 6,935)

C. Share Premium

	December 31, 2018	**December 31, 2017**
Share premium	7,260,265	7,260,265

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

D. Restricted Reserves

Primary legal reserves are appropriated at 5 percent of the net profits in the balance sheet until the total reaches 20 percent of the revalued paid-in capital. Secondary legal reserves are appropriated at 10 percent of the total dividends that exceed 5 percent of the revalued capital. According to the provisions of the Turkish Commercial Code, legal reserves may be used only for net losses, and not for any other purposes so long as the reserves do not exceed 50 percent of the issued capital

	December 31, 2018	**December 31, 2017**
Legal reserves	16,449,785	16,351,484
Other restricted reserves (*)	4,746,746	5,071,407
Restricted Reserves	**21,196,531**	**21,422,891**

(*) Of this amount, a large portion consists of capital reserves paid by the partners to the Group companies in order to cover the taxes paid pursuant to Law No. 5811 on Integration of Some Assets into the National Economy; the remaining amount consists of capital reserves and TUBITAK R&D incentives paid by the partners to the Group companies so as to prevent capital loss in accordance with the Turkish Commercial Code.

E. Other Reserves

Other reserves consist of transaction of the Group with its subsidiaries. The amount recognized as a result of transactions with subsidiaries is TL 44,598,745 (December 31, 2017: TL 39,136,386) and is accounted for under equity.

F. Non-Controlling Interests

As of December 31, 2018, non-controlling interest in the consolidated statement of financial position is TL 293,602,815 (December 31, 2017: TL 279,070,209). For the year ended December 31, 2018, non-controlling interest in the consolidated statement of comprehensive income amounted to TL 7,758,997 (previous year: TL 6,425,759).

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 28 – Revenues

The details of revenues for periods of January 1- December 31, 2018 and 2017 are as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Domestic sales	1,228,993,179	674,442,807
Foreign sales	61,224,725	45,363,574
Other sales	5,454,573	2,943,899
Sales discounts and returns (-)	(22,064,045)	(10,362,340)
Total Revenues	**1,273,608,432**	**712,387,940**

Details of the non-group revenue on the basis of important product and service groups are presented in Note 5.

Details of revenue related to performance obligation for periods of January 1- December 31, 2018 and 2017 are as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Point in time	1,039,865,224	425,419,287
Over time	233,743,208	286,968,653
Total	**1,273,608,432**	**712,387,940**

Contractual obligations include advances received from customers for construction activities. As per these contracts, the Group fulfills its contractual obligations and fulfills the performance obligations with the completion of the work.

As of the balance sheet date, completion information related to ongoing contruction projects is presented in Note 41. In these projects, the performance obligations are fulfilled upon over time or point in time as required by each contract.

Note 29 – Expenses by Nature

	January 1 – December 31, 2018	January 1 – December 31, 2017
Cost of sales	(1,029,319,771)	(560,390,219)
General administrative expenses	(119,263,425)	(100,576,552)
Marketing, selling and distribution expenses	(29,514,584)	(38,409,785)
Research and development expenses	(504,537)	(787,628)
Total	**(1,178,602,317)**	**(700,164,184)**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The details of expenses by nature are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	**January 1 – December 31, 2017**
Employee benefits (*)	(226,689,593)	(197,670,534)
Raw materials and supplies	(554,398,119)	(282,289,103)
Outsourcing expenses	(179,360,308)	(54,636,969)
Cost of merchandise sold	(30,199,220)	(22,599,291)
Rent expenses	(29,587,466)	(20,323,118)
Advertising, promotion, commission and sponsorship expenses	(25,095,182)	(25,637,900)
Taxes, duties and charges	(21,845,611)	(15,921,091)
Provision expenses for doubtful receivables	(20,433,939)	(11,764,786)
Depreciation and amortization expenses	(11,410,405)	(11,624,183)
Maintenance and insurance expenses	(9,521,441)	(6,384,072)
Travel and accommodation expenses	(6,024,381)	(5,837,016)
Warranty provision expenses	(514,938)	(288,345)
Other	(63,521,714)	(45,187,776)
Total	**(1,178,602,317)**	**(700,164,184)**

(*) The personnel expenses consist of TL 165,313,426 (prior period: TL 145,554,875) gross wages and TL 32,647,031 (prior period: 25,458,965 TL) of social security deductions.

The functional allocation of personnel expenses is as follows;

	January 1 – December 31, 2018	**January 1 – December 31, 2017**
Cost of sales	(178,145,566)	(145,489,518)
General administrative expenses	(42,285,640)	(36,650,125)
Marketing, selling and distribution expenses	(5,842,140)	(6,498,067)
Research and development expenses	(416,247)	(733,864)
Total	**(226,689,593)**	**(189,371,574)**

The details of amortization and depreciation expenses are listed below;

	January 1 – December 31, 2018	**January 1 – December 31, 2017**
Cost of sales	(6,009,952)	(6,410,834)
General administrative expenses	(5,279,333)	(5,198,914)
Other	(121,120)	(14,435)
Total Amortization and Depreciation Expenses	**(11,410,405)**	**(11,624,183)**

Note 30 – Other Operating Income and Expenses

The details of other operating income and expenses are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	**January 1 – December 31, 2017**
Foreign exchange gains	40,554,221	13,502,066
Credit finance income arising from trading activities	11,910,073	54,342,410
Rent income	6,645,063	7,409,413
Reversals of provisions		
Reversal of allowance for doubtful receivables	*6,398,503*	*52,576,788*
Other reversal of doubtfuls	*5,078,545*	*14,434,064*
Other	3,982,104	2,816,044
Other Operating Income	**74,568,509**	**145,080,785**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	January 1 – December 31, 2018	January 1 – December 31, 2017
Credit finance charges arising from trading activities	(49,014,116)	(25,212,762)
Foreign exchange losses	(46,416,828)	(19,397,253)
Grants and donations	(3,429,148)	(8,068,403)
Other	(15,553,822)	(8,856,000)
Other Operating Expenses	**(114,413,914)**	**(61,534,418)**

