DESA

ANNUAL REPORT
2018

CONTENTS

MAIN INFORMATION

www.desa.com.tr
www.desa1972.com
Online Sale

Export Champion for
4 YEARS

180
Overseas Point of Sale

Exporting
25
Countries

1.885
Employees

Production Facility and Headquarters in Sefaköy have an indoor area of
15.500 M²

Düzce Facility spanning an indoor area of
10K M²

20K M²
Indoor area for leather tanning facility in Çorlu

OVERSEAS FRANCHISE
ALBANIA

68%
Increase in E-commerce turnover through renewed site design

LONDON
Corporate Office Building and Showroom

126
Total Stores

17.044 M²
Total area of stores

8,4
Million TL Net Profit

347,6
Million TL Revenues

279,3
Million TL Total Assets

75,5
Million TL Equity

58
Samsonite Stores
Samsonite

24 YEAR
of Distributorship
Samsonite

12 YEARS
Partnership Samsonite
Samsonite

41,5
Million TL EBITDA

INTERNATIONAL
Design Team

Solution Provider of International
BRANDS

PRADA
miu miu
FURLA
Samsonite
Lipault PARIS
TUMI

DESA AT A GLANCE

Distinguishing in the sector with product quality and design

FOUNDED AS A FAMILY COMPANY IN 1972, DESA HAS BEEN CONTINUING ITS OPERATIONS AS A PRODUCER OF LEATHER AND LEATHER PRODUCTS, SIGNING OFF SIGNIFICANT ACCOMPLISHMENTS FOR 46 YEARS.

Taking the justified pride to become "Turkey's Export Champion" in 2010, 2011, 2012 and 2014 in its field and owning a unique and vertically integrated business model, Desa continues striving to be a prestigious international brand by strengthening its current profile with its high quality products.

Desa's operations include a tannery, two plants for production of women, men wear, handbags and accessories as well as distribution of those products via whole and retail channels. Desa's retail operations are mainly domestic with 63 Desa, 40 Desa Samsonite, 3 Desa Franchaise, 1 Albania Franchaise, 16 Samsonite JV, 2 Tumi and 1 virtual store totaling 126 stores in Turkey. It renders services to its customers with 180 stores abroad. In addition to production facilities with a total area of 25.500 m2 in İstanbul and Düzce, Desa owns a tannery with an area of 20.000 m2 located in Çorlu. Company provides integrated solutions for several international brands such as Prada, Miu Miu, Tumi Lipault and Furla. After 24 years of distribution for Samsonite in Turkey, world's biggest travel products manufacturer, Desa strengthened its international profile further by establishing a 40%-60% joint venture with Samsonite in 2007.

Desa gives significant importance to materials and craftsmanship of high standard that provide its products with high quality and durability. The company also offers its products via online store on www.desa.com.tr. With the renewed website, online sales turnover increased by 68% compared to the previous year. With the perfectionist mentality it embraces in its service quality, Desa always makes investments to human source through designs, researches and developments. Company's strategic goal in long term is to increase Desa brand products both locally and internationally.

Desa is a public company that has been traded in Borsa Istanbul A.Ş. with "DESA" code since May 2004. With its total assets reaching TL 279,3 million as of December 31st, 2018, Desa reported TL 347,6 million total revenues. 54,3% of Desa's share capital is held by Çelet Holding, 10,0% by Mr. Melih Çelet, 0,8% by others while the remaining 34,9% is free float.

Establishment Date (Registration)	29.01.1982 – DESA received the title "Joint Stock Company".
Issued capital	TL 49.221.969,86
Upper limit of registered capital	TL 150.000.000
Corporate headquarters	HALKALI CAD. NO.208 SEFAKÖY-İSTANBUL
Trade Registry Office and No.	İstanbul / 185047/132561
Tax Office and No	Büyük Mükellefler (Large Taxpayer) Office Directorate / 293 004 8627
BIST Transaction Code	DESA
Web site	www.desa.com.tr
E-mail Address	desa@desa.com.tr / yatirimci.iliskileri@desa.com.tr / investor.relations@desa.com.tr

DESA

COUNTRIES OF EXPORT

GERMANY // ALBANIA // USA // AUSTRALIA
BELGIUM // CHINA // DENMARK // PHILIPPINES
FRANCE // FINLAND // SOUTH KOREA
HONG KONG // ENGLAND // SPAIN
SWITZERLAND // KAZAKHSTAN // MEXICO // ITALY
JAPAN // CANADA // U.A.E. // PORTUGAL
RUSSIA // SINGAPORE // TAIWAN

DESA Company is continuing to take firm steps to strengthen its position and increase brand awareness in the international market with its own brand "DESA". As DESA brand, it is carrying out its ready-made collection sales over strong showrooms and sale agencies of the region it is in cooperation with, primarily in Germany, Italy and Canada.

Within the scope of Turquality, it has strengthened R&D, designing and brand management infrastructures in its organization for branding and reflected this strength to the market with the sale campaigns it has organized in the markets mentioned above. The fully integrated Company with advanced know-how and technology in its R&D studies and sense of integral quality in following from the leather purchased to the materials used is selling leathers manufactured at its tanning yard to respectful luxury brands of Italy.

At the fairs organized in parallel with fashion weeks in Milano and Paris, Desa always takes place with its brand at its own stand. Desa conducts the sales of its branded products through its Canada operations headquartered in Toronto. Desa brand, positioned with premium segment intention, is being sold at famous, prestigious and popular multi-stage boutiques of Europe and USA side-by-side with world known luxury brands at sale corners special for Desa.

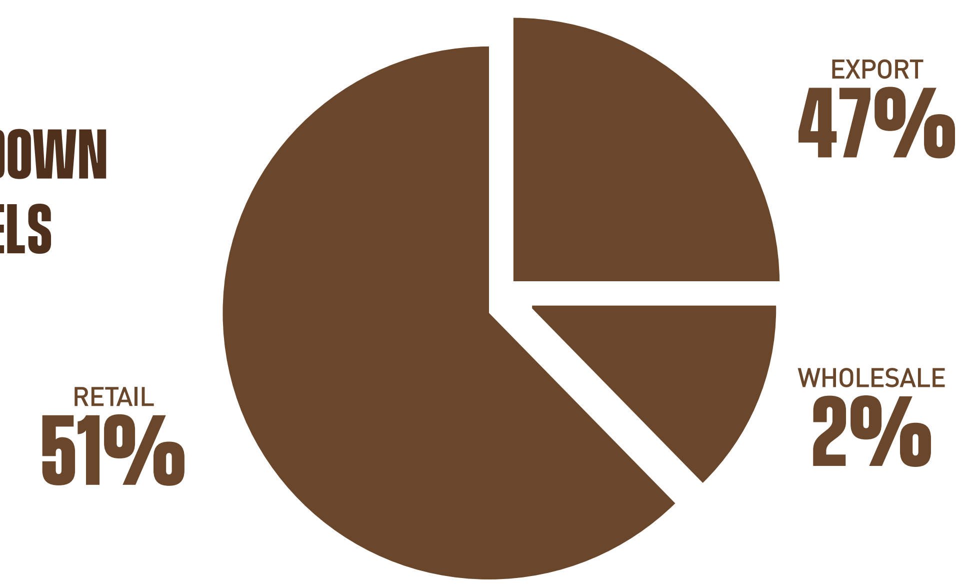
Desa brand, positioned with Premium segment intention, is being sold at famous, prestigious and popular multi-stage boutiques of Europe side-by-side with world known luxury brands at sale corners special for Desa.

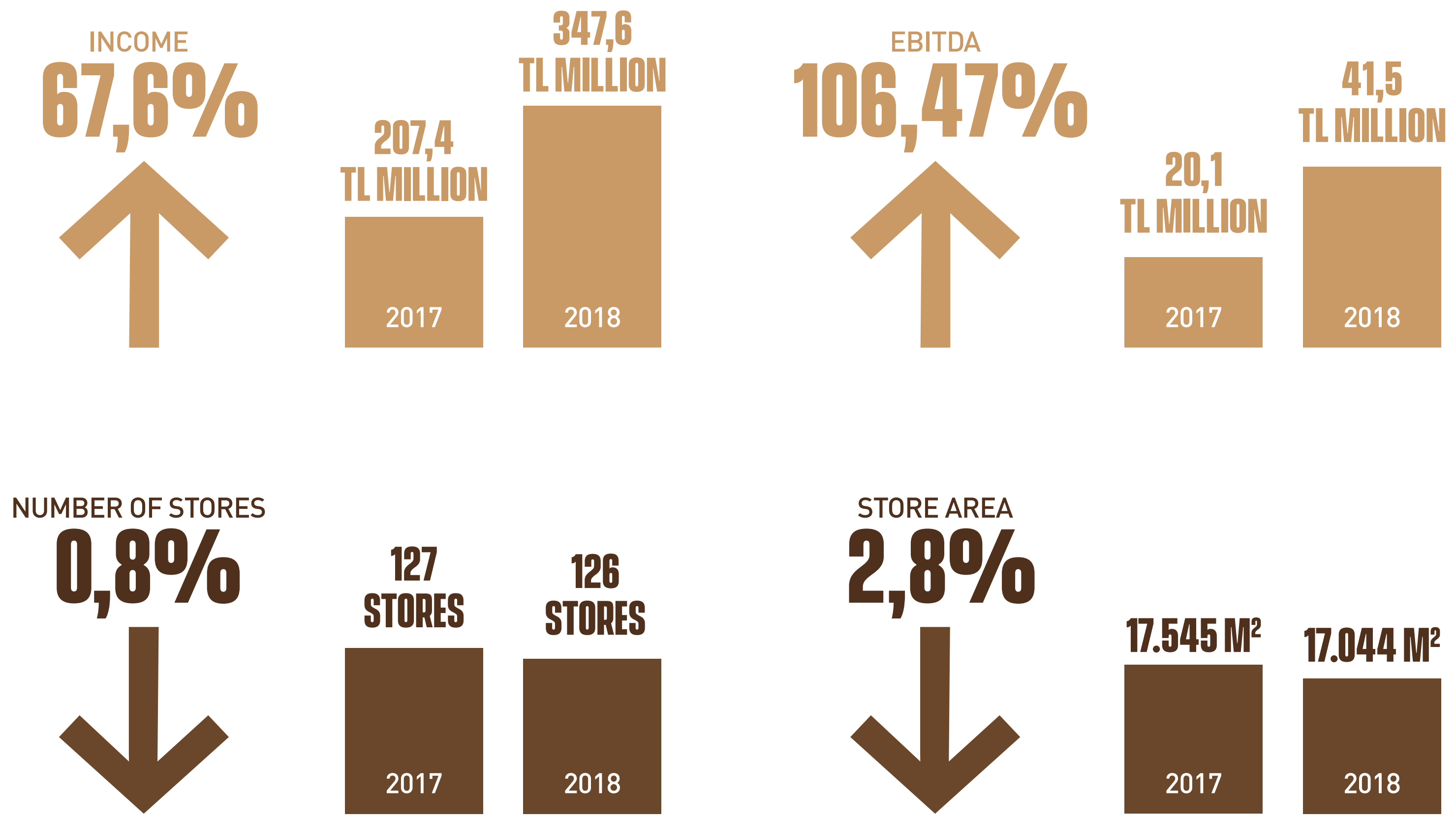
KEY PERFORMANCE INDICATOR

Summary Balance Sheet (TL Million)	2017	2018
Current Assets	180,080,668	202,756,635
Fixed Assets	72,583,847	76,511,081
Total Assets	252,664,515	279,267,716
Short Term Liabilities	157,847,992	167,161,017
Long Term Liabilities	24,899,891	36,613,964
Total Finacial Liabilities	85,935,219	64,867,836
Net Financial Debt	77,046,825	64,546,976
Shareholder's Equity	69,916,632	75,492,735

Summary Income Statement (TL Million)	2017	2018
Revenues	207,421,540	347,648,021
Gross Profit	100,434,028	158,614,201
Gross Profit Margin	48.42%	45.62%
Operating Profit	15,976,750	36,318,394
Operating Profit Margin	%7.70	10.45%
Net Profit	(186,146)	8,378,556
Net Profit Margin	(0.09%)	2.41%
EBITDA	20,110,501	41,492,516
EBITDA Margin	9.70%	11.94%

REVENUE BREAKDOWN BASE ON CHANNELS

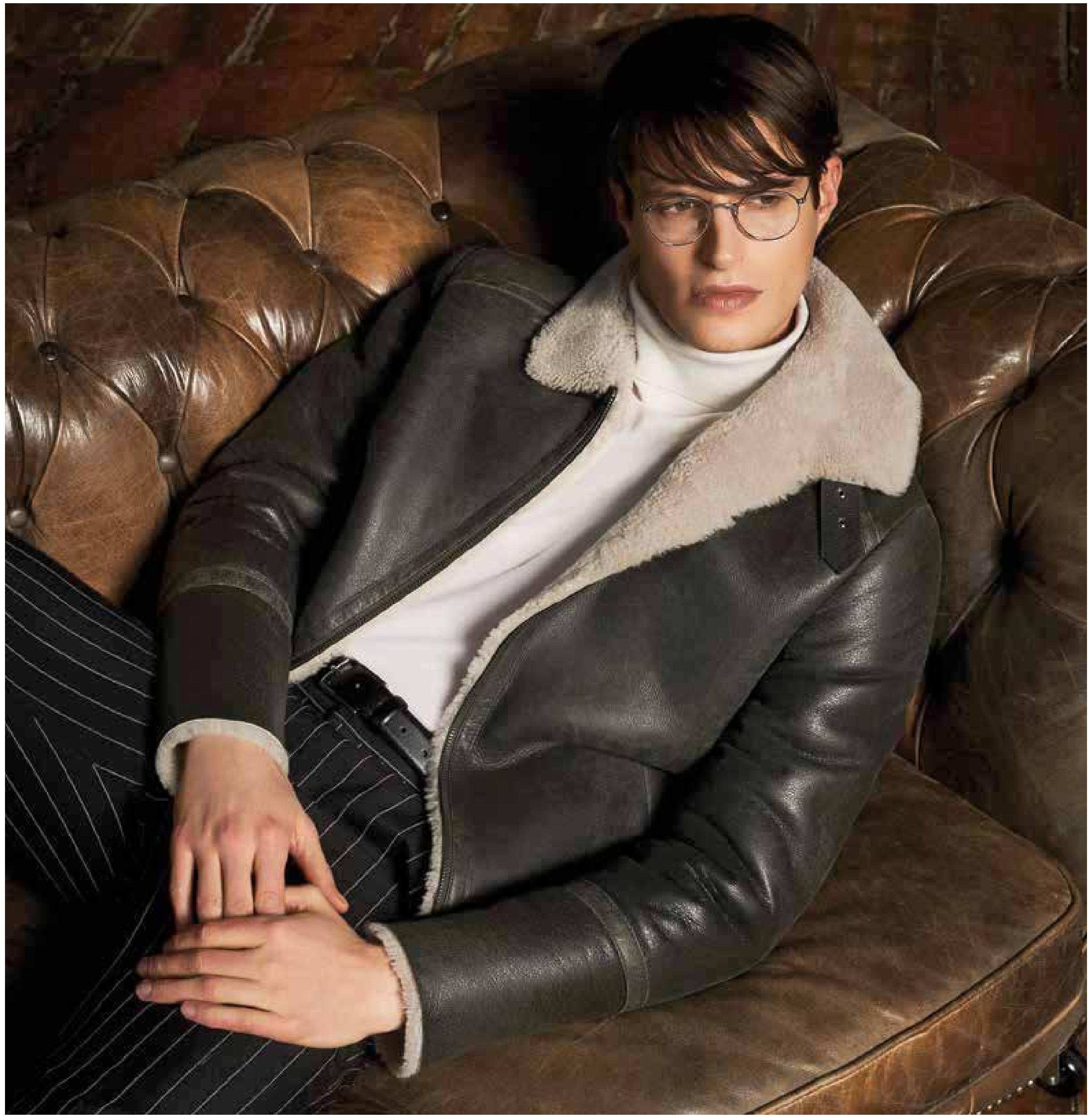




DESA

NINETEENSEVENTYTWO

www.desa1972.com



DESA

NINETEENSEVENTYTWO

www.desa1972.com

Desa, the first Turkish brand, which has taken part in the official calendar of Milano Fashion Week, meets the fashion addicts in about 40 luxury boutiques with the collection prepared in the memory of the year 1972 when the first handbag collection was offered to sale.

DESA STAGES FORMIDABLE VENTURE INTO WORLD'S HIGH FASHION

FASHION WEEKS

AW19 Paris Tranoi
SS19 Milano Fashion Week
SS19 Paris Fashion Week
SS18 Milano Fashion Week & La Tenda Introductory Invitation
SS18 Paris Fashion Week
SS17 Milano Fashion Week & Baglioni Hotel Introductory Invitation
FW17 Milano Fashion Week
FW17 Paris Fashion Week
FW16 Premium Munich
FW16 Düsseldorf Fashion Week
FW16 Premium Berlin
FW16 Pitti Uomo
FW16 Paris Fashion Week
FW16 Milano Fashion Week
SS16 Supreme Munich Resort 16 Prefall Paris Fashion Week
SS16 Düsseldorf Fashion Week
SS16 Show & Order Berlin
SS16 Paris Fashion Week
SS16 Milano Fashion Week
Resort Presummer 16 Paris Fashion Week
FW15 Paris Fashion Week
FW15 Milano Fashion Week & Palazzo Serbelloni Introductory Invitation
SS15 Paris Fashion Week
SS15 Milano Fashion Week & Palazzo Bovara Introductory Invitation
Resort Presummer SS 15 Paris Fashion Week
FW14 Milano Fashion Week
SS14 Milano Fashion Week
FW13 Milano Fashion Week

www.desa1972.com

DESA gaining a reputation deservedly since its establishment thanks to its collections introduced its products to the international arena during the last ten seasons under DESA NINETEENSEVENTYTWO brand dedicated to 1972, the year in which it has offered its first handbag collection to sale. DESA introducing the leather to the world with high quality, contemporary and functional designs also takes dynamic steps in order to increase its brand recognition all around the world.

DESA, the first Turkish brand participated in Milano Fashion Week, takes the pulse of the global fashion with its NINETEENSEVENTYTWO handbag collection offered to sale in nearly 40 different locations as well as NINETEENSEVENTYTWO ready-made garment collection offered to sale in nearly 140 different locations worldwide, particularly, in İtaly, Germany, France and Japan.

DESA participates in showroom events and fairs organized in parallel with Milano, Paris and fashion weeks with its own brand. DESA NINETEENSEVENTYTWO appearing before its targeted customers with the collections designed by Yoseph Cohen, famous fashion designer in ready-made garment wins considerable recognition both with its ladies' and men's collections.

DESA preparing a collection of 100 pieces minimum containing ladies' and men's products every year carries out marketing and advertising activities for the purpose of penetrating into new potential markets in addition to the existing markets. DESA meets with leather fashion addicts in showrooms of its agents in Milano, Paris and Toronto.

NINETEENSEVENTYTWO handbag collection, which is composed of more than 70 pieces, emphasizes the importance of accessories concept with its sophisticated, innovative and personal line. The collection bearing the signature of the design team lead by Yoseph Cohen, internationally famed designer in his field, combines the traditional lines with the contemporary technology. This special collection, which is not yet offered for sale in Turkey and exhibited at Milano and Paris Fashion Weeks for the last ten seasons, gives a new dimension to the luxury concept.

DESA
NINETEENSEVENTYTWO
www.desa1972.com

Marie Claire

DESA

NINETEENSEVENTYTWO

www.desa1972.com

YOSEPH COHEN

CREATIVE DIRECTOR OF THE BRAND DESA COLLECTION

Yoseph Cohen worked as the Creative Director of p.a.p. 365
Fendi Collection for a period of three years.

He supervised Les Copains collection for 5 years
following this unique experience.

He supervised visual and fashion design of brands such as
Add – Les Copains – Pinko Group – Max Mara Group – TruTrussardi

Yoseph Cohen has been serving as the Creative Director of
DESA COLLECTION brand since July 2012.

DESA

NINETEENSEVENTYTWO STORES

www.desa1972.com

AUSTRALIA
FELLS
MELBOURNE

AUSTRIA
FRAUENSCHUH
KITZBUHEL

STEFFL
WIEN

CANADA
AVENUE ROAD SHOWCASE
TORONTO

BLU'S CLOTHING LTD
EDMONTON

GIRL CANDY SHOP
WINNIPEG

HANGAR 9 LONDON
ONTARIO

HANGAR 9 TORONTO
TORONTO

JODI NEICHENBAUER+PAM COOKE
ONTARIO

OYSTER
ONTARIO

ROBERT SIMMONDS
NEW BRUNSWICK

TOCCA FINITA
OAKVILLE

VIOLETS & DAHLIAS
KLEINBURG

CHINA
HARVEY NICHOLS HK
HK

MOONBAT
HONG KONG

FRANCE
CAIRNS
PARIS

COLETT
PARIS

D3P VICTOIRE
LILLE

LEA SARL
NICE

GERMANY
TRACHTINE
SCHIERLING

ANTHONY MURONI PITTI
SAARBRÜCKEN

COCO&CO
WUPPERTAL

DIFFERENT FASHION
SYLT

DITTRICH GMBG + CO.KG
ASSENHEIM

FASHION DIREKT
FILDERSTADT

GABRIELE GRIEN
MÜNCHEN

INGRID ZEHENDER BOUTIQUE
BAD HOMBURG

IRIS HORBACH
MÜNCHEN

JÖRING
EGERN

KONEN BEKLEIDUNGSHAUS KG
MÜNCHEN

MARCO HOPS
HAMBURG

MEWS MODEHAUS
LÜTJENBURG

MIKE SHAY
KAMPEN

MODE HARRYS-FEDYNIAK GMBH
WOLFSBERG

MODEHAUS HÜSKEN
BIELEFELD & LIPPSTADT

PAPENBREER
ERFURT

PFEFFERS
ESSEN

TRAUDEL PRÜFER
GOPPINGEN

TREND STUDIO AU PARK
BAD NAUHEIM

GREECE
CHIC & CLEVER
ATHENS

ITALY
ALDO SAVORANI SRL
MENAGGIO

ALIBI SRL
PORTOMAGGIORE

B.F.B SRL
BRESCIA

BABYLON BUS DONNA SRL
PRATO

BABYLON BUS UOMO SRL
PRATO

BERNARDELLI
MANTOVA

BERTINOTTI SAS
ROMA

BIFFI BOUTIQUE SPA
MILANO

BIRBAS SNC
PORDENONE

BLOCK 60
RICCIONE

BRANA SRL / KABARDIN SRL
ALTAMURA

BREAK SRL
FIRENZE

BREAK SRL
LUCCA

BRERAMODE SNC
MILANO

BRIAN&BARRY
MILANO

BRONX SRL
MILANO

BUGATTI UOMO
UDINE

BV GLOBAL
MILANO

CALZATURE MOTTADELLI
BRIANZA

CARON SRL /AETOS SRL
NOVARA

CATALINA SPA BRUSCHI
BOLZANO

CENTURIOR SRL
CAPRI

CHIARO SCURO
PIANCOGNO

CLAN SRLS
MONZA

CLUB 70 SRL DI ANGELO TERRANA
CALTANISSETTA

DA VINCI SRL
ROMA

DANTE 5
BARI

DEDOS SRL
LECCE

DELL OGLIO SPA
PALERMO

DODICI DODICI SRL
ROMA

DOMINI
BARI

DONNA BUGATTI SRL
CAGLIARI

EQUIPE RUMBA
CASERTA

ETRE DI CASELLA BRUNA
MANTOVA

F.LLI VIRNO
SALERNO

FACCIOLI NADIA
BORGOMANERO

FASHION SAS DI BRUNA ROSSO
CUNEO

FLAB SRL
BRESCIA

FLANELLA SRL
BOLOGNO

FOLLOW DI GIULIA PROTANO
COMO

FOUR SRL
ROMA

FRATELLI VIRNO SNC
SALERNO

GESTIMODA SRL
VALBREMBO

IL FARO
AVELLINO

INCONTRI BOUTIQUE SRL
MILANO

LA BOUTIQUE DI ADANI
MODENA

LA COUPOLE/ ROBY
S.MARCO

LA TENDA 3 SRL
MILANO

LILIANA QUARANTA SRL
TRANI

LINORICCI
PERUGIA

LOSCHI
COLFOSCO

LUISA BOUTIQUE
RIMINI

DESA

NINETEENSEVENTYTWO STORES

www.desa1972.com

LUNGOLIVIGNO S.P.A.
LIVIGNO

MARCO LONGONI DONNA SRL
MILANO

MARCOS MONDOVI SRL
MONDOVI

MARIZA TASSY
MILANO

MAURIZIO ZATTI
ISEO

MICHI D'AMATO MIDA SRL
BARI

MORINI SRL
MONTECATINI

NEW DANTE 5 SRL
BARI

NOI PER VOI DI MAGDA FABBRI & C. SA
RVENNA

NOVA HOMO SRL
ROMA

NUGNES 1920 SRL
BARI

NUGNES DONNA
TRANI

O' SRL
PARMA

OLGA & NILLA ABBIGLIAMENTO
BERGAMO

OTTANTASEI SRL
VALENTIO

PALEARI ABBIGLIAMENTO SRL
SEVESO

PENELOPE
BRESCIA

PETER OEHLER CO. SNC.
BRESSANONE

REGINA SRL
TORINO

RICCI PARIS SRL
PERUGIA

ROSSANA NICOLAI SRL
PORTA SAN GIORGINA

SALA SAS DI SALA PIERANGELO
MACHERIO

SAM SRL
COMO

SAN CARLO 1973
TORINO

SAVE SRL
RICCIONE

SG GIULIANO SRL
TURI

SIMONE PADOIN ATELIER SRL
SERIATE (BG)

SINAGRA SRL
PALERMO

SIR WILSON RAG. SOCIALE SW.BD. W. SRL
TORINO

SORRISI SRL
BARI

SPAZIO DONNA SRL
BRA

SPAZIO UOMO SRL
BRA

THILDA
BOLZANO

UMBERTO GIUGLIANO
NOLA

UOMO BUGATTI
UDINE

VIELLE SRL
VERDELILLA

VIVO ITALIA SRL-SK&W FRAME CO. LTD/ CINQ ESSENZIAL
MILANO

WHITE 7 SRL
LECCE

ZAMBONI SNC
BOLOGNO

ANTONIA PIU SAS
RICCIONE

BIAGETTI SRL
PESARO

PIER DI ORIANI ANGELO & C SNC
VAILATE

VINTAGE PAMELA
EMILIA

JAPAN
ALISON HOUSE
GIFU

BUSH
OKAYAMA

ESCOGITA ITAL STYLE
KYOTO

GOTHA JAPAN LTD.
TOKYO

ISETAN MITSUKOSHI LTD.
TOKYO

IVY.CO
NAGOYA

JOHNBULL CO. LTD.
OKAYAMA

LIDEA
TOKYO

MAKIN WHOOPE KEEFER
KOBE

MARUBENI ANAYI
TOKYO

OPUS JAPAN
OSAKA

SUMINO GOTHA
TOKYO

UENO SHOKAI
TOKYO

UNITED ARROWS LTD.
TOKYO

VIAJERO
AICHI

VIVO ITALIA SRL-SK&W FRAME CO.
KOBE

VIVO ITALIA SRL-SK&W FRAME CO.
OSAKA

YAGI TSUSHO LTD
YOKYO

YORK
OSAKA

KOREA
MJ GLOBAL
SEOUL

NETHERLANDS
NATAN NV
AMSTERDAM

PAUW
AMSTERDAM

PORTUGAL
SLIANDNIKI LDA
LISBOA

RUSSIA
MERCURY DISTRIBUTION S.A.
ST PETERSBURG

OLIVIA LITZ
MOSCOW

SAN MARINO
TRIONFO
SERRAVALLE

SOUTH KOREA
BV CO LTD.
SEOUL

CATYLANG
SEOUL

GREN TREE GREEN TREE
SEOUL

JEIL
SEOUL

NAIVEWATER
SEOUL

SABATIER VOLUME 1
SEOUL

SPAIN
BLONDA
BARCELONA

CHAPEAU BOUTIQUE
VALENCIA

RIALTO LIVING
PALMA DE MALLORCA

SWITZERLAND
LOCK TRAND S.A.
CHIASSO

MODA IN SA
CHIASSO

SHUGA SA
LUGANO

LA SCALA
RORSCHACH

MODA&STYLE SA - BALU' BOUTIQUE
ASCONA

TAIWAN
I LOVE EVERYTHING
TAIPEI

USA
ALAN BILZERIAN
BOSTON

MADDY'S
GREENVALE

MERCI
NEBRASKA

PETER HERMANN
NEW YORK

IN 1983, DESA HAS BECOME THE DISTRIBUTOR OF SAMSONITE IN TURKEY, THE WORLD'S GREATEST TRAVEL PRODUCTS BRAND.

DESA has blazed the trail in development of this sector in our country by offering comfortable and practical suitcase alternatives to travel products market bymeans of this distributorship. Following a 24 year distributorship in Turkey, a joint venture, of which the shares are owned by Samsonite and DESA at a rate of 60% and 40% respectively, has been established with Samsonite, having a strong international profile. With the acquisition of Tumi by Samsonite, total number of samsonite stores reached 58 in Turkey, of which 2 are Tumi stores and 16 samsonite stores belong to JV and other 40 of them belong to the DESA as of year-end 2018.