Note 31 – Income/Expenses from Investment Activities

The details of income and expenses from investment activities are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Revaluation gains on investment property	34,539,628	14,535,056
Gains on associate share sales	6,110,699	-
Gain on sale of investment property and PP&E	4,352,680	1,710,886
Other	2,275,805	1,456
Income from Investment Activities	**47,278,812**	**16,247,398**

	January 1 – December 31, 2018	January 1 – December 31, 2017
Revaluation losses of investment property	(7,825,102)	(5,305,608)
Impairment on PP&E	(2,830,465)	-
Goodwill impairment provision	(2,717,488)	(4,749,906)
Loss on sale of investment property and PP&E	(477,331)	(6,056,579)
Other	(355,540)	(411,521)
Expenses from Investment Activities	**(14,205,926)**	**(16,523,614)**

Note 32 – Financial Expenses

The details of financial expenses are listed for periods of January 1-December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Interest expense	(70,287,577)	(63,770,958)
Foreign exchange losses	(66,692,129)	(22,517,386)
Financial Expenses	**(136,979,706)**	**(86,288,344)**

Note 33 – Financial Income

The details of financial income are listed for periods of January 1- December 31, 2018 and 2017 as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Interest income	5,620,638	10,365,155
Foreign exchange gains	28,672,990	9,047,156
Financial Income	**34,293,628**	**19,412,311**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Note 34 – Assets Held for Sale and Discontinued Operations

A. Assets Held for Sale

Current Period: None.

Prior Period: TL 377,990 (Vehicles).

B. Discontinued Operations

Current Period: None.

Prior Period: None.

Note 35 – Tax Assets and Liabilities

A. Current Period Tax Assets and Liabilities

Dividends paid to corporations that earn income through an office or a permanent agency in Turkey, and corporations located in Turkey are not be subject to withholding tax. Dividend payments other than these shall be subject to withholding tax at a rate of 15%. Addition of profit to the capital shall not be deemed as dividend distribution and thus, no withholding tax shall be levied. Corporations shall pay advance tax at a rate of 22% over their three-month financial profits. While advance taxes paid during the year pertain to that year, they are deducted from the corporate tax of the subsequent year, which will be calculated based on the corporate tax statement to be submitted.

Corporate tax exemption applies to the revenues arising from the sale of 50% of the properties, from the sale of 75% of the participation stocks, dividend right certificates and pre-emption rights that remain in the corporation's assets for at least two full years. In order to benefit from the exemption, such earnings must be held in a fund account under Liabilities and must not be withdrawn for at least 5 years. The sales revenue must be collected by the end of the second calendar year from the date of completion of the transaction.

According to Turkish tax legislation, financial losses on tax statements may be deducted from the corporation's earnings in the current period, provided that the period of deduction does not exceed five years.

Primary income tax expenses as of December 31, 2018 and December 31, 2017 are listed below:

	December 31, 2018	December 31, 2017
Current tax provisions	9,292,029	6,108,165
Prepaid taxes (-)	(2,427,599)	(5,708,155)
Total	**6,864,430**	**400,010**

Primary income tax expense items in statement of consolidated comprehensive income for periods of January 1- December 31, 2018 and 2017 are listed below:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Current period tax expense	(9,292,029)	(6,108,165)
Deferred tax income/expense	(8,459,347)	13,286,259
Tax Income/Expense	**(17,751,376)**	**7,178,094**

Turkish tax legislation does not permit a parent company to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group's income tax expense/income reconciliation for periods of January 1-December 31, 2018 and 2017 is as follows:

	January 1 – December 31, 2018	**January 1 – December 31, 2017**
Profit/Loss from continuing operations, before tax	(14,850,909)	28,036,577
Calculated income tax income/expense	*3,267,200*	*(5,607,316)*
Tax Effect:		
Non-taxable income	*5,109,158*	*26,318,844*
The effect of calculated fiscal loss and investment incentives	*13,709,899*	*2,435,712*
Non-deductible expenses and the effect of items not taxed	*(39,837,633)*	*(15,969,146)*
Total Income Tax Income/Expense	**(17,751,376)**	**7,178,094**

B. Deferred Tax Assets and Liabilities

The Group calculates its deferred tax assets and liabilities by taking into account the impact of temporary differences arising as a result of the separate evaluation of balance sheet items in accordance with TFRS standards and tax legislation. These temporary differences arise from the differences in the periods of the recognition of income and expenses in accordance with TFRS and tax legislation.

The corporate tax rate for 2018 is 22% (December 31, 2017: 22%). In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on December 5, 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2017 are calculated with 22% tax rate for the temporary differences that will be realized in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realized after 2021 and onwards.

The following is the breakdown of accumulated taxable temporary differences and deferred tax assets and liabilities, prepared by using effective tax rates as of December 31, 2018 and December 31, 2017:

	Taxable temporary differences		**Deferred tax assets/ (liabilities)**		**The income statement and OCI**	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**	**January 1, December 31, 2018**	**January 1, December 31, 2017**
Property, plant and equipment and intangible assets (including investment property)	(132,234,946)	(65,344,327)	(26,446,990)	(13,068,866)	(13,378,124)	(2,473,099)
Provisions for liabilities and expenses	56,623,181	48,928,720	11,757,170	10,151,046	1,606,124	773,429
Provision for diminution in value of inventories	8,536,736	11,329,125	1,716,012	2,425,958	(709,946)	(108,861)
Provision for doubtful receivables	61,277,751	49,218,649	12,720,590	10,199,704	2,520,886	(1,960,228)
The effects of discounting adjustments	7,123,763	4,934,380	1,700,642	1,206,775	493,867	(6,117,669)
The effects of prepaid expense adjustments	57,074	663,778	12,557	140,544	(127,987)	(1,673,199)
Unrecognized tax losses	117,106,273	148,506,318	24,519,640	31,024,346	(6,504,706)	25,103,146
Other	15,260	(162,653)	6,778	(34,623)	41,401	(222,190)
Deferred tax assets and liabilities, net	**118,505,092**	**198,073,990**	**25,986,399**	**42,044,884**	**(16,058,485)**	**13,321,329**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Net deferred tax assets/(liabilities) table is listed below:

	December 31, 2018	December 31, 2017
Beginning of the period	42,044,884	28,723,555
Deferred tax income/(expense) recognized in income statement	(8,459,347)	13,286,259
Deferred tax income/(expense) recognized in OCI	(7,599,138)	35,070
End of the period	**25,986,399**	**42,044,884**

The Group calculated deferred tax assets of TL 117,106,273 (December 31, 2017: TL 148,506,318) for unrecognized tax losses in its consolidated financial statements, which were prepared in accordance with the TAS 12“Income Taxes”.

Maturities of these tax losses are as follows:

	December 31, 2018	December 31, 2017
2018	-	894,300
2019	24,507,849	8,134,382
2020	23,931,558	66,163,105
2021	19,489,509	45,754,533
2022	31,604,230	27,559,998
2023	17,573,127	-
Total	**117,106,273**	**148,506,318**

Deferred tax assets were recognized to the extent that the Group is likely to generate financial profit to be used for all deductible temporary differences. The Group had tax losses in the amount of TL 28,297,946 (December 31, 2017: TL 241,748,846) that can be appropriated and that were deferred as of December 31, 2018 without calculating tax assets to be reviewed again in the following period. Their maturities are as follows:

	December 31, 2018	December 31, 2017
2018	-	126,165,942
2019	1,324,798	65,409,846
2020	7,668,098	10,912,886
2021	6,255,710	2,419,035
2022	1,254,221	36,841,137
2023	11,795,119	-
Total	**28,297,946**	**241,748,846**

Note 36 – Earnings/Losses per Share

The following are the weighted average numbers of the Group’s shares as of December 31, 2018 and December 31, 2017, and the calculation of earnings per unit share;

	January 1 – December 31, 2018	January 1 – December 31, 2017
Profit/loss for the period	(32,602,285)	35,214,671
Profit/loss attributable to non-controlling interests	5,988,855	(7,531,249)
Profit/loss attributable to the equity holders of the parent	(38,591,140)	42,745,920
Weighted average number of stocks, each with a nominal value of TL0,01	79,040,000,000	79,040,000,000
Earnings/(losses) per share (Kr)	**(0.0412)**	**0.0446**
Earnings/(losses) per share attributable to the equity holders of the parent (Kr)	**(0.0488)**	**0.0541**

Diluted earnings per share have not been calculated, since the Group does not have any potential common shares with dilutive effect (Previous period: None)

There are no dividends accrued in the current period (Previous period: None).

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

There are no share-based payments (Previous period: None). Earnings per share are calculated by dividing the net profit of the current period by the weighted average of the number of shares circulating during the period.

Note 37 – Related Party Disclosures

A. The following are the current account balances (net book values) arising from the Group's shareholders; or from the main companies with which it had an indirect capital, management and business relationship through its shareholders as of December 31, 2018 and December 31, 2017:

	December 31, 2018			
	Trade Receivables	Trade Payables	Advances Given	Advances Received
İhlas Dış Ticaret A.Ş.	632,291	10,074	-	-
Net İletişim Teknoloji A.Ş.	494,938	144,302	1,406,038	-
İhlas Finans Kurumu A.Ş. in Liquidation	114,326	-	-	-
Detes Enerji Üretim A.Ş.	25,924	186,339	-	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	55,196	8,962,886	-	19,569,515
Antalya İmar Ltd. Şti.	27,240	291,332	-	-
Other	2,013	20,018	6,708	983,574
Total	**1,351,928**	**9,614,951**	**1,412,746**	**20,553,089**

	December 31, 2018			
	Trade Receivables	Trade Payables	Advances Given	Advances Received
İhlas Dış Ticaret A.Ş.	567,247	12,550	-	-
Net İletişim Teknoloji A.Ş.	232,714	82,057	1,341,735	-
İhlas Finans Kurumu A.Ş. in Liquidation	153,820	-	-	-
Detes Enerji Üretim A.Ş.	18,706	211,503	-	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	24,955	3,458,707	-	10,840,947
Antalya İmar Ltd. Şti.	8,413	364,159	-	-
Other	12,155	300,055	-	195,953
Total	**1,018,010**	**4,429,031**	**1,341,735**	**11,036,900**

	Other Receivables	
Shareholders and key personnel	**December 31, 2018**	**December 31, 2017**
Individuals	26,831	-
Total	**26,831**	**-**

	Other Payables	
Shareholders and key personnel	**December 31, 2018**	**December 31, 2017**
Osman Çardak	-	250,000
Dursun Şahin	695,000	185,000
Other	434,136	-
Total	**1,129,136**	**435,000**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

B) The following are the sales, purchases, leasing, interest, fixed assets sales arising from the Group's shareholders; or from the main companies with which it had an indirect capital, management and business relationship through its shareholders during the January 1-December 31, 2018 and January 1-December 31, 2017 periods:

	January 1-December 31, 2018	
	Sales	**Purchases**
Net İletişim Teknoloji A.Ş.	262,575	84,195
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	3,723,193	7,029,336
Antalya İmar Ltd. Şti.	63,200	1,180,000
İhlas Finans Kurumu A.Ş. in Liquidation	76,223	-
İHA GmBH Germany	651,984	147,891
Other	734,663	477,930
Total	**5,511,838**	**8,919,352**

	January 1-December 31, 2017	
	Sales	**Purchases**
Net İletişim Teknoloji A.Ş.	280,194	17,187
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	3,284,088	3,218,210
Antalya İmar Ltd. Şti.	47,902	-
İhlas Finans Kurumu A.Ş. in Liquidation	40,718	-
Other	897,905	909,551
Total	**4,550,807**	**4,144,948**

	January 1-December 31, 2018	
	Interest Income	**Interest Expense**
Net İletişim Teknoloji A.Ş.	308,604	-
İhlas Dış Ticaret A.Ş.	113,076	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	1,126,362	1,469,878
Other	4,451	-
Total	**1,552,493**	**1,469,878**

	January 1-December 31, 2017	
	Interest Income	**Interest Expense**
Net İletişim Teknoloji A.Ş.	117,212	-
İhlas Dış Ticaret A.Ş.	55,728	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	9,784	250,864
Other	4,922	-
Total	**187,646**	**250,864**

	January 1-December 31, 2018	
	Rent Income	**Rent Expenses**
Net İletişim Teknoloji A.Ş.	186,558	-
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	170,645	13,440
Other	106,953	145,550
Total	**464,156**	**158,990**

	January 1-December 31, 2017	
	Rent Income	**Rent Expenses**
Net İletişim Teknoloji A.Ş.	183,396	17,461
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	16,975	428,400
Other	43,860	82,988
Total	**244,231**	**528,849**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

	January 1-December 31, 2018	
	PP&E Disposals	**PP&E Acqusitions**
Net İletişim Teknoloji A.Ş.	-	222,773
Other	33,899	3,750
Total	**33,899**	**226,523**

	January 1-December 31, 2017	
	PP&E Disposals	**PP&E Acqusitions**
Net İletişim Teknoloji A.Ş.	-	490,522
İhlas Gayrimenkul Proje Geliştirme ve Tic. A.Ş.	-	100,000
Other	748	-
Total	**748**	**590,522**

Since all of the Group's receivables and payables, rent revenues and expenses, interest revenues and expenses and all other receivables and payables from affiliate companies already recognized in the consolidation were offset within the consolidation, they are not recognized in the consolidated financial statements

C) Key management personnel include executives (administrative or otherwise) with direct or indirect authority and responsibility to plan, manage and control the Company's operations. Two types of benefits are provided to them: Short-term benefits consist of wages, social security contributions, bonuses, paid vacations and attendance fees. These type of short-term benefits have been reported under the "Employee Benefits Payable" account. Meanwhile, severance benefits comprise the Company's severance payment liability. These types of benefits are reported under "Provisions for Employee Benefits."

Short-term benefits such as wages, attendance fees, etc. paid out to key personnel during the January 1-December 31, 2018 period totaled TL 11,938,695 (January 1-December 31, 2017: TL 10,052,792). Meanwhile, short-term benefits (severance payments) to be provided for key management personnel in case they resign totaled TL 5,233,844 for the period January 1-December 31, 2018 (January 1-December 31, 2017: TL 3,434,273).

There were no long-term benefits provided to the Group's key personnel during the periods January 1-December 31, 2018, and the January 1-December 31, 2017.

The Group provided short-term benefits such as wages, attendance fees, etc. in the amount of TL 39,221 to key personnel who resigned their job or post during the January 1-December 31, 2018 period (January 1-December 31, 2017: TL 889,328).

The Company does not make share-based payments.

Note 38 – Financial Instruments and Financial Risk Management

A) Capital risk management

The Group strives to achieve sustainable operations, while also aiming to increase profitability and market value by establishing an efficient balance between liabilities and shareholder's equity.

The capital structure of the Group is comprised of liabilities, including the loans stated in Note 8, as well as cash and cash equivalents Note 6; also equity items, including paid-in capital, capital reserves and retained earnings disclosed in Note 27.

Senior management evaluates the Group's capital cost and the risks associated with each type of capital. During such examinations, senior management reviews capital costs and risks associated with each type of capital, and presents to the Board of Directors the decisions that are subject to its consideration. Based on the evaluations conducted by senior management and the Board of Directors, the Group aims to optimize its capital diversification by means of new borrowing, repaying existing debts and/or capital increases. The Group's overall strategy remains unchanged from the previous period.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

The Group keeps track of its capital adequacy by applying the net debts/shareholders' equity ratio. The ratio is found by dividing the net debt by the total shareholder's equity. Net debt is calculated by deducting cash and cash equivalents from the total amount of debts (comprised of loans indicated in the consolidated balance sheet).

	December 31, 2018	**December 31, 2017**
Total financial borrowings	396,636,974	318,339,397
Less: Cash and cash equivalents	(38,017,127)	(18,109,173)
Net debt	**358,619,847**	**300,230,224**
Total equity	**813,608,556**	**828,321,534**
Net financial debt / equity ratio	**44%**	**36%**

B) Significant accounting policies

The Group's significant accounting policies related to financial instruments is described in the "Financial Instruments" section of "Summary of Significant Accounting Policies" in Note 2.

C) Financial risk management objectives

The Group constantly keeps up with domestic and foreign market developments so as to monitor and manage the level and size of the risks it faces, or may face, with regard to its facilities. The Group's significant financial risks include risks of foreign exchange, interest rate and liquidity.