58 Samsonite stores

40 Stores belong to DESA

18 Stores belong to the Joint Venture

24 years distributorship
(between the years 1983 – 2007)

12 years partnership
(40% DESA- 60% SAMSONİTE BV Since 2007)

24
Years Distributorship

12
Years Partnership

58
Samsonite Stores

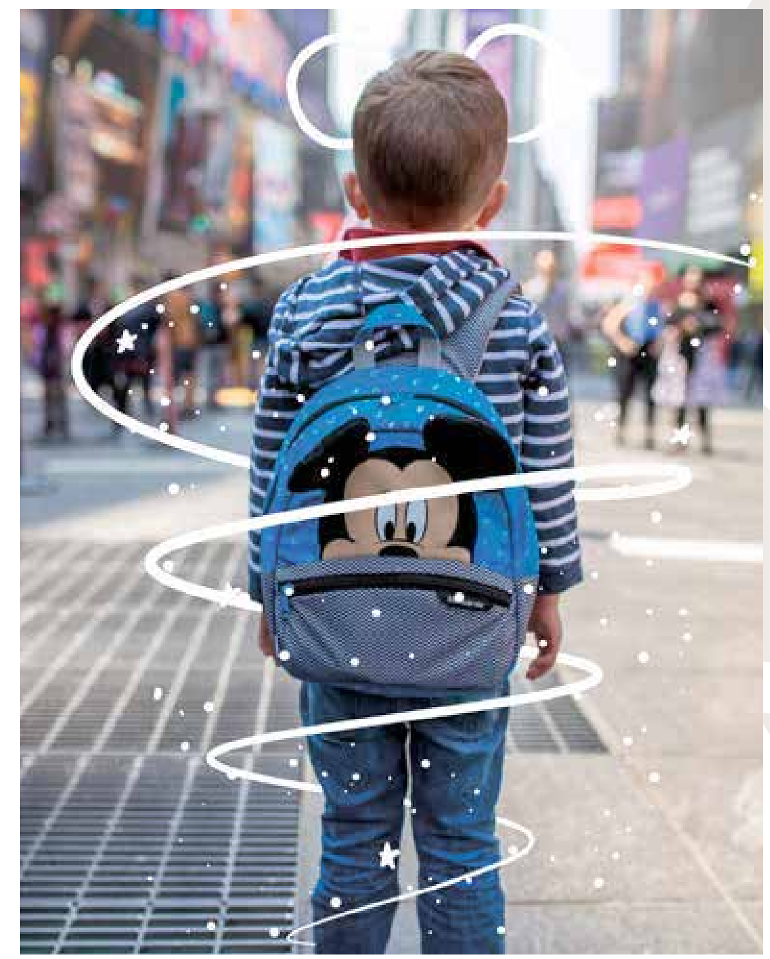
40
DESA Samsonite Stores

STORES OF DESA
Sales volume 153.750 pieces total business area of 2.574 m² and revenue of these stores has been 73.1 million TL in 2018.

18
Partnership Stores

STORES OF THE JOINT VENTURE
The sales volume of 97.671 units These 18 stores operating in 1313 m² area had retail sales revenues of TL 50.2 million, total wholesale revenues of TL 42.9 million; total turnover of TL 93.1 million in 2018.

3.887 M²
Total Area of Stores



CHAIRMAN'S MESSAGE

2018 was recorded as a year that growths were recognised despite the negativities in Turkey economy. With 2018, we have left behind a year which the opportunity-focused shopping concept is settled as a consumer habit and competition became more difficult and the growth in the sector remained quite limited in the domestic market in which profit-oriented working principles are ignored.

Despite all these difficult conditions and under geopolitical risk, Turkey's exports amounted to 168.1 billion dollars with an increase of 7.1% compared to the previous year. This increase in our exports also affected the parallel increase in the leather sector and the exports of our sector reached to 1.7 billion dollars with an increase of 9.5%.

In this atmosphere, **DESA** has succeeded in expanding both retail and export operations, and has also started to take the results of the importance regarding to the sale of DESA branded products in foreign channels.

"Desa Candır - Can Yaman" image campaign that we performed in the last months of 2018, reflects the changing, rejuvenating face of our brand, has become a marketing activity that secure our position in the consumer mind and increases the visit of our young customers to our stores Again this year, the expression of the new generation retail concept was a turning point for our internet store. With the infrastructure investment realized, the turnover of **www.desa.com.tr** increased by 68% and became one of Desa's most profitable stores. Necessary investment and infrastructure developments are in progress.

We made internationally the difference of our company in product development and design more distinctive in 2018. This year, our **"DESA NINETEENSEVENTYTWO"** branded products were exhibited in our showrooms that we opened during Milan and Paris Fashion Weeks and gained great appreciation. By transporting our products to 180 sales points in 25 countries, mainly in Germany, Italy, Canada and France, we have positioned our brand more visible and at a more accessible point to the consumer.

In addition, the decision of the Ministry of Economy to continue the Turquality program, we were supported by on the way to brand, based on the target market will ensure to reach new markets and increase the number of DESA sales points.

Our production increasingly continued in 2018 as well with production agreements with PradaSpa and our 36-year-old business partner **SAMSONITE.**

With all these strategic operations, we grew by 68% in 2018 with a total income of TL 347.6 million. We reached this result without compromising profitability and with our efficiency-oriented approach. We encountered cost increases during the year. In order to minimize the effect of these increases, we have taken some measures to keep cost increases under control. Our profitability reached to TL 8.4 million as a result of our efficiency and performance evaluations.

We believe that our efficiency and profitability will increase even more in 2019 and we continue our efficiency-oriented works.

In addition, the contribution of our export revenues, which allow us to naturally protect against possible exchange rate risks and which make us stronger against the fluctuations by generating approximately half of our total revenues, will be an important factor in the increase of our productivity.

We are taking sound steps towards becoming a world brand with our design, manual labour, production and product quality in international standards.

I would like to thank all of our employees, customers, suppliers and of course our investors for their contribution on this path.

"We take firm steps toward the target of being a world brand"

Melih Çelet
Chairman of the Board

BOARD MEMBERS

MELİH ÇELET
Chairman of the Board

Founded DESA in 1972, Mr. Melih ÇELET graduated from Ankara College in 1968 and received his undergraduate education at Istanbul University, Faculty of Pharmacy. Mr. Melih ÇELET speaks English

BURAK ÇELET
Board Member - General Manager

Graduated from Bogaziçi University, Department of Mechanical Engineering in 1999, Mr. Burak ÇELET received his MBA degree in from the University of Wisconsin-Madison in 2001. He obtained a Master of Science degree in Leather Technology at Northampton College in 2002. In addition to his current position of general manager in our company, he carries out Turquality Working Group Membership. Mr. Burak ÇELET speaks English and German.

BURÇAK ÇELET
Board Member

Mrs. Burçak ÇELET completed her bachelor's degree at Yıldız Technical University, Department of Industry Engineering in 1999. Served as Planning Director at Toys"R"Us between 1999 and 2001, Mrs. Burçak ÇELET received her master's degree in retail management at University of Surrey in 2002 and served as Maxitoys - Category Manager at Joker between 2003 and 2004. Ms. Burçak ÇELET, who has been serving as a Board Member in our Company since December 22nd 2006, speaks Italian, Spanish, English and French.

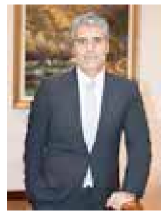
MUVAFFAK BATUR
Independent Board Member

Mr. Muvaffak Batur, a graduate of Kabataş Male High School in 1967, completed his bachelor degree at Istanbul University, Faculty of Law in 1971. He has been working as a registered member of Istanbul Bar Association since 1973 and he is providing consultancy services as legal adviser to several companies in the fields of Commercial Law and Corporate Law. Mr. BATUR was elected as an independent member for two years at the ordinary general assembly of our company for 2017 dated 30.03.2018.

NUMAN EMRE BİLGE
Independent Board Member

After receiving a degree in Finance from Istanbul University in 1987, Mr. Numan Emre Bilge received his MSc degree in Business Management from City of London Polytechnic University - London. He started his professional career in 1992 at Goodyear Tires Inc., and between 1998 and 2000, he was assigned to the Marketing Manager of Goodyear Great Britain Limited. Since 2007, he has been carrying out his duties of General Manager and Vice President of the Executive Board at Zin D Investment and Management Development Inc. Mr. BİLGE was elected as an independent member for two years at the ordinary general assembly of our company for 2017 dated 30.03.2018.

MANAGEMENT TEAM



AYHAN DİRİBAŞ
Executive Vice President
of Financial Affairs

Completed his undergraduate education at Mugla University, School of Business Administration in 1994, Mr. Ayhan DİRİBAŞ received his master's degree in business administration at Lasalle University and Marmara University in 2003. Begun his career at Doğuş Holding in Finance Department in 1992, Mr. DİRİBAŞ served as Internal Auditor at Oger Holding between 1996 and 1998, as Deputy General Manager at Reysaş Holding A.Ş. between 1999 and 2004, as Accounting and Finance Director for Retail Group at Unitim Holding A.Ş. between 2005 and 2010. Mr. DİRİBAŞ was appointed as Executive Vice President of Financial Affairs in our Company in January 2013.

HİLMİ İLKER SÜREK
Executive Vice Presiden
of Sales and Marketing

Completed his bachelor's degree at Uludağ University, School of Business Administration in 1989, Mr. Hilmi İlker SÜREK accomplished the Foreign Trade Certification Programme in Bournemouth, UK on 1991. Begun his career at Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş., as Foreign Trade Manager on 1991, Mr. SÜREK served as Product Manager at Valeo Otomotiv Dağıtım A.Ş. between 1995 - 1998. He served General Manager at Tanca Ayakkabıcılık San. ve Tic. Ltd. between 2015 - 2016 after serving as Foreign Trade Manager, Production Manager, Sales Director and Operation Director at İnci Deri Mamulleri San. ve Tic. A.Ş. between 1998 - 2015. Mr. SÜREK is serving as Executive Vice President of Sales and Marketing at Desa Deri ve Ticaret A.Ş. since 27 April 2016.

VISION & MISSION

To become a fashion brand, powered by İstanbul but being a citizen of the world , which is elating and exciting its customers with the products and services it provides through its deep expertise in design and leather.

To become a fashion brand drawing its strength from its investments in design and its expertise on leather, having a corner on the leather fashion sector in Turkey and the world by means of its high quality and stylish products bearing the best values, providing its customers with a pleasant shopping environment, maximizing its shareholders' profitability, respecting to the society, environment and its employees as well as remaining as a leader fashion brand of leather in the consumers' mind.

OUR TARGETS

Customer Satisfaction
DESA operates in both production and retail sector by its business model. DESA aims to provide unconditional customer satisfaction before and after sales by offering its products to the customer with an understanding of flawless service.

Quality
Our product quality, tradition of handcraft, modern and functional designs and our brand are our most important assets. We strive to offer a different style, understanding and lifestyle without compromising our quality rather than offering just clothing and leather accessories to our customers.

Profitability
Profitability is the main source that DESA utilize for financing the new investments and R&D operations. For this reason, the most important criteria that we consider when evaluating the performance of our Company's performance is profitability. By this way, our goal is to grow by making profit in long term and become the indisputable leader of every field we operate in.

OUR VALUE CHAIN

Our Stores
We are maximizing shopping experience thanks to our contemporary and inviting stores

Our Global Presence
We transcend national boundaries with our overseas stores.

Our Pr Activities
We are strengthening our brand image and awareness with our effective and innovative communication.

Flexible Supply Chain
We have a supply chain that adapts quickly and flexibly to rapid changes.

Flexible Production Capacity
We have a production capacity in a manner adjusting itself according to the increasing demand and meeting the needs of the future growth.

Integrated Business Model
We save on costs through vertical integration we provided in production.

Broad Experience
We have a management team that seeks strategical opportunities and is experienced and competent in their field.

Technology
We have an advanced technological infrastructure supporting our growth.

Design
The unique skill of our designers embodying artisan craftsmanship.

Our Human Resource
We bring expert handcraft together with contemporary design.

Our Brand
With our vertically integrated production model, we are capable to always reveal brand value.

HISTORY OF DESA

1972
Founded by Mehmet, Melih and Semih Çelet brothers as a collective company.

1974
First store was opened on Bağdat Caddesi Istanbul.

1982
DESA became a joint-stock company.

1983
Became distributor of the globally-renown travel products brand "Samsonite" in Turkey.

1989
Established the leather processing plant in Çorlu in accordance with the goal to build an integrated business model.

1990
Opened the production facility in Sefaköy that has an indoor space of 15.500 square meters.

1999
Managed to rank 937th in ISO 1000 list thanks to its business concept that always prioritizes quality, DESA opened the new tannery in Çorlu the same year in order to enhance its producing force further and carry its cost control to the high levels.

2001
Decided to take a path with global vision and opened DESA U.K. office in London.

2002
Crowned its faith in quality with ISO 9001:2000 Quality Certificate and took justified proud of ranking 250th in ISO 500 list and the first place in its sector.

2004
Listed on Istanbul Stock Exchange Market, considering the values that joining the capital markets will add values to the company from the point of transparency, reliability and accountability. An investment incentive certificate was received for the investment in Düzce Organized Industrial Zone, and an investment of TL 3.2 million was realized.

2007
Founded a joint venture with Samsonite of which it had been a distributor for 26 years. Desa owns 40%; Samsonite owns 60% of this venture. Acollaboration was made with Genex, an English brand consultancy firm, for consultancy on branding in accordance with the goal of being a world brand. To this end, important changes were made in logo, corporate identity and store concepts. For this purpose, significant changes were made in the concepts of logo, corporate identity and store. DESA continued its belief in quality by obtaining the ISO/IEC 2007:2013 quality certificate.

2008
Moved up to 449th place in the Fortune 500 list. DESA purchased Çorlu Plant including with the building, land and all fixtures.

2009
The first franchising store was opened in Jeddah. Taking the 355th place in Istanbul Chamber of Commerce's the biggest 500 industrial company list, the company moved up to the 471st place in the Fortune 500 list.

2010
While putting its online shopping site into customers' service, the company took the first steps for carrying its position as the leading fashion retailer of Turkey into foreign markets with 2 new UK store. Becoming the export champion of Turkey in 2010 according to the figures declared by Association of Exporters of Leather and Leather Products, DESA rank 210th in Istanbul Chamber of Commerce's second list of the biggest 500 industrial company.

2011
Took the pride of deserving sector's first place in export once again. In the same year, Covent Garden store was chosen one of the best 60 stores of the world in VMSD International Store Design Competition in which brands from all over the world participates. DESA was given a wide coverage in the book named "Retail Spaces / Small Stores" in which the stores ranked as a result of the competition are included.