A "risk assessment report" is prepared regarding the steps of the Group's risk management model. Influence over the Group's activities; strategic management and investment, finance, service (education and health), labor force and information categories were identified and defined. During the determination of the risks, the main risks that may be affecting the managers and the Company and the specific risks for each main risk group have been clarified. The identified main risks and specific risks are reflected in the prepared risk tables. These tables include the types of risks, their level and the action plan. Strategies that will reduce the impact of risks, risks to be determined for risk, risk levels, actions to be taken for risks, action responsibilities, and risks that are determined by strategic management and investment, finance, service (education and health), labor force and information categories are discussed in periodic terms.

D) Market risk

As a result of its operations, the Group is subject to financial risks related to price, as well as changes in exchange and interest rates. The Group management continuously monitors the breakdown of revenues and expenses based on foreign currency, the breakdown of liabilities based on foreign currency, and floating/fixed interest rates.

The changes in market conditions that lead to market risk include changes in the benchmark interest rate and changes in the price, cost price, foreign exchange rate and price or ratio indices of another entity.

Inventory price change risk (price risk)

The Group is exposed to price risks as its sales prices are affected by changes in raw material stock prices. There is no derivative instrument that can be used to avoid the impact of negative price movements on sales margins. The Group reviews the balance between ordering, production and purchasing by taking into account prospective raw material prices in the future, and it tries to adjust the sales prices based on raw material price changes.

Interest Rate Risk Management:

The Group borrows at fixed interest rates. In Note 8, fixed interest rate borrowings, and in Note 6, interest rates time deposits are disclosed. Since the Group does not have significant borrowing over floating interest rates, sensitivity to interest rates is not significant. The interest rate risk table is listed below:

	December 31, 2018	**December 31, 2017**
Fixed rate vehicles		
Financial assets		
- Term deposit	25,877,954	2,227,343
Financial liabilities	396,636,974	318,339,397
Floating rate vehicles	-	-

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

Currency Risk Management:

As of December 31, 2018 and December 31, 2017, the net currency position of the assets and liabilities of the Group is as follows:

	December 31, 2018	**December 31, 2017**
A. Foreign currency assets	3,654,204	6,676,978
B. Foreign currency liabilities	207,134,389	155,312,434
Net currency position (A-B)	**(203,480,185)**	**(148,635,456)**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

CURRENCY POSITION TABLE

	December 31, 2018					
	TL Equivalent	**USD**	**EUR**	**CHF**	**GBP**	**Other**
1. Trade receivables	1,783,494	79,012	226,911	-	-	-
2a. Monetary financial assets (including cash and cash equivalents)	746,470	133,968	6,914	-	-	-
2b. Non-monetary financial assets	327,928	62,333	-	-	-	-
3. Other	671,297	112,237	13,250	-	144	-
4. Current Assets (1+2+3)	**3,529,189**	**387,550**	**247,075**	**-**	**144**	**-**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	125,015	23,763	-	-	-	-
8. Non-Current Assets (5+6+7)	**125,015**	**23,763**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**3,654,204**	**411,313**	**247,075**	**-**	**144**	**-**
10. Trade Payables	59,375,635	2,302,211	7,840,732	-	-	-
11. Financial Liabilities	78,696,211	1,615,902	11,644,843	-	-	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Non-monetary financial liabilities	2,114,410	313,017	77,581	-	-	-
13. Current Liabilities (10+11+12)	**140,186,256**	**4,231,130**	**19,563,156**	**-**	**-**	**-**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	66,948,133	11,326,289	1,221,244	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**66,948,133**	**11,326,289**	**1,221,244**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**207,134,389**	**15,557,419**	**20,784,400**	**-**	**-**	**-**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Derivative assets	-	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-	-
20. Net foreign currency position (9-18+19)	**(203,480,185)**	**(15,146,106)**	**(20,537,325)**	**-**	**144**	**-**
21. Net foreign currency position of monetary items (l+2a+5+6a-10-ll-12a-14-15-16a)	**(202,490,015)**	**(15,031,422)**	**(20,472,994)**	**-**	**-**	**-**
22. Fair value of derivative instruments held for hedging	**-**	**-**	**-**	**-**	**-**	**-**
23. Foreign currency assets held for heding	**-**	**-**	**-**	**-**	**-**	**-**
24. Foreign currency liabilities held for heding	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**72,941,834**	**7,113,199**	**4,327,599**	**-**	**-**	**1,632,318**
26. Imports	**66,469,342**	**6,847,065**	**5,952,402**	**-**	**-**	**258,228**

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

CURRENCY POSITION TABLE

	December 31, 2017					
	TL Equivalent	**USD**	**EUR**	**CHF**	**GBP**	**Other**
1. Trade receivables	4,736,133	987,570	203,987	23,351	-	-
2a. Monetary financial assets (including cash and cash equivalents)	339,437	54,113	29,955	-	13	-
2b. Non-monetary financial assets	863,079	152,414	63,822	-	-	-
3. Other	644,171	120,763	39,725	-	1,828	-
4. Current Assets (1+2+3)	**6,582,820**	**1,314,860**	**337,489**	**23,351**	**1,841**	**-**
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	94,158	24,963	-	-	-	-
8. Non-Current Assets (5+6+7)	**94,158**	**24,963**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**6,676,978**	**1,339,823**	**337,489**	**23,351**	**1,841**	**-**
10. Trade Payables	50,861,999	3,659,285	8,187,431	22,620	394	-
11. Financial Liabilities	67,001,483	2,714,637	12,570,512	-	-	-
12a. Other monetary financial liabilities	-	-	-	-	-	-
12b. Non-monetary financial liabilities	855,760	103,894	102,731	-	-	-
13. Current Liabilities (10+11+12)	**118,719,242**	**6,477,816**	**20,860,674**	**22,620**	**394**	**-**
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	36,593,192	9,607,314	78,699	-	-	-
16a. Other monetary financial liabilities	-	-	-	-	-	-
16b. Non-monetary financial liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**36,593,192**	**9,607,314**	**78,699**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**155,312,434**	**16,085,130**	**20,939,373**	**22,620**	**394**	**-**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**
19a. Derivative assets	-	-	-	-	-	-
19b. Derivative liabilities	-	-	-	-	-	-
20. Net foreign currency position (9-18+19)	**(148,635,456)**	**(14,745,307)**	**(20,601,884)**	**731**	**1,447**	**-**
21. Net foreign currency position of monetary items (l+2a+5+6a-10-ll-12a-14-15-16a)	**(149,381,104)**	**(14,939,553)**	**(20,602,700)**	**731**	**(381)**	**-**
22. Fair value of derivative instruments held for hedging	**-**	**-**	**-**	**-**	**-**	**-**
23. Amount of hedged portion of Foreign exchange assets	**-**	**-**	**-**	**-**	**-**	**-**
24. Amount of hedged portion of Foreign exchange liabilities	**-**	**-**	**-**	**-**	**-**	**-**
25. Exports	**50,172,148**	**14,462,957**	**14,687,952**		**370,842**	**-**
26. Imports	**48,087,810**	**12,846,432**	**13,010,706**		**59,186**	**-**