2012
Deserving sector's first place in export for the third time, DESA took serious steps for proving the brand on the international platform. One of those steps was to commission Graeme Black who worked with the giants like John Galliano, Giorgio Armani, Salvatore Ferragamo and started as Designing Director at Desa to create AW 12-13 collection. The designing director showed his differences in this field and created a collection to be able to compete with world's giants on the international platform. Desa distinguished once again with its two-sided designs in 2012.

2013
NINETEENSEVENTYTWO collection dedicated to 1972, the year which the first handbag collection is launched, prepared and offered for sale at almost 40 luxurious boutiques only abroad, has been exhibited at Milano Fashion Week in September 21st – 23rd, 2013, and at the Showroom organized in Ecape Commines within the scope of Paris Fashion Week in September 28th – October 4th, 2013 and proved with this special collection that a Turkish brand has reached to summit in terms of design and quality.

2014
DESA renewed its online sale website through which it reaches its customers everywhere independent of location on 7/24 basis by means of its investment. DESA enhanced customer experience in its website www.desa.com.tr where all of its garment, shoe, accessory, textile and travel product collections are just a click away for the customers. Desa Deutschland GmbH headquartered in Düsseldorf / Germany was established in July.

2015
DESA maintains it confidence in quality also in 2015 through ISO 9001:2000 quality certificate it obtained in 2002.

2017,
Ninenteenseventytwo Srl in Italy and Leather Fashion Bulgaria EOOD in Bulgaria was established. In the research done by Turkish Time in 2017, The 167th company that invests most in R&D was DESA. It continued its belief in quality by obtaining the ISO/IEC 2007:2013 quality certificate.

TODAY
"Desa Candır" communication campaign that we exhibited the rejuvenating face of our brand in 2018, has been gained great appreciated. Our communication works that will reflect the trend-tracking, pioneering-innovative face of our brand and our ecommerce and mobile commerce world that is rising sales channel of new retail concept, will grow even more with new investments.

In addition to production facilities with a total area of 25.500 m2 in İstanbul, Sefaköy and Düzce and its tannery with an area of 20.000 m2 located in Çorlu, Desa became a fully integrated leather products manufacturer owning 45.500 m2 production area in total. In 2018, 376.618 units of handbags, 230.699 of leather accessories, 44.329 of garments, 370.081 pairs of shoes and 3.171 units of textiles have been sold. The Company has 126 stores in total throughout Turkey, consisting of 63 Desa stores, 40 Desa Samsonite stores, 3 Desa Franchise stores, 1 International Franchise store, 16 Samsonite JV stores, 2 Tumi stores and 1 virtual store, as well as 180 DESA NINETEENSEVETYTWO point of Sale around the world. In 2018, 1 Desa Franchise store was opened in Albania.

Desa is the only Turkish brand that manages all business processes with its own teams and facilities with its R&D investment in the design and production areas, which reached 2.3 million TL with an increase of 27% compared to the previous year.

THE VERTICAL INTEGRATED BUSINESS MODEL DISTINGUISHING DESA

The element that makes DESA different from its peers is that DESA controls all stages of the service process it provides through the company's tanneries, production skill of leather garments, bags and accessories and retail stores under control.

Leading its sector in production, export and retail fields, DESA makes important investments in R&D, human resources and education fields to increase customer satisfaction through products of good quality and flawless service appropriate for today's trends.

RAW MATERIAL PRODUCTION

Leather production in the Çorlu tannery
20.000 M^2
indoor production area

Weekly Capacity
28.850 KG
Cattle raw leather processing

170.200 KG
Small cattle raw leather processing

Suede, Napa, Fur, Calf leather processing

PRODUCTION

Production of leather garments, handbags and accessories
INTERNATIONAL DESIGN TEAM

Istanbul facility
15.500 M^2
indoor production area

Weekly Capacity
2.000
pieces of leather garment

1.000
pieces of textile

6.000
pieces of handbags

Düzce facility
10.000 M^2
indoor production area

Weekly Capacity
14.000
pieces of handbags

RETAIL STORES

126
Total Stores

63
Desa Mono Brand Stores

40
Desa Samsonite

3
Desa Franchises

1
Desa Franshise Albania

1
Virtual Store Desa.com.tr

180
Overseas Stores

16
Samsonite JV Stores

2
Tumi Stores

%40 DESA | **%60** Samsonite
Partnership

17.044 M^2
Store Area

LOOKING AT THE WORLD FROM DESA...

Having a labor-intense business model, our Company's number of employees is 1.885 as of the end of 2018.

We take our strength that we turned into a worldwide success from our principles which we defined according to our priorities and committed strictly. Unconditional customer satisfaction, flexibility and fast response to the customers' queries are the most important criteria at this point to which we have come without compromising on quality and forgetting the fact that our most important foundation and resource is people.

DESA miracle of 46 years is a product of the high performance and quality mentality we provide at every point. As our Company aims to have a competent human resource that lives today but thinks about the future, all of our employees strive to maintain the positive image of our company and products both locally and internationally.

Created the brand of custom products by working in the light of these principles, proved its quality and leadership inside and outside the country, our Company makes its employees enjoy being a part of a world brand. We offer our employees the opportunity of specializing, building a career in the sector and getting awarded for their works.

DESA, which ensures its success with the adherence to the principles, plans its future by knowing its biggest foundation is human resource. With this approach, we summarize our company's philosophy of human resource development:

"We will train our human resource at every stage by ourselves." DESA conducts the operations of training and development in house to train and improve its employees in accordance with this philosophy.

Desa Training System depends on raising and improving its own workforce by considering sector-specific conditions.

	MALE	FEMALE
2017	964	783
2018	1.014	871

TOTAL

2017	2018
1.747	1.885

	WHITE COLLAR	BLUE COLLAR
2017	693	1.054
2018	717	1.168

INVESTOR RELATIONS

SHARE INFORMATION

Stock Exchange Code	**DESA**
Reuters Code	**DESA.IS**
Bloomberg Code	**DESA.TI**
Public Offering Date	**06.05.2004**
Market Value*	**TL 85,1 million**

* As of 31.12.2018

35% of DESA shares are publicly traded. The shareholding structure of our Company as of 31.12.2018 is as stated below:

1. Çelet Holding
2. Melih Çelet
3. Public
4. Other

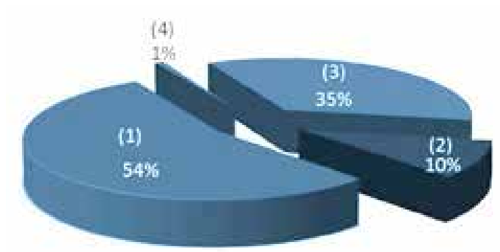
Since the public offering in May 2004, our Investor Relations Department has aimed to build close relationships with our shareholders at an equal distance and provided them with maximum value in parallel with the corporate governance standards that our Company embraces in accordance with honesty, accountability and reliability principles. Total 54 material disclosures were made, and queries delivered by the analysts and investors to our investor relations department via telephone or e-mail in 2018 were replied in accordance with the Capital Markets Legislations.

DESA shares have been publicly traded with DESA code on Borsa Istanbul (BIST) on May 6th, 2004.

The Company was registered in the registered capital system in 2007 and the registered capital ceiling is TL 150.000.000. Paid-in capital is TL 49.221.970 and divided into 4.922.196.986 shares with 1 Kr nominal value each.

Market capitalization of DESA as of December 31ST, 2018 reached TL 85,1 Million.

The average trading volume of DESA shares in 2018 was TL 280.334.



Shareholder	Share Nominal Value (TL)	Share Percentage
Çelet Holding Anonym Şirketi-1	26.717.682	54%
Melih Çelet-2	4.922.197	10,0%
Public-3	17.188.315	35%
Other-4	393.780	1%
Total	**49.221.970**	**100,0%**

2018 DESA Relative Share Performance

CORPORATE GOVERNANCE COMPLIANCE REPORT

Pursuant to Article 8 titled Corporate Governance Compliance of Corporate Governance Communiqué (II-17.1) of Capital Markets Board, "the Corporate Governance Compliance Report (URF) and the Corporate Governance Information Form (KYBF)" that located in the relevant communiqué annex and published in the CMB Bulletin of the Board dated 10.01.2019 and numbered 2019/2, also announced with the decision dated 10.01.2019 numbered 2/249, can be accessed from the KAP addresses listed below.

Corporate Governance Compliance Report (URF): https://www.kap.org.tr/en/Bildirim/742068
Corporate Governance Information Form (KYBF): https://www.kap.org.tr/en/Bildirim/742069

2018 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Desa Deri Sanayi ve Ticaret A.Ş. ("DESA") has identified the principles contained in the Corporate Principles published by the Capital Markets Board as a target for itself.

The ability to operate at international standards is also of utmost importance besides creating value to the shareholders with a stable and profitable growth performance in order to effectively take a place in the financial markets developing with the depth emerging as a result of globalization trends in the financial markets.

Good corporate governance has a significant contribution to the sustainability of the Company as well as increase of its reliability and prestige in the finance and capital markets.

DESA communicates the necessary information to all its investors and analysts simultaneously in a timely, secure, stable and proper manner under the legal and regulatory rules. Investors and other shareholders can access DESA-related historical and current information in real-time and full presented on our website in the Investor Relations section.

The Company's management aims at complying with the obligations arising from the Corporate Governance Principles Communiqué No: II-17.1 published by the Capital Markets Board Communiqué as a whole, and has taken the necessary actions for this purpose. The principles mandated for our company within the scope of the Corporate Governance Principles Communiqué are complied with.

PART II – SHAREHOLDERS

2.1. Investor Relations Department

2.1.1. Investor Relations Department and its Duties

The legislation and the Articles of Association are complied for the exercise of shareholders' rights and practices that will ensure the exercise of these rights are available. Desa Deri San. ve Tic. A.S. established an "Investor Relations Department" to manage relations with the investors from the date of the public offering in 2004. All relationships between DESA and the shareholders are carried out under the responsibility of the "Investor Relations Department" as a result of the joint efforts conducted with the relevant departments in accordance with the following principles.

The Investor Relations Department is responsible for informing on the Company's activities and financial condition, excluding confidential information and trade secrets of the shareholders and potential investors, on a regular basis so as to not to cause an information inequality and managing the communication between the shareholders and the Company in coordination with the other departments.

In this context, the Investor Relations Department is responsible for:

• Presenting the Company to the existing and potential investors and brokerage institutions, replying the queries of analysts and researchers working in these institutions,

• Answering questions and requests from the shareholders,

• Ensuring investor-related databases and records to be kept up to date and orderly,

• Providing a two-way information flow acting as a bridge between the shareholders and the Company's senior management and the Board of Directors,

• Reporting to the relevant departments within the Company and senior management about developments in the capital markets and stock performance,

• Ensuring the shareholders to Access the most accurate, quick and complete information by updating the webpage, activity report, investor presentations, investor bulletins, corporate films and so on communication means on a regular basis which the shareholders can receive information about DESA,

In addition, the Department helps executing the General Assembly Meetings conducted within the Company in accordance with the legislation in force and the Articles of Association and other internal regulations. Minutes of the General Assembly meetings ensures keeping voting results recorded and the through the minutes of the General Assembly meeting and relevant reports are submitted to the shareholders by the Investor Relations Department.

The Investor Relations Department performs all kinds of public disclosures, such as disclosing financial reports prepared by the Department of Accounting and particular events as required by legislation.

Contact information of the Investor Relations Department is provided below.

Pınar Kaya – Investor Relations Manager
Phone: 0212 473 18 00
Fax: 0212 698 98 12
E-mail: pinar.kaya@desa.com.tr
E-mail: yatirimciiliskileri@desa.com.tr

Bülent Uyarlar – Accounting Manager
Phone: 0212 473 18 00
Fax: 0212 698 98 12
E-mail: bulent.uyarlar@desa.com.tr
E-mail: yatirimciiliskileri@desa.com.tr

Investor Relations Manager Pınar Kaya and Accounting Manager Bülent Uyarlar carry out their duties in a manner affiliated to Ayhan Diribaş, our Company's Executive Vice President of Financial Affairs. The report with respect to the investor relations activities carried out in 2018 has been submitted to the Board of Directors on 04.02.2019. Investor Relations Manager Pınar Kaya holds an Advanced Level and Corporate Governance Grading License on Capital Market Activities. In addition, Investor Relations Manager Pınar Kaya has been appointed as the Corporate Governance Committee Member as per the Board of Directors' resolution dated 18.04.2018.

2.1.2. Information on Activities of the Investor Relations Department in 2018

Questions that were addressed to the investor relations department by phone or e-mail were answered. The Company's web-page was regularly updated in order to ensure investors to monitor up-todate information. Disclosures which are important to investors were published on the Company's web-page after announced in the Public Disclosure Platform (PDP).

Totally 54 material disclosures were announced to the public during 2018 in accordance with the Capital Markets Legislations.

Updates in the investor tools are made on a quarterly basis. Compliance with the legislation is observed to the maximum extent for fulfilling the investor demands, and no complaint against the Company about the exercise of the shareholders' rights or administrative and legal proceedings brought against the Company in this regard was made in the past year to the best of our knowledge.

2.2. SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

2.2.1. Principles regarding Exercise of the Right to Obtain and Review Information

No distinction is made between the shareholders regarding the exercise of the right to obtain and review information. Apart from information in trade secret nature from the shareholder, all requests to obtain information are discussed with the relevant departments and answered and communicated to the shareholders by telephone or e-mail.

Any kind of information that would interest to the shareholders during the year is disclosed with the necessary explanations and published on the website.

2.2.2. Right to Request a Private Auditor

Although there is no arrangement regarding appointment of a private auditor in the Articles of Association, no request has been received from the shareholders in this direction. The Company's activities are periodically audited by an Independent Auditor and Statutory Auditors determined at the General Assembly. The independent auditing company, selected in the Ordinary General Assembly for 2017 held on 30.03.2018 is Birleşim Bağımsız Denetim ve YMM Anonim Şirketi.

2.3. INFORMATION ON GENERAL ASSEMBLY

The General Assembly meetings are held taking into account the Turkish Commercial Code, the Capital Markets Legislation and the Corporate Governance Principles to allow the shareholders to obtain adequate information and broad participation.

2.3.1. General Assembly Pertaining to 2017

The General Assembly meeting was held on 30.03.2018 with a quorum of 80,94%. No specific period of time was provided to register the registered shareholders into the share ledger and the relevant provisions of the Turkish Commercial Code were applied. The General Assembly meeting was held in the Company's headquarters in order to facilitate the participation under the supervision of the Commissioner appointed by the Ministry of Industry and Trade. The location where our General Assembly meetings are held is arranged in a manner allowing participation of all shareholders. A separate agenda item on the donations and aids during the year was included in the agenda of the General Assembly. No proposal with respect to the agenda was submitted by the shareholders separately. Media did not participate in the meeting.

Annual General Meeting for 2017 was held in a manner allowing electronic voting pursuant to the Turkish Commercial Code.

2.3.2. Invitations and Announcements

Invitations to the General Assembly meetings are made by the Board of Directors in accordance with the Turkish Commercial Code (TCC), the Capital Market Law and the provisions of the Company's Articles of Association. When the Board of Directors adopts a resolution for a General Assembly, the necessary announcements are made via the PDP and the public is informed.

Announcement for a General Assembly meeting is published on all editions of a newspaper published daily in Turkey and on the Trade Registry Gazette to reach the greatest possible number of shareholders within the framework of the necessary legal provisions.

Announcement including information on the date and time of the Ordinary General Assembly meeting for 2017, the meeting place, the agenda items, attendance procedure to the Ordinary General Assembly of the shareholders, power of attorney sample and information on issuance procedure thereof have been published on Turkish Trade Registry Gazette issue no. 9279 dated 08.03.2017 and the issue of Yeni Söz gazette no. 1991 dated 08.03.2017, which is published throughout Turkey.

In the General Assembly announcements published on the Website along with the General Assembly Information Document; meeting day and time, meeting place, agenda, and invitation being made by the Board of Directors and attendance procedure of the shareholders to the General Assembly are explained.

Along with these, total number of shares and voting rights reflecting the shareholding structure of the Company, number of shares and voting rights representing each of the privileged share group, if there is privileged shares in the Company's capital, changes and amendments in the management and activities of the Company as well as the prominent affiliates and subsidiaries of the Company in the previous fiscal year or planned to be made in the following fiscal year which shall affect the Company's activities significantly and the reasons of these changes and amendments along with the activity reports and the annual financial statements of the last two fiscal periods of all the corporations subject to these changes; reasons of dismissals or replacement of the Members of the Board of Directors, if the Agenda of the General Assembly includes dismissal, replacement or election of the Members of the Board of Directors; information about the persons nominated for the Membership of the Board of Directors; along with the resolution of the Board of Directors on the amendment of the Articles of Association taking place in the agenda, the previous and the new versions of the Articles of Association amendments; curriculum vitae of the persons to be nominated for the Memberships of the Board of Directors, duties they've performed within the last ten years and reasons for departure from these positions, quality and significance level of their relations with the Company and the Company's related parties and whether they have the qualification of independence as well as information on the similar which might affect the Company's activities in case they are elected as the Members of the Board of Directors have been disclosed to public within 1 week as from the date of the announcement of the General Assembly.

Announcements on the General Assembly, along with procedures stipulated by the legislation, have been published in the Company's registered office and the website (www.desa.com.tr) in a way to reach to a majority of the shareholders not later than 21 days before the General Assembly.

There is no question which was not answered during the General Assembly meeting but answered by the Investor Relations Department in writing later on.

2.3.3. Methods of Voting

The example of the power of attorney for shareholders who will be represented by a proxy in the General Assembly Meeting is available on the Company's web-page and newspaper advertisement.

2.3.4. Principles for Participating in the General Assembly

Group A shares are registered shares and Group B shares are bearer shares in our Company. The records in the Shareholders List of the shareholders, whose shares were in the investor accounts under the Intermediary Institutions before the Central Registry Agency and who wished to attend the General Assembly Meeting, were taken into account under the provisions governing the General Assembly Procedures of the Central Registry Agency in the Company's 2017 annual general meeting held on 30.03.2018.

These shareholders may attend the General Assembly meetings themselves as well as being represented by a third party. Such representatives are not required to be a shareholder.

The shareholders may have themselves represented by other shareholders or by a proxy to be appointed externally in the General Assembly meetings in accordance with the Capital Markets Board regulations governing voting by proxy. Representatives, who are shareholders of the Company, are also authorized to vote on behalf of the shareholders that they represent other than their own votes.

2.3.5. Meeting Minutes

Meeting minutes are available at www.kap.gov.tr and www.desa.com.tr immediately after the end of the meeting. In addition, these minutes are available review by the shareholders at the Company's headquarters and are shared with investors who request to access these minutes.

2.4. VOTING RIGHTS AND MINORITY RIGHTS

2.4.1. Exercise of Voting Right

The Company avoids practices that make exercising voting rights difficult and provides all shareholders with an equal, easy and convenient voting possibility. Nonpreferential shareholders having the right to vote in the Company may vote themselves as well as through a third party who is not a shareholder. No provision that prevents any person, who is not a shareholder, to vote by proxy as a representative for the unprivileged shares exists in the Articles of Association.

It was decided, by the resolution of our Board of Directors dated 06.01.2016, to make an application to the Capital Markets Board for the purpose of amending the subparagraph d entitled "Voting and Appointment of Proxy" of the article 20 entitled "General Meeting" of our Company's Articles of Association in order to ensure compliance with the Turkish Commercial Code 6102. The application for amendment to the Articles of Association was approved by the letter no. 29833736-110.03.02-E.520 of the Capital Markets Board dated 15.01.2016. The amendment draft was also approved by the Ministry of Customs and Trade, General Directorate of Domestic Trade with its letter no. 67300147 – 431.02 dated 26.01.2016. The test of the amendment was submitted for approval and adopted by the shareholders in our Company's Annual General Meeting for 2015 held on 31.03.2016. According to the said amendment in articles of association, the shareholders of group A are entitled to 15 (fifteen) votes for 1 (one) share and the shareholders other than group A are entitled to 1 (one) vote for 1 (one) share in annual and special General Meetings.

2.4.2. Minority Rights

The Company pays attention to exercise of the minority rights. No criticism or complaint was made in this regard in 2017. Since we privileged shares for the voting rights, there is no regulation on the cumulative voting.

Group A shares have the right to determine 4 out of 5 board members. No company with any cross shareholding relations exists. Cumulative voting method is not included in the Company's Articles of Association.
There is no provision in the Articles of Association for determining the minority rights in a manner less than one twentieth of the capital.

2.5. DIVIDEND DISTRIBUTION POLICY AND DIVIDEND DISTRIBUTION PERIOD

2.5.1. Dividend Distribution Policy

DESA Deri Sanayi Ve Ticaret A.S. carries out dividend distribution in accordance with the CMB regulation. The Company unanimously resolved to follow a wellbalanced and prudent dividend distribution policy by taking into consideration utilizing internal and external investment opportunities as well as the shareholders in the market and the Company's interests in order to consider additional investments to be made abroad and prevent possible effects of a global economic crisis in line with the targets of "DESA" brand of growing, developing and being a global company with a strong financial structure in accordance with the Corporate Governance Principles of the Capital Markets Board. This dividend distribution policy is available in the annual report and at the Company's official web-page. There is no privilege as to participation in the Company's profit.

2.5.2. Dividend Distribution Period

The approval of the General Assembly and the legal time limits are observed based on the provisions of the Turkish Commercial Code, the Capital Market Board regulations and the provisions of the Company's Articles of Association for dividend distribution.

2.6. TRANSFER OF SHARES

The Articles of Association does not include any provisions that make public Group B shareholders to freely transfer their shares difficult and restrict share transfer. Bearer shares shall be transferred and assigned in accordance with the provisions of the Turkish Commercial Code and other relevant legislation. For non-public Group A shares owned by a controlling shareholder, other Group A shareholders have a pre-emption right in proportion to their shares before the Company according to Article 9 of the Articles of Association.

PART III –PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 CORPORATE WEBSITE AND ITS CONTENT

The official website of Desa Deri San. Ve Tic. A.S. (www.desa.com.tr) is periodically updated and in addition, the website includes prospective information. The necessary information is published on the Company's website in accordance with the CMB's Corporate Governance Principles. The Company's Annual Reports are published both in English and Turkish. Our investors are informed regularly on the following matters including the issues specified by the Corporate Governance Principles in the investor relations section of the website to provide the existing and potential investors and intermediaries with a more comprehensive flow of information.

- The Company's Articles of Association
- Trade registry information
- Financial Data
- Audit Reports
- Annual Reports
- Corporate Governance Practices and Compliance Report
- Duty and Working Principles of Corporate Governance Committee
- Material Disclosures
- Agenda of the General Assembly
- Minutes of the General Assembly Meetings
- Attendance Sheet
- Partnership Structure
- Company Policies
- Board Members
- Sample of power of attorney
- Frequently asked questions
- Communication information

3.2. Annual Report

Annual reports are prepared in a manner to allow our shareholders, the public and all other stakeholders to obtain full and accurate information about the activities of the Company and with details stipulated in Turkish Commercial Code as well as Capital Markets Legislation.

PART IV – STAKEHOLDERS

4.1. DISCLOSURES TO STAKEHOLDERS

Stakeholders will be informed on the matters that concern them through the press, material disclosures, and press and analyst meetings and in electronic media in line with the Company's disclosure policy.

Participation in the management requires to be elected to the Board of Directors; however, employees are encouraged to participate in the management with various business processes. There is no restriction for the stakeholders to transmit the Company's actions that are contrary to the legislation and unethical to the Company's Corporate Governance Committee and the Audit Committee.

Ensuring compliance with the legal regulations as well as supervision thereof is under the responsibility of the Audit Committee and examining as well as settling the complaints from shareholders and stakeholders about the matters related with the corporate governance is under the responsibility of the Corporate Governance Committee.

4.2. PARTICIPATIONS OF STAKEHOLDERS TO MANAGEMENT

No model was formed with respect to inclusion of the stakeholders to the management of the company. On the other hand, the requests and the proposals submitted in the meeting held with the employees and the other stakeholders are evaluated by management and policies as well as practices related thereto are developed.

4.3. HUMAN RESOURCES POLICY

Without forgetting the fact that our most important resource is human, we summarize the human resource development philosophy of our company targeting to have human resources necessary for the future while living today as follows: "We will train our human resources at every level by ourselves."

We carry out the training and development activities under our own structure in order to train and develop DESA employees in accordance with this philosophy. Furthermore, we try to ensure the conformity of the qualifications that we look for the personnel to be employed in our company with the job to be performed by such personnel and choose individuals who are prescient as well as have career expectations for the success of this policy. We clearly explain their duties and responsibilities to all of the personnel employed in our company during employment interview; provide them with orientation training after employment and deliver their job definitions in writing.

"Joint Working Committee" was formed in order to ensure conveying the problems encountered by the employees to the management systematically for solution and to evaluate the demands of the employees within the scope of the social responsibility standard and share the same with the management for the purpose of increasing the motivation within the business as well as paralleling the corporate and individual targets. This committee is constituted by the representatives from each department elected by our personnel with their own votes and carries out its activities in accordance with its written regulations.

There is no complaint with respect to discrimination in our company and also no complaint arisen in social responsibility inspections carried out by independent auditors regularly related thereto upon requests of our customers. Furthermore, the text of "the social responsibility policy" is placed in locations visible by all of the employees throughout the workplace.

The Company's total number of employees as of 31.12.2018 is 1.885.

4.4. CODES OF CONDUCT AND SOCIAL RESPONSIBILITY

Codes of conduct were created for the Company and employees, and these codes of conduct determined were disclosed to the employees with the Human Resources Manual and to the public in accordance with the disclosure policy. In its history of 46 years, the corporate culture of Desa in compliance with honesty, respect, ethical behaviour and the laws and regulations always has been at the forefront.

Aiming at offering a healthy development, universal quality and standards of products and services by ensuring customer satisfaction together with its employees and in this way, becoming a symbol of credibility, continuity and prestige before our country, its customers, shareholders, the companies it exports to, the values of Desa shed light to the path to be followed to achieve these objectives, and these are shared with the public through its website. The ethical values of Desa are the key factors lying behind its success and to achieve the future objectives.

Desa has been attaching importance to support social and cultural activities since its foundation. For this purpose, the Company sponsors various activities.

Desa operates in line with the system that it has created within the framework of the Labour Law and Laws on Social Security and Employee Health and Safety.

In addition, Desa have the ETI BASE CODE audits performed by the companies accredited by Sedex system and all the reports are loaded to the Sedex system. Audits are performed on various subjects including quality, environment, management system and SA8000.

The Company observes the industry-specific norms on the environment in production under the Environmental Policy and System created by the Company itself. No lawsuit was filed against the Company for damage to the environment during the period. The Company's codes of conduct are available at our website (www.desa.com.tr).

PART V – BOARD OF DIRECTORS

5.1. STRUCTURE AND FORMATION OF BOARD OF DIRECTORS

Turkish Commercial Code, Capital Markets Board regulations and the Corporate Governance Principles apply to the election of board members. The Board of Directors consists of five members totally two of which are independent members.

Melih ÇELET
Executive Board Member-Chairman

Burak ÇELET
Executive Board Member-General Manager

Burçak ÇELET
Non-Executive Board Member-Corporate Governance Commitee Member

Muvaffak Batur
Non-Executive Independent Board Member

Numan Emre Bilge
Non-Executive Independent Board Member

Any event which would render the independency of the independent board members null and void did not occurred as of the respective activity period. The statements of independency of the independent board members are as follows.

Since I have been elected as "Independent Member" of the Board of Directors in the General Assembly meeting dated 30.03.2018, I hereby submit the following issues for our Board of Directors', our shareholders' and all other stakeholders' information pursuant to the regulations of the Capital Markets Board regarding corporate governance;
• No direct or indirect relationship in terms of employment, capital or other important trading activities has been formed between me, spouse or my blood or affinity relatives up to the third degree and any of Desa Deri San. Ve Tic. A.Ş's related parties or legal entities which have management or capital relation with shareholders having shares at a rate of 5% or more in the capital of Desa Deri directly or indirectly within last five years,
• I have not been employed in a company, primarily serving as auditing, consulting and rating company, which undertakes full or partial activities or organization of Desa Deri under an agreement and held any position in such a company as a member of the board of directors within the last five years,
• I have not been employed in, been a partner or a member of the board of directors of a company, which is providing significant amount of services and products to Desa Deri within the last five years,
• I have the required professional training, knowledge and experience for performing the duties of which I would assume with my capacity as an independent member of the board of directors properly,
• I am not a full-time employer of any public institution or organization,
• I am considered as a resident in Turkey in accordance with the Income Tax Law
• I have strong standards of ethics, Professional reputation and experience for adding positive contribution in activities of Desa Deri, for securing my independency about subjects in relation with the conflicts of shareholders and for making independent decisions with taking into account of stakeholders' rights,
• I am able to allocate necessary time for businesses of the company at a level sufficient for monitoring the processes and the activities of Desa Deri as well as fulfilling the requirements of my duties.

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

Melih ÇELET
Executive Board Member-Chairman
Mr. Melih ÇELET, founded Desa in 1972, graduated from Ankara College in 1968 and studied at Istanbul University, Faculty of Pharmacy. Mr. Melih ÇELET speaks English.

Burak ÇELET
Executive Board Member-General Manager
Mr. Burak ÇELET graduated from Boğazici University in 1999, with a Bachelor's degree in Mechanical Engineering. He received an MBA degree in Corporate Finance from University of Wisconsin, Madison, in 2001. He obtained a Master of Science degree in Leather Technology from Northampton College in 2002. Mr. Burak ÇELET serves as a Member of the Turquality Working Group in addition to his duty as General Manager in our Company. Mr. Burak ÇELET speaks English and German.