As of December 31, 2018, and December 31, 2017, the Group's hedging ratio of total foreign currency liabilities arising from total imports is the coverage ratio of the exchange rate risk by means of a derivative instrument. There is no hedging ratio of total foreign currency liabilities, since the Group has no futures trading.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

If there had been a 10-percent value change in the TL against the USD, Euro and other foreign currencies simultaneously; and if all other variables had remained the same as of December 31, 2018 and December 31, 2017; the net period profit/loss before tax as a result of net foreign exchange gains/losses arising from the assets and liabilities in these currencies, would have been;

TL 20,348,018 lower/higher as of December 31, 2018.

TL 14,863,546 lower/higher as of December 31, 2017.

Foreign currency sensitivity statement related to the Group is as follows:

	Foreign currency sensitivity statement			
	December 31, 2018 Profit/(Loss)		**December 31, 2017 Profit/(Loss)**	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	When USD gain/loss 10% value over:			
1- U.S. Dollar net asset/(liability) due to the resulting revenue/(expense)	(7,968,215)	7,968,215	(5,561,783)	5,561,783
2- Part of hedged from U.S. Dollar risk (-)	-	-	-	-
3- USD net effect (1+2)	**(7,968,215)**	**7,968,215**	**(5,561,783)**	**5,561,783**
	When EUR gain/loss 10% value over:			
4- Euro net asset/(liability) due to the resulting revenue/(expense)	(12,379,900)	12,379,900	(9,302,781)	9,302,781
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(12,379,900)**	**12,379,900**	**(9,302,781)**	**9,302,781**
	When Other foreign currency gain/loss 10% value over:			
7- Other foreign currency net asset/(liability) due to the resulting revenue/(expense)	97	(97)	1,018	(1,018)
8- Part of hedged from other foreign currency risk (-)	-	-	-	-
9- Other foreign currency net effect (7+8)	**97**	**(97)**	**1,018**	**(1,018)**
Total (3+6+9)	**(20,348,018)**	**20,348,018**	**(14,863,546)**	**14,863,546**

E) Credit and collection risk management

The Group's credit and collection risk is essentially related to its trade receivables. The amount recognized in the consolidated balance sheet is the net value calculated after deducting the doubtful receivables estimated by the Group management based on its previous experiences and current economic circumstances. The Group's credit risk is distributed as it works with a number of customers.

Credit risk exposure based on type of financial instruments:

December 31, 2018	**Receivables**					
	Trade Receivables		**Other Receivables**			
	Related Party	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Other Current Assets**
The maximum exposure to credit risk at the reporting date	**1,351,928**	**930,182,346**	**26,831**	**11,202,705**	**31,112,645**	**6,904,482**
The part of maximum risk under guarantee with collateral etc.	-	103,501,744	-	-	-	-
Financial assets that are neither past due nor impaired the carrying value of the net	1,351,928	845,119,881	26,831	11,202,705	31,112,645	6,904,482
Net book value of assets past due but not impaired	-	6,294,511	-	-	-	-
Net book value of impaired assets	-	78,767,954	-	-	-	-
- Gross carrying amount	114,759	376,907,416	-	11,526,652	-	-
- Impairment (-)	(114,759)	(298,139,462)	-	11,526,652	-	-
- Net value collateralized or guaranteed part	-	-	-	-	-	-
Off-balance sheet items with credit risk	-	-	-	-	-	-

December 31, 2017	Receivables					
	Trade Receivables		Other Receivables			
	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Other Current Assets
The maximum exposure to credit risk at the reporting date	**1,018,010**	**934,330,065**	**-**	**3,987,225**	**14,671,871**	**3,437,302**
The part of maximum risk under guarantee with collateral etc.	-	75,392,077	-	-	-	-
Financial assets that are neither past due nor impaired the carrying value of the net	1,018,010	922,966,805	-	3,987,225	14,671,871	3,437,302
Net book value of assets past due but not impaired	-	1,760,461	-	-	-	-
Net book value of impaired assets	-	9,602,799	-	-	-	-
- Gross carrying amount	66,041	303,302,103	-	8,695,678	-	-
- Impairment (-)	(66,041)	(293,699,304)	-	(8,695,678)	-	-
- Net value collateralized or guaranteed part	-	-	-	-	-	-
Off-balance sheet items with credit risk	-	-	-	-	-	-

In determining the amount, guarantee received and factors that increase in credit reliability are not considered.

Past due or not impaired financial assets is not expected to be impaired and credit risk is not projected.