Burçak ÇELET
Non-Executive Board Member
Corporate Governance Commitee Member
Ms. Burçak ÇELET completed her bachelor's degree in Industrial Engineering at Yıldız Technical University in 1999. Between 1999 and 2001, she worked as Planning Director at Toys'R'Us. She received her Master of Science degree in Retail Management from University of Surrey in 2002 and she served as Category Director at Joker Maxitoys between 2003 and 2004.
Burçak ÇELET, who joined DESA in 2004, has been serving as a member of the Board of Directors since 2006. Ms. Burçak ÇELET speaks Italian, English, Spanish and French.

Muvaffak BATUR
Non-Executive Independent Board Member
Mr. Muvaffak Batur, a graduate of Kabataş Male High School in 1967, completed his bachelor degree at Istanbul University, Faculty of Law in 1971. He has been working as a registered member of Istanbul Bar Association since 1973 and he is providing consultancy services as legal adviser to several companies in the fields of Commercial Law and Corporate Law. Mr. BATUR was elected as an independent member for two years at the ordinary general assembly of our company for 2017 dated 30.03.2018.

Numan Emre Bilge
Non-Executive Independent Board Member
After receiving a degree in Finance from Istanbul University in 1987, Mr. Numan Emre Bilge received his MSc degree in Business Management from City of London Polytechnic University - London. He started his professional career in 1992 at Goodyear Tires Inc., and between 1998 and 2000, he was assigned to the Marketing Manager of Goodyear Great Britain Limited. Between 2000 and 2004, he worked as VP of Sales and Marketing at Axa Oyak Hayat Sigorta A.Ş. Since 2007, he has been carrying out his duties of General Manager and Vice President of the Executive Board at Zin D Investment and Management Development Inc. Mr. BİLGE was elected as an independent member for two years at the ordinary general assembly of our company for 2017 dated 30.03.2018.

Our independent Members of the Board of Directors have submitted their Declaration of Independence to the Corporate Management Committee executing also the duty of the Nomination Committee. Corporate Management Committee has submitted the nominating report prepared for the independent candidate members of the Board of Directors to the Board of Directors on 15.03.2018. At the Ordinary General Assembly dated 30.03.2018, Mr. Muvaffak Batur and Mr. Numan Emre Bilge have been elected in the capacity of "Independent Member" to the Board of Directors for 2 (two) years. Taking on other duties of Member of Boards outside the company is not connected to a certain rule, Mr. Numan Emre Bilge, from members, has been carrying out his duties of General Manager and Vice President of the Executive Board at Zin D Yatırım ve Yönetim Geliştirme A.Ş. There is one female member in the current Board of Directors of our Company.

5.1. PRINCIPLES FOR ACTIVITIES OF BOARD OF DIRECTORS

Activities of the Board of Directors are carried out under the provisions of the Turkish Commercial Code and the Articles of Association. The number of resolutions taken by the Board of Directors increased to 66 with the resolutions taken within the framework of the paragraph 4 of Article 390 of the Turkish Commercial Code No. 6102 in 2018. The members of the Board of Directors do not have the right of casting vote and each member is entitled to one vote.

Votes are announced as accepted or rejected at the meetings of the Board of Directors. Those who have a counter vote shall write the justification of the decision and sign. However, no public disclosure has been made in this regard recently as such kind of opposition or difference of opinion has not been declared. The Board Members pay attention to the participation in the meeting of the Board of Directors of the Company in person.

The damages to the Company which may be caused by the defaults of the Board Members during the performance of their duties have not been insured yet.

5.1. NUMBER, STRUCTURE AND INDEPENDENCY OF COMMITTEES ESTABLISHED IN BOARD OF DIRECTORS

Efforts on Corporate Governance were launched in 2005. The Audit Committee acting under the Board of Directors was established with decision of the board of directors numbered 18, dated May 26th 2004.

The Corporate Governance Committee has been established with the decision of the board of directors numbered 22, dated June 19th 2012 within the framework of the Principles of Corporate Governance in the activity period of the year 2012. The duties and responsibilities for Candidate Nomination Committee, Committee for Early Detection of Risk and Remuneration Committee were assigned to the established committee. The Committee for Early Detection of Risk was established with decision of the board of directors numbered 16, dated 20.05.2013. Numan Emre Bilge as the Chairman of the Committee and Burçak Çelet as membership of committee were elected with the decision dated 18.04.2018 numbered 35.

5.1.1. Audit Committee

The Audit Committee fulfils the duties provided for the audit committee in the Capital Markets Regulation. In this context, the Company's accounting system performs disclosure of the financial information to the public, independent audit and supervision of the operation and effectiveness of the internal control system of the partnership.

Selecting the independent auditing company, preparing independent audit contracts and initiating independent audit process and activities of the independent auditing organization at each step take place under the supervision of the audit committee. The Audit Committee must submit the annual and interim financial statements to be disclosed to the public to the Board of Directors in writing with its own evaluations by obtaining the views of the responsible executives and independent auditors of the partnership regarding the compliance of the statements with the accounting principles of the partnership, the truth and accuracy, and shall convene at least four times in a year and more frequently if necessary.

The Audit Committee together with the Company's management are responsible for maintaining the internal and external auditing carefully and ensuring compliance of the records, procedures and reports with the relevant laws, rules and regulations as well as the principles of the CMB and IFRS. This committee consists of non-executive independent members.

Members of the Audit Committee:
Chairman: Muvaffak Batur
Member: Numan Emre Bilge

5.1.2. Corporate Governance Committee

The Corporate Governance Committee performs acts to support and assist the Board of Directors by performing efforts for compliance of the Company with the corporate governance principles, determination of the board members and senior executives, assessment of remuneration, reward and performance evaluation and career planning, investor relations and public disclosure. The reason for Mr. Muvaffak Batur, independent member, is assigned to the both committees is that two of our independent members are assigned to the audit committee due to the requirement that the audit committee must consist of independent members. He carries out these duties because the members of the Corporate Governance Committee must consist of non-executive members.

Corporate Governance Committee Members:
Chairman: Muvaffak Batur
Member: Burçak Çelet
Member: Pınar Kaya

5.1.3. The Early Detection of Risk Committee

Duties of the Early Detection of Risk Committee; determining fields which may create administrative risks and weaknesses and receive opinions of the management and the related parties on the plans for correcting the deficiencies. Early detection of the risks which may endanger the existence, development and continuity of the Company, applying the necessary precautions about the determined risks and performing studies on risk management. Reviewing risk management systems at least once a year. Examining significant complaints about the administration received by the Company, providing the settlement of the problem and ensuring the employees' notices on these subjects to be transmitted to the administration within the framework of confidentiality principle. Members of the Early Detection of Risk Committee:
Chairman: Numan Emre Bilge
Member: Burçak Çelet

5.4. RISK MANAGEMENT and INTERNAL CONTROL MECHANISM

Risk management of the Company includes examining periodically the financial risks, market risks and operational risks. Internal audit evaluates the sufficiency and efficiency of the controls including the management and activities of the company and information systems depending on the results of the risk assessments. These evaluations involve financial and operational information reliability, efficiency and productivity of the activities, protection of assets, complying laws, regulations and agreements. Tuncay Erol is the Expert Responsible from Internal Audit of our Company.

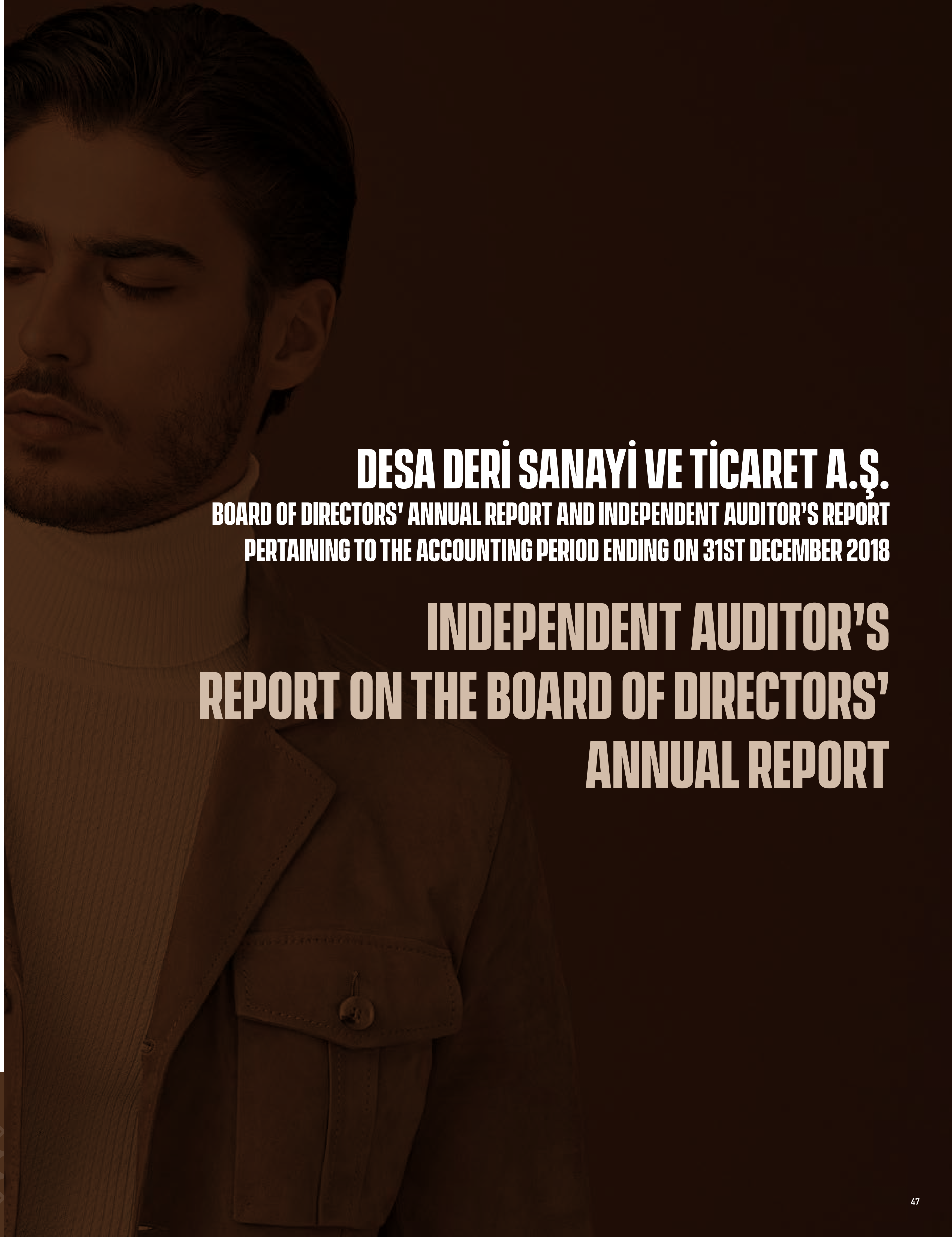
5.5. COMPANY'S STRATEGIC TARGETS

Desa's mission, vision, targets and ethical values are added to the corporate identity file and published on the Company's website.

The Board of Directors agrees on and approves the creation of strategic objectives prepared by the managers. Activities are assessed on monthly, quarterly, semi-annual, 9 months and annual basis. The strategic objectives for the year 2019 have been established and review of the sale-marketing and production targets has been started. Efforts for spread of the targets are ongoing. The next 5-year strategic planning process has begun. The actual situation for the year 2018 has been determined by creating all the indicators for financial, customer, process and learning, development targets for all the departments, and the forecast for the year 2019 has been established.

5.6. FINANCIAL RIGHTS TO THE BOARD OF DIRECTORS

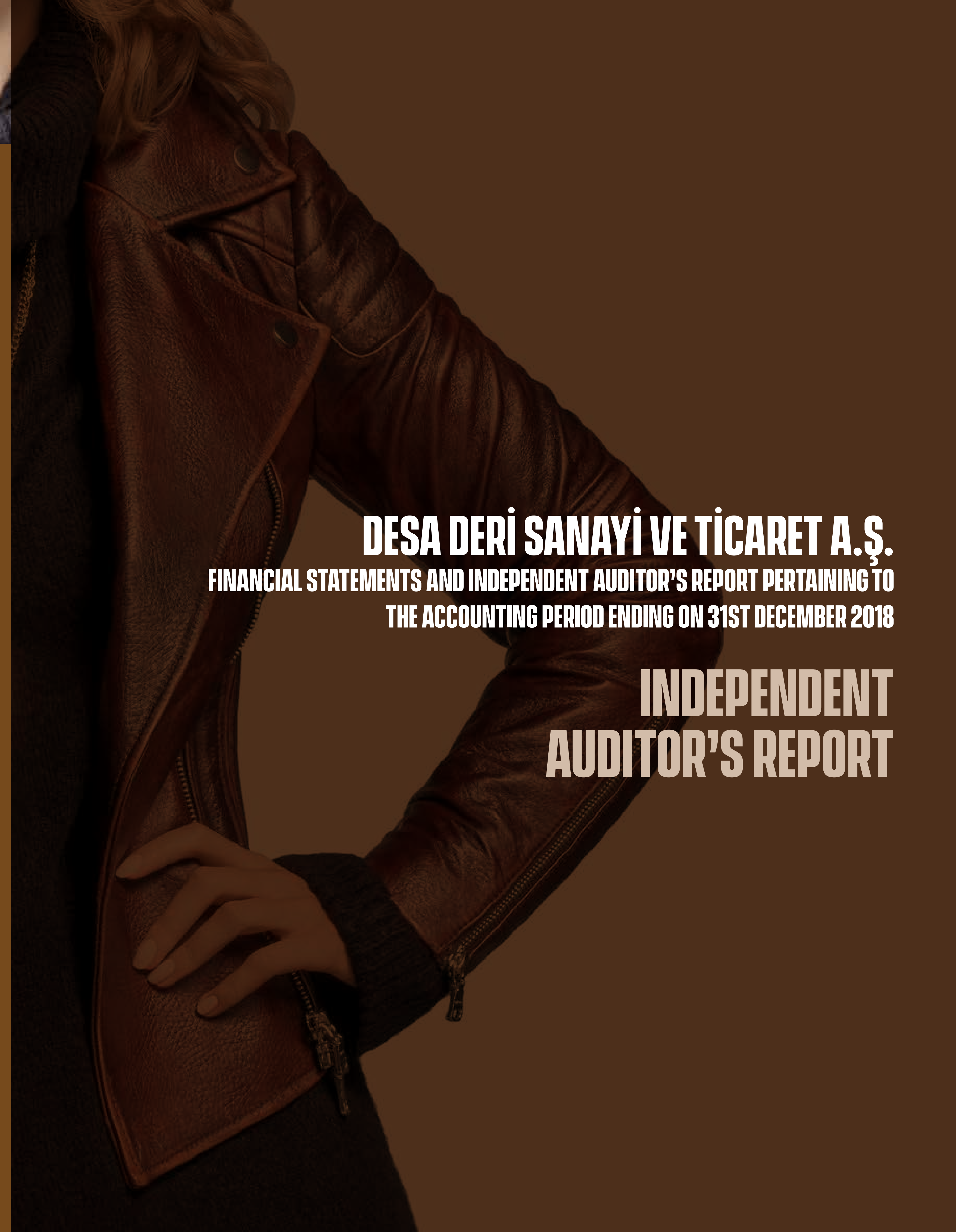
The rights, the interests and the fees provided to the members of the Board of Directors are applied based on the decisions taken at the General Assembly. No benefit, such as debt, surety, credit and etc., was provided to the Board Members during the reporting period. The financial rights in remuneration provided to the Board of Directors are discussed at the General Assembly, and the public is informed through the meeting minutes. The rights determined are informed not on an individual basis but whether or not they are provided to the executive members or independent members. The principles with respect to remunerations of the members of the board of directors and the manager having administrative responsibilities have been adopted with decision of the board of directors numbered 15, dated May 20th 2013 and posted in investor relations section of the Company's website. Policy also was submitted for the shareholders' information in the Ordinary General Assembly meeting for 2013.