The Group has considered the expected 12-month credit loss provision for not significantly increasing their credit risk to estimate the expected credit loss provision. Also, The Group calculated the expected credit loss provision for significant credit risk during the maturity period. In order to measure expected credit losses, the Group has calculated expected credit loss provision using past due date credit loss experiences and forward-looking macroeconomic indicators. Due to the weakening of the collection ability of the receivables under enforcement proceeding and litigation, these receivables are impaired.

The aging analysis for receivables is as follows:

	December 31, 2018	December 31, 2017
Not past due	1,019,434,424	1,032,583,310
Past due 1-30 days	1,831,142	2,770,380
Past due 1-3 months	3,874,244	1,988,271
Past due 3-12 months	19,475,840	18,970,555
Past due 1-5 years	167,106,697	149,635,383
Past due longer than 5 years	40,822,336	35,848,424
Less: Impairment	(309,780,873)	(302,461,023)
Total	**942,763,810**	**939,335,300**

There are no guarantees or irrevocable credit commitments received from the companies under credit risk.

Past due and but not impaired financial assets is as follows:

	December 31, 2018	December 31, 2017
Past due 1-30 days	620,632	756,181
Past due 1-3 months	546,456	32,600
Past due 3-12 months	336,226	456,739
Past due 1-5 years	4,791,197	514,941
Total	**6,294,511**	**1,760,461**
Secured with guarantees	4,558,150	-

The Group's cash and cash equivalents consist of financial instruments that are not past due and not impaired. The amount of deposits presented in Note 6 are held in Turkish financial institutions.

(All amounts are expressed in Turkish Lira (TL) unless otherwise stated.)

F) Liquidity Risk Management

The ability to fund the Company's existing and prospective debt requirements is managed by maintaining the availability of adequate funding lines, primarily from banks.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2018 and December 31, 2017 based on contractual undiscounted payments (including interest payments not due yet).

	December 31, 2018				
Maturities per contract	**Book value**	**Total cash outflows per contract**	**Less than 3 months**	**3-12 months**	**1-5 years**
Non-derivative financial liabilities	**771,103,114**	**950,550,099**	**124,110,013**	**446,754,674**	**379,685,412**
Bank loans	392,228,727	513,385,908	38,428,842	127,459,430	347,497,636
Finance lease	4,408,247	6,028,253	263,933	1,353,857	4,410,463
Trade payables	281,276,024	336,830,017	42,585,102	284,098,601	10,146,314
Other payables and liabilities	93,190,116	94,305,921	42,832,136	33,842,786	17,630,999

	December 31, 2017				
Maturities per contract	**Book value**	**Total cash outflows per contract**	**Less than 3 months**	**3-12 months**	**1-5 years**
Non-derivative financial liabilities	**621,754,854**	**690,171,505**	**137,904,417**	**281,513,545**	**270,753,543**
Bank loans	309,869,296	320,946,529	61,726,323	48,457,914	210,762,292
Finance lease	8,470,101	9,333,530	935,580	4,911,781	3,486,169
Trade payables	218,700,447	271,269,199	38,265,529	208,303,841	24,699,829
Other payables and liabilities	84,715,010	88,622,247	36,976,985	19,840,009	31,805,253

Note 39 – Financial Instruments (Disclosures about Fair Value and Hedging Accounting)

According to TFRS 9 "Financial Instruments", financial assets are classified into three groups and financial liabilities are classified into two groups. Financial assets are measured at fair value through income statement, amortized cost, and fair value through OCI. Financial liabilities are measured at fair value through income statement, and amortized cost.

The following are the values and classification of financial assets and liabilities as of December 31, 2018 and December 31, 2017:

December 31, 2018	**Measured at amortized cost**	**Measured at fair value through OCI**
Financial Assets		
Cash and cash equivalents	38,017,127	-
Financial investments	-	914,306
Trade receivables	931,534,274	-
Other receivables	11,229,536	-
Financial Liabilities		
Financial Borrowings	396,636,974	-
Trade payables	281,276,024	-
Other payables	10,433,218	-

December 31, 2017	**Measured at amortized cost**	**Measured at fair value through OCI**
Financial Assets		
Cash and cash equivalents	18,109,173	-
Financial investments	-	914,306
Trade receivables	935,348,075	-
Other receivables	3,987,225	-
Financial Liabilities		
Financial Borrowings	318,339,397	-
Trade payables	218,700,447	-
Other payables	5,338,203	-

Fair value measurements of financial assets and liabilities are explained at the relevant accounting policies section, and there is no events that require additional valuation process. Book value of cash and cash equivalents is considered to be close to fair value.

The Group recognizes the fair value of financial instruments carried at fair value in the consolidated financial statements according to the source of each class of financial instruments classified using a three level hierarchy.

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: inputs not based on observable market data. In this level, other techniques, such as discounted cash flow analysis, are used to estimate the fair value measurements of financial instruments.

Note 40 – Subsequent Events

Participation of Associate's Capital Increase

The Company's associate, İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş., increased its capital with rights issue of 140% of its capital. The Company used its pre-emptive right and paid in full the rights issue according to Material Event Disclosure on February 28, 2019.

Note 41 – Other Items to Clarify and Explain the Financial Statements and Matters that Significantly Affect the Financial Statements

a) Explanations Regarding Ongoing Construction Projects

The Group has developed a construction project (KRİSTALŞEHİR) with İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., the Group company, on a 142,796.98 m² area in Esenyurt, Istanbul. The project consists of 18 blocks and social facilities, as well as 4,655 residences and 82 office spaces. An area of 638,454.48 m² will be constructed in total, which includes the communal areas.