DESA DERİ SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS' ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018

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



DESA DERİ SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Desa Deri Sanayi ve Ticaret A.Ş.

1) Limited Positive Opinion

Since we have audited the full set financial statements of Desa Leather Industry and Trade Inc. (the "Company") for 01 January - 31 December 2018 accounting period, we have also audited the annual activity report for this accounting period.

In our opinion, except the subject specified in the Basis of Limited positive opinion, the financial information included in the annual activity report of the Board of Directors and the Board of Directors' discussion about the Company's situation is consistent with the full set of financial statements audited in all important aspects and the information we have obtained during the independent audit and reflects the truth.

2) The Basis Of Limited Positive Opinion

As explained in details in the Financial Investments postscript (Note: 4 Shares in Other Entities), Company should present its affiliate, that should be measured by reflecting fair value change to the profit or loss, over cost prices in accordance with TFRS 9 Financial Instruments Standard and by consolidating in financial statements in accordance with TFRS 10 Consolidated Financial Statements Standard, and shows its subsidiaries that it controlled, as a financial asset over cost prices. The Company has not performed an impairment study for these financial assets at year-end. if the above mentioned liabilities are accounted in the financial statements dated 31 December 2018, we cannot make a conviction about whether there is a need to revise the impact of this information on the statement of financial position.

Our independent audit was conducted in accordance with The Independent Audit Standards issued by the Capital Markets Board and the Independent Auditing Standards (BDSs) which is part of Turkey Auditing Standards and was published by Public Oversight, Accounting and Auditing Standards Authority (KGK). Our responsibilities within the scope of these Standards are explained in details in the section of Responsibilities of the Independent Auditor for Independent Audit of the Annual Report of our report. We hereby declare that we are independent from the Company in accordance with the Codes of Conducts for Independent Auditors (Codes of Conduct) issued by KGK and the ethical provisions in the legislation relating to independent auditing.
Other responsibilities regarding the Code of Conducts and the ethics within the scope of the legislation have also been fulfilled by us. We believe that the independent audit evidence we have obtained during our independent audit is sufficient and appropriate basis to build our Limited positive opinion.

3) Our Auditor Opinion For
Full Set Financial Statements

Due to the matters in the paragraph of the Basis of Limited positive opinion, we have provided a Limited positive opinion in our auditor's report dated 25 February 2019 about the full set financial statements of the company for 1 January - 31 December 2018 the accounting period.

4) Other Considerations

The audit of annual activity report of the Board for 1 January - 31 December 2017 accounting period was conducted by AS Independent Auditing and CPA Inc. and a Limited positive opinion was issued in the Independent Auditor's Report about the Annual Report of the Board of Directors dated 1 March 2018, prepared by the mentioned independent auditing firm.

5) Responsibility of the Board of Directors
For the Annual Report

The Company Management is responsible for the followings relating to the annual report according to Articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and Communiqué on Principles ("Communiqué") Regarding Financial Reporting in the Capital Markets No. II-14.1 of Capital Markets Board ("CMB").

a) Prepares the annual report in the first three months following the balance sheet day and submits it to the General Assembly.
b) Prepares the annual activity report; in a way to reflect the Company's financial status accurate, complete, straightforward, truthfully and honestly in all aspects with the flow of its activities for that year. In this report, the financial position is evaluated according to the financial statements. The report also indicates the Company's development and potential risks. The evaluation of the Board is also included in the report.
c) The annual report also includes the followings:

- Events that occur in the group after the end of the activity year and have particular importance,

- Company's research and development activities,

- Financial benefits such as wages, premiums, bonuses, allowances, travel, accommodation and representation expenses, in-kind and in-cash facilities, insurances and similar guarantees paid to the board members and senior executives.

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

6) Independent Auditor's Responsibility for Independent Auditing of the Annual Report

Under the provisions of the TCC and the Communiqué, our purpose is to give an opinion about whether the financial information included in the annual report and the Board of Directors' discussion is consistent with the audited financial statements of the Company and the information we obtained during the independent audit and whether they reflect the truth and to issue a report containing our opinion.

The audit we made was conducted in accordance with the Independent Auditing Standards issued by the Capital Markets Board and the BDSs. These standards requires that independent audit should be conduct compliance with ethical requirements by planning to obtain reasonable assurance about whether the financial information included in the annual report and the Board of Directors' discussion is consistent with the financial statements and the information obtained during the independent audit and whether they reflect the truth.

The cap auditor who conducted and concluded this independent audit is Ergun Şenlik.

Istanbul, February 25, 2019

BİRLEŞİM BAĞIMSIZ DENETİM VE YMM A.Ş.

Ergun ŞENLİK
Cap Auditor

T.C.

BİRLEŞİM BAĞIMSIZ DENETİM VE YMM A.Ş.
Ergun ŞENLİK
Sorumlu Denetçi

FINANCIAL STATEMENT AND ANNUAL REPORT APPROVED BY THE BOARD OF DIRECTORS
RESOLUTION DATE: 25 / 02 / 2019
RESOLUTION NO: 5 / 2019

OUR STATEMENT AS PER ARTICLE 9 OF SECOND CHAPTER OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ NO: II-14.1

1 - We have reviewed independently audited Financial Statements and Annual Report of our Company for the period 01.01.2018 – 31.12.2018.

2- According to information to which we have access as a part of our duties and responsibilities within the Company, the Financial Statements and the Annual Report do not contain any material inaccurate disclosures or any shortcomings which may prove to be misleading because of the date of disclosure.

3- According to information to which we have access as a part of our duties and responsibilities within the Company, the Financial Statements, which have been prepared in accordance with the Financial Reporting Standards in force, reflect the truth relating to the assets, liabilities, financial standing as well as profits and losses of the Company fairly and the Annual Report faithfully reflects the development and performance of the business and the financial standing of the Company along with the risks and uncertainties that it is facing.

Chairman	**General Manager**	**CFO**
MELİH ÇELET	BURAK ÇELET	AYHAN DİRİBAŞ

To the General Assembly of Desa Deri Sanayi ve Ticaret A.Ş.

A. Independent Audit of the Financial Statements

1. Limited Positive Opinion

We have audited the financial statements consisted of financial statement footnotes regarding Desa Deri Sanayi ve Ticaret A.Ş.(Group"), which comprise the statement of financial position dated 31 December 2018, the statement of profit or loss and the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the accounting period ended on the same date, and also the summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31st December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs") except for the effects of matters mentioned on section of Basis for Limited Positive Opinion.

2. Basis for Limited Positive Opinion

As detailed in the Financial Investments foot note (Note: 4 Shares in Other Entities), Company recognizes its affiliate, of which fair value change should be reflected to the profit or loss pursuant to TFRS 9 Financial Instruments Standard and its subsidiaries it controls, which it is obliged to present by consolidating in its financial statements pursuant to TFRS 10 Consolidated Financial Statements Standard, as a financial asset at cost. An impairment study has not been carried out for these financial assets at the end of the period by the Company. If such liabilities are recognized in the financial statement dated December 31st, 2018, we are not able to express an opinion on whether there is a need to revise the impact of this information on the items of the statement of financial position.

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

3. Key Audit Matters

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

RECOGNITION OF REVENUE IN FINANCIAL STATEMENTS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Revenue recognition; the Company has generated sales revenue of TL 347,648,021 in the period between January 1st , 2018 and December 31st, 2018 Note 2.i As stated in the Summary of Significant Accounting Policies; sales revenue should be recognized at fair value when they can be measured reliably and economic benefits arising from the transactions are to be acquired by the Company. Revenue represents one of the most significant amounts in the Company's statement of profit or loss and contains an important aspect in terms of our audit procedures as it has a weighted effect on the Company's key performance indicators. The Company has started to apply TFRS 15 "Revenue from Contracts with Customers" standard as of January 1st, 2018. For the reasons mentioned above, recognition of said sales is an important issue in terms of our audit.	The auditing procedure we applied with respect to this matter in brief as follows; - Calculating the aforesaid provision and understanding the recognition process related thereto, - Assessing accuracy and completeness of the amounts constituting basis for the calculations, assessing whether the amount reflected on the financial statements as provision is a liability arising from events taken place in previous periods and assessing the possibility regarding outflow of resources embodying economic benefits from the Company.

PROVISIONS FOR TAX FINES	
As a result of limited tax audit against the Company for 2012, a tax fine amounting to TL 1.672.039,22 totally consisting of original tax amounting to TL 209.747,11 excluding delay fine, fine for loss of tax amounting to TL 803.963,12 and special irregularity fine amounting to TL 148.034,30 in terms of Corporate Tax, original tax amounting to TL 9.717.78 and fine for loss of tax amounting to TL 9.717,78 in terms of VAT, original tax amounting to TL 93.237,83 and fine for loss of tax amounting to TL 93.237,83 in terms of income tax withholding, original tax amounting to TL 1.857,53 and fine for loss of tax amounting to TL 1.857,53 in terms of stamp tax and TL 300.668,41 in terms of advance corporate tax has been calculated.An action has been initiated against the aforementioned tax fines before İstanbul 11th Tax Court on 22.01.2018 by the Company and the necessary provisions related thereto have been made. A provision amounting to TL 2.183.343,22 has been made for the said tax fines including default interest as of 31.12.2017. These tax cases have been removed by benefiting from the Law No. 7143 on the Restructuring of Tax and Other Certain Receivables and all of the debts have been paid within the scope of the Law No. 7143. Provision amounting to TL 2.183.343,22 made for the related case has been canceled. (Note: 21)	The auditing procedure we applied with respect to this matter includes in brief; - Calculating the aforesaid provision and understanding the recognition process related thereto, - Assessing accuracy and completeness of the amounts constituting basis for the calculations, assessing whether the amount reflected on the financial statements as provision is a liability arising from events taken place in previous periods and assessing the possibility regarding outflow of resources embodying economic benefits from the Company. - Within the scope of Law No. 7143 on the Restructuring of Tax and Other Certain Receivables, it includes the procedures for testing and verifying the accuracy in connection with the structuring of liabilities.

REVALUATION IN TANGIBLE FIXED ASSETS	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Lands and buildings reported under tangible fixed assets in the Company's financial statements are recognized at their re-appraised value. Fair values of lands and buildings have been determined by the appraisers of TSKB Gayrimenkul Değerleme A.Ş. licensed by the CMB. Accordingly, the value appraised for the lands is TL 11.025.000 and the value appraised for the buildings is TL 27.940.000. Revaluation of said lands and buildings does not create a significant influence on the financial statements.	Within the scope of the audit works carried out, sufficiency of revaluation performed by the appraisers of the independent appraisal company, expedience and reasonability of findings and conclusions obtained by the appraisers as well as consistency of these findings and conclusions with other audit evidences have been assessed. Reconciliation of values determined by the appraisers for the real estates as specified in revaluation reports with the values explained in footnote 14 has been checked. No significant finding has been discovered in such study which we have carried out in connection with revaluation in tangible fixed assets.

INVENTORY VALUATION METHOD	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Inventories are one of the significant assets in the financial statements of the Company. "The valuation method of inventories" has been determined as the key subject of the audit since it is significant in terms of the financial statements for the accounting period ended on December 31st, 2018. The Company recognizes its inventories of raw leather, processed leather and other textile materials with the lower of the cost or net realizable value in accordance with the TAS 2 Inventories Standard. The company supplies raw materials from domestic and foreign markets. In our audit work, we have focused on this issue for the following reasons: Inventory cost calculation method is the process costing and this system contains complex calculations and assumptions. - The existing stock amounts which are based on the costing studies are calculated by the experts employed within the Company. Explanations regarding the Company's accounting policies and amounts related to inventories are given in note 10.	During our audit, the following audit procedures have been applied in connection with the inventory valuation method: - Analytical evaluations and detail tests related to the recording and valuation process of inventories have been carried out. - Physical presence of inventories has been confirmed by the stocktaking carried out under supervision of experts employed within the Company. - The technical competence and capability of the expert utilized during the stocktaking have been evaluated. - The mathematical conformity of the data used in the valuation study has been tested. - Inventory valuation methods, technical data and components they contain have been evaluated and tested for their suitability. - The relevance of the significant estimates used in the valuation has been evaluated and it has been concluded that it is within an acceptable range. As a result of our studies on inventory valuation method, we have not identify any significant findings.

4. Other Issues

The audit on the Company's financial statements pertaining to accounting period of January 1st – December 31st 2017 has been carried out by AS Bağımsız Denetim ve YMM A.Ş. and limited positive opinion has been provided in the "Independent Audit Report" dated March 1st, 2018 which has been drawn up by the aforesaid independent auditing company.

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

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

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

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

6. Independent Auditor's Responsibilities for the Independent Audit of the Financial Statements

Responsibilities of auditors in an independent audit are as follows:

Our objectives are 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 provided as a result of an independent audit conducted in accordance with the IASs is a high level of assurance, but is not a guarantee that an existing significant misstatement would be discovered in any case. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the 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 independent audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 18.02.2019.

2) Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that for the period of January 1st - December 31st, 2018, the Company's bookkeeping activities and financial statements are not in compliance with the Law and provisions of the Company's articles of association in relation to financial reporting.

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

The cap auditor who has conducted and concluded this independent audit is Ergun ŞENLİK.