The Group undertook the project on a 36,675.89 m² portion of the site, on an apartment-for-land basis. Of the project, 28,75%, in other words, 322 residences and 6 office spaces, shall be handed over by the Group to the Esenyurt Municipality in return for land. The Group gets 798 apartments from this section. The construction of these apartments have been completed.

İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., the Group company, will build on an apartment-for-land basis on the remaining 106,121.09 m² part of the project. Of the project built by İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş., 1,123 residences and 23 office spaces will be given to the land owners on a apartment-for-land basis. İhlas İnşaat Proje Taahhüt Turizm ve Ticaret A.Ş. will get 2,412 apartments and 53 business spaces from this part of the project. As of December 31, 2018, nearly 99% of the project that the company is building has been completed.

Out of the Group's total apartments, 2,993 units and 51 business units have been sold against advance payment. Invoicing for these units will be performed during delivery and upon completion of the projects.

İhlas Yapı Turizm ve Sağlık A.Ş., the Group company, has developed the "BİZİMEVLER - 7" project in the Ispartakule district, Avcılar, Istanbul. The Group has entered into an agreement with the land owner based on 41% revenue sharing model. İhlas Yapı Turizm ve Sağlık A.Ş. has transferred this project to another company to develop the project based on revenue sharing model, with 45% of the revenues going to the Group. A total of 532 units and 48 business units were built in the project as of December 31, 2017. As of December 31, 2018, 72.5% of the total apartments, or 499 units and 37 business units, have been sold with advance payment.

At the meeting of the Board of Directors of the Group, it was resolved to build 450 apart units, one cure center and one administration building on a 62,775 m² area registered as an asset for the Group on block 548 parcel 2 in Armutlu district of Yalova. The Group has entered into an agreement with Armutlu Holiday Village Ordinary Partnership to have a project developed based on the "revenue sharing" model. Accordingly, 25% of the revenues from the 450 apart-units go to the Group and the remaining 75% to the contractor as construction building fee.

Also, the Group gets the administration building and the cure center building at the construction, which is slated for complete in 24 months. Under this agreement, the construction project was completed on November 19, 2018 and the Building Use Permit was obtained. As of December 31, 2018, the project's 450 apart-units, which were sold in advance and invoiced, were completed.

İhlas Pazarlama A.Ş. - İhlas Yapı Turizm ve Sağlık A.Ş. Ordinary Partnership, the Group company, have signed a revenue sharing and apartment-for-land construction agreement with the land owners to develop a project on a 92,293 m^2 land registered on block 498, parcel 1 in the Güzelce neighborhood of Büyükçekmece district in Istanbul. Construction activities have been started by taking necessary permissions from legal institutions. As of December 31, 2018, approximately 38% of the project that the company is building has been completed and 27% of the total units, or 204 apartments, and 19 commercial units, have been sold with advance payment. In this project, 709 apartments and 111 commercial units will be built and the project is planned to be completed in 2020.

Pursuant to Law No. 6306, İhlas Yapı Turizm ve Sağlık A.Ş. (İhlas Yapı), a Group company, commenced work to develop and build the urban transformation project on a 988,000 m^2 area, which includes Karayolları and Yenimahalle of the Gaziosmanpaşa district of Istanbul. In this context, İhlas Yapı signed a contract with Gaziosmanpaşa İnşaat Yatırım Taahhüt Hizmetleri Sanayi ve Ticaret A.Ş., a subsidiary of Gaziosmanpaşa Municipality, and paid the USD 3,000,000 needed to enter the agreement into force. The relevant municipality and municipal company will make the necessary agreements with rights holders, and hand over the empty area over to İhlas Yapı. As a result of the studies to be developed for this project, the Group will leave a maximum of 40% of the construction to the right holders and the municipal company. The construction of the remaining 60% will be evaluated by İhlas Yapı. Taking the size of the specified area into account, İhlas Yapı will carry out the project in phases that it will determine.

In order to construct residential and business properties with the land owners, Kiler Gayrimenkul Yatırım Ortaklığı A.Ş., of 31,309-square meter land registered on block 482, parcel 3 and 30,396-square meter land registered on block 484, parcel 12; İhlas Gayrimenkul Proje Geliştirme ve Ticaret A.Ş. of 1,432-square meter land registered on block 484, parcel 11 in Yakuplu neighborhood of Beylikdüzü district in Istanbul, the Group company, İhlas Marmara Evleri Ordinary Partnership, signed "revenue sharing in return for land" agreement for construction, sales and marketing. The project is planned to be completed in the southern (block 482, parcel 8) and the northern (block 484, parcel 17) stages, which started in 2017, and the southern stage will be completed in 36 months and the northern stage in 40 months. Within the scope of the project, 1,321 flats and 64 commercial units will be built. As of December 31, 2018, approximately 29% of the northern stage project that the company is building has been completed and 25% of the total units, or 166 apartments, and 7 commercial units, have been sold with advance payment. The northern stage project consists of 640 apartments, and 44 commercial units.

b) For periods of January 1-December 31, 2018 and January 1-December 31, 2017, the creditors of İhlas Finans Kurumu A.Ş. in Liquidation, the Group company, received transfer of deeds with sales of goods, sales of services, cash payments etc.

	Total Transfer of Deeds	
	January 1- December 31, 2018	**January 1- December 31, 2017**
İhlas Pazarlama A.Ş.	685,298	484,531
İhlas İnşaat Proje Taahhüt Turizm ve Tic. A.Ş.	37,708	203,255
İhlas Gazetecilik A.Ş.	2,444	21,120
Total	**725,450**	**708,906**

c) Approval of consolidated financial statements

The consolidated financial statements as of December 31, 2018 have been approved by the Board of Directors and are endorsed to be issued on March 11, 2019. The General Assembly has the right to change the consolidated financial statements.