İstanbul, February 25th, 2019

BİRLEŞİM BAĞIMSIZ DENETİM VE YMM A.Ş.
Ergun Şenlik
Cap Auditor

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
FINANCIAL POSITION STATEMENTS
PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018

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

	Note References	Independently Audited Current Period 31.12.2018	Independently Audited Previous Period 31.12.2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	42	320.860	8.888.394
Trade Receivables	7	23.758.576	12.155.786
Trade Receivables from Related Parties	6	18.741.417	6.108.401
Trade Receivables from Non-Related Parties	7	5.017.159	6.047.385
Other Receivables	9	2.892.512	844.681
Other Receivables from Related Parties	6	2.659.486	723.812
Other Receivables from Non-Related Parties	9	233.026	120.869
Inventories	10	167.345.611	152.297.658
Prepaid Expenses	12	4.693.842	1.603.248
Prepaid Expenses to Related Parties	6	16.469	-
Prepaid Expenses to Non-Related Parties	12	4.677.373	1.603.248
Assets Related to Current Period Tax	33	3.798	10.272
Other Current Assets	25	969.159	1.508.352
Other Current Assets to Non-Related Parties	25	969.159	1.508.352
Fixed assets classified for sale	32	2.772.277	2.772.277
TOTAL CURRENT ASSETS		**202.756.635**	**180.080.668**
Fixed Assets			
Financial Investments	4	7.724.212	7.724.212
Other Receivables	9	225.491	202.384
Other Receivables from Non-Related Parties	9	225.491	202.384
Investments Valued by Equity Method	4	10.443.447	8.796.352
Tangible Fixed Assets	14	53.559.584	53.436.694
Intangible Fixed Assets	15	811.553	655.959
Deferred Tax Assets	33	3.746.794	1.768.246
TOTAL FIXED ASSETS		**76.511.081**	**72.583.847**
TOTAL ASSETS		**279.267.716**	**252.664.515**

The accompanying footnotes constitute an integral part of these financial statements.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
FINANCIAL POSITION STATEMENTS
PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018

	Note References	Independently Audited Current Period 31.12.2018	Independently Audited Previous Period 31.12.2017
LIABILITIES			
Short Term Liabilities			
Short Term Financial Liabilities	36	4.995.324	45.092.956
Short Term Parts of Long Term Financial Liabilities	36	32.386.507	19.744.830
Derivative Instruments	37	1.698.296	-
Trade Payables	7	103.110.780	76.784.648
Trade Payables to Related Parties	6	21.451.406	12.076.678
Trade Payables to Non-Related Parties	7	81.659.374	64.707.970
Payables within the Scope of Benefits to Employees	23	5.149.555	4.506.976
Other Payables	9	9.884.815	5.425.464
Other Payables to Related Parties	6	4.806.213	-
Other Payables to Non-Related Parties	9	5.078.602	5.425.464
Deferred Income	12	5.662.648	1.065.231
Deferred Income from Related Parties	6	3.929.266	941.972
Deferred Income to Non-Related Parties	12	1.733.382	123.259
Tax liability on profit for the period	33	214.468	-
Short Term Provisions	21	4.058.624	5.227.887
Short Term Provisions for Benefits to Employees	21	2.397.580	2.103.962
Other Short Term Provisions	21	1.661.044	3.123.925
TOTAL SHORT TERM LIABILITIES		**167.161.017**	**157.847.992**
Long Term Liabilities		36.613.964	24.899.891
Long Term Financial Liabilities	36	27.486.005	21.097.433
Trade Payables	7	-	20.279
Trade Payables to Non-Related Parties	7	-	20.279
Other Payables	9	-	15.375
Other Payables to Non-Related Parties	9	-	15.375
Long Term Provisions	21	5.437.074	3.766.804
Long-Term Provisions for Benefits to Employees	21	5.437.074	3.766.804
Deferred Tax Liability	33	3.690.885	-
TOTAL LONG TERM LIABILITIES		**36.613.964**	**24.899.891**
SHAREHOLDER'S EQUITY			
Shareholder's Equity of Parent Company		**75.492.735**	**69.916.632**
Paid in capital	26	49.221.970	49.221.970
Capital Adjustment Distinction	26	5.500.255	5.500.255
Other Accumulated Comprehensive Incomes or Expenses not to be Reclassified as Profit or Loss		26.597.856	27.983.510
- Revaluation and Evaluation Earnings/Losses	26	28.245.208	29.122.123
- Actuarial (Loss)/Earning for Benefits to Employees	26	(1.647.352)	(1.138.613)
Other Accumulated Comprehensive Incomes or Expenses to be Reclassified as Profit or Loss		(1.324.671)	-
- Cash Flow Hedge Gains (Losses)	26	(1.324.671)	-
Reserves on Retained Earnings	26	960.423	960.423
Accumulated Profits / (Losses)	26	(13.841.654)	(13.563.380)
Net profit / (loss) for the period	26	8.378.556	(186.146)
TOTAL SHAREHOLDER'S EQUITY		**75.492.735**	**69.916.632**
TOTAL LIABILITIES		**279.267.716**	**252.664.515**

The accompanying footnotes constitute an integral part of these financial statements.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
FINANCIAL POSITION STATEMENTS
PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018

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

	Note References	Independently Audited Current Period 01.01.- 31.12.2018	Independently Audited Previous Period 01.01.- 31.12.2017
PROFIT OR LOSS PART			
Revenue	27	347.648.021	207.421.540
Cost of Sales (-)	27	(189.033.820)	(106.987.512)
GROSS PROFIT/LOSS FROM BUSINESS OPERATIONS		**158.614.201**	**100.434.028**
GROSS PROFIT / LOSS		**158.614.201**	**100.434.028**
Marketing Expenses (-)	28	(109.710.704)	(83.682.116)
General Administrative Expenses (-)	28	(16.228.332)	(13.379.757)
Research and Development Expenses (-)	28	(2.227.706)	(1.747.847)
Other Incomes from Operating Activities	29	36.045.770	27.644.945
Other Expenses of Operating Activities (-)	29	(31.933.239)	(15.257.141)
OPERATING PROFIT / LOSS		**34.559.990**	**14.012.112**
Incomes from Investing Activities	30	111.309	13.673
Expenses from Investing Activities (-)	30	-	-
Profit / (Loss) Share on Investments Valued by Equity Method	4	1.647.095	1.950.965
FROM OPERATING PROFIT/LOSS BEFORE FINANCING INCOME (EXPENSE)		**36.318.394**	**15.976.750**
Financing Incomes	31	-	-
Financing Expenses (-)	31	(25.374.395)	(19.674.392)
FROM CONTINUING OPERATIONS PROFIT/LOSS BEFORE TAX		**10.943.999**	**(3.697.642)**
Continuing Operations Tax Expense/Income		(2.565.443)	3.511.496
Tax Expense/Income for the period	33	(214.468)	-
Deferred Tax Expense/Income	33	(2.350.975)	3.511.496
CONTINUING OPERATIONS PROFIT/LOSS FOR THE PERIOD		**8.378.556**	**(186.146)**
PROFIT/LOSS FOR THE PERIOD		**8.378.556**	**(186.146)**
Distribution of profit / loss for the period		**8.378.556**	**(186.146)**
Non-controlling interests		-	-
Parent Company's shares		-	-
Earnings per Share		**-**	**-**
Earnings per Share from Continuing Operations		**0,0017**	**(0,0000)**

The accompanying footnotes constitute an integral part of these financial statements.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
OTHER COMPREHENSIVE INCOME STATEMENT
PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018
(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Note References	**Independently Audited Current Period 01.01.- 31.12.2018**	**Independently Audited Previous Period 01.01.- 31.12.2017**
PROFIT/LOSS FOR THE PERIOD		**8.378.556**	**(186.146)**
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified in Profit or Loss		**(1.385.654)**	**20.420.919**
Items not to be Reclassified in Profit or Loss		(1.624.682)	22.941.570
Revaluation Increase (Decrease) of Tangible Assets	26	(972.453)	22.968.133
Other Comprehensive Income Items not to be Reclassified as Other Profit or Loss	-		
Defined Benefit Plans Recalculation Gains / (Losses)	21	(652.229)	(26.563)
Taxes Relating to Other Comprehensive Income not to be Reclassified in Profit or Loss		239.028	(2.520.651)
- Revaluation Increase (Decrease) of Tangible Assets, Tax Effect	26	95.538	(2.526.495)
- Other Comprehensive Income Items not to be Reclassified as Other Profit or Loss	-	-	
- Defined Benefit Plans Recalculation Gains / (Losses), Tax Effect	33	143.490	5.844
Items to be Reclassified in Profit or Loss		**(1.324.671)**	**-**
Items not to be Reclassified in Profit or Loss		(1.698.296)	-
Gains / (Losses) from Foreign Currency Translation Differences		-	-
Other Comprehensive Income Items to be Reclassifiedas Other Profit or Loss	-	-	
Cash Flow Hedge Gains (Losses)	37	(1.698.296)	-
Taxes Relating to Other Comprehensive Income not to be Reclassified in Profit or Loss	373.625	-	
- Gains / (Losses) from Foreign Currency Translation Differences		-	-
- Other Comprehensive Income Items to be Reclassified as Other Profit or Loss	-	-	
- Cash Flow Hedge Gains (Losses)	37	373.625	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)		**(2.710.325)**	**20.420.919**
TOTAL COMPREHENSIVE INCOME		**5.668.231**	**20.234.773**

The accompanying footnotes constitute an integral part of these financial statements.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018
(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

			Accumulated Other Comprehensive Incomes and Expenses not to be Reclassified in Profit or Loss		Accumulated Other Comprehensive Incomes and Expenses to be Reclassified in Profit or Loss		Retained Earnings		
	Paid in Capital	Distinction from Share Capital Adjustment	Revaluation and Measurement Earnings / Losses	Defined Benefit Plans Recalculation Gains / Losses	Cash Flow Hedge Gains / Losses	Restricted Profit Reserves	Accumulated Profits / Losses	Net Profit / Loss for the Period	Total Shareholders' Equity
Balances of 1st JANUARY 2017	**49.221.970**	**5.500.255**	**8.680.485**	**(1.117.894)**	**-**	**960.423**	**(263.260)**	**(13.300.120)**	**49.681.859**
Transfers	-	-	-	-	-	-	(13.300.120)	13.300.120	-
Increase/Decrease due to Redemption of Shares	-	-	-	-	-	-	-	-	-
Total Comprehensive Income (Expense)	-	-	20.441.638	(20.719)	-			(186.146)	20.234.773
Impact due to TFRS 9 Policy Change	-	-	-	-	-	-	-	-	-
Shareholders'Other Contributions	-	-	-	-	-	-	-	-	-
Net profit /(loss) for the period	-	-	-	-	-	-	-	-	-
Balances of 31st DECEMBER 2017	**49.221.970**	**5.500.255**	**29.122.123**	**(1.138.613)**	**-**	**960.423**	**(13.563.380)**	**(186.146)**	**69.916.632**
Balances of 1st JANUARY 2018	**49.221.970**	**5.500.255**	**29.122.123**	**(1.138.613)**	**-**	**960.423**	**(13.563.380)**	**(186.146)**	**69.916.632**
Transfers	-	-	-	-	-	-	(186.146)	186.146	-
Total Comprehensive Income (Expense)	-	-	(876.915)	(508.739)	(1.324.671)	-	-	-	(2.710.325)
Impact due to TFRS 9 Policy Change	-	-	-	-	-	-	(92.128)	-	(92.128)
Shareholders'Other Contributions	-	-	-	-	-	-	-	-	-
Net profit /(loss) for the period	-	-	-	-	-	-	-	8.378.556	8.378.556
Balances of 31st DECEMBER 2018	**49.221.970**	**5.500.255**	**28.245.208**	**(1.647.352)**	**(1.324.671)**	**960.423**	**(13.841.654)**	**8.378.556**	**75.492.735**

The accompanying footnotes constitute an integral part of these financial statements.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
CASH FLOW STATEMENT
PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2018

(All amounts expressed in Turkish Lira)

	Note References	Independently Audited Current Period 01.01.-31.12.2018	Independently Audited Previous Period 01.01.-31.12.2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**17.584.807**	**7.114.990**
PROFIT / (LOSS) FOR THE PERIOD		**8.378.556**	**(186.146)**
Profit / Loss for the Period from continuing operations		**8.378.556**	**(186.146)**
Adjustments relating to Profit/Loss Reconciliation for the Period:		4.405.235	2.551.533
Adjustments relating to Depreciation and Amortization Expenses	24	5 .174.122	4.133.751
Adjustments Relating to Impairment (Cancellation)		(876.915)	-
- Adjustments Relating to Impairment (Cancellation) of Tangible Assets	26	(876.915)	-
Adjustments relating to Provisions		29.946	3.441.688
- Adjustments relating to Provisions for Benefits to Employees	21-23	1.218.503	867.923
- Adjustments relating to case and/or punishment provisions (cancellation)	21	(2.671.306)	2.573.765
- Adjustments relating to General Provisions (Cancellation)	21	942.468	-
- Adjustments relating to Other Provisions (Cancellation)	21	540.281	-
Adjustments relating to Interest Incomes and Expenses		(983.943)	(719.772)
- Adjustments relating to Interest Incomes	36	-	178.563
- Adjustments relating to Interest Expenses	36	(928.984)	-
-Deferred financing expenses from forward purchases	7	679.300	1.005.999
-Unearned financing incomes from forward sales	7	(734.259)	(1.904.334)
Adjustments Relating to Income from Governmental Incentives	19	375.162	-
Adjustments Relating to Unrealized Foreign Currency Translation Differences	29-31	49.858	-
Adjustments Relating to Retained Profits of Investments Made by Equity Method		(1.647.095)	(1.950.965)
- Adjustments relating to the Undistributed Earnings of Affiliates	4	(1.647.095)	(1.950.965)
Adjustments relating to Tax (Income)Expense	33	2.350.975	(3.511.496)
Adjustments related with loss/earning from sale of fixed assets	34-35	-	170.724
Other Adjustments relating to Profit (Loss) Reconciliation		(66.875)	987.603
Changes Realized in Operating Capital		**4.801.016**	**4.759.436**
Adjustments relating to Increase (Decrease) in Trade Receivables		**(13.058.883)**	**(6.749.524)**
- Decrease (Increase) in Trade Receivables from Related Parties	6	(12.832.955)	(5.121.753)
- Decrease (Increase) in Trade Receivables from Non-Related Parties	7	(225.928)	(1.627.771)
Adjustments relating to Decrease (Increase) in Other Receivables relating to Activities		**(1.659.796)**	**1.144.894**
- Decrease (Increase) in Other Receivables from Related Parties relating to Activities	6	(1.935.674)	1.148.461
- Decrease (Increase) in Other Receivables from Non-Related Parties relating to Activities	9	275.878	(3.567)
Adjustments relating to Decrease (Increase) in Inventories	10	(15.047.953)	(26.956.453)
Decrease (Increase) in Prepaid Expenses	12	(3.204.646)	3.604.889
Adjustments relating to Increase (Decrease) in Trade Payables		**26.990.254**	**31.820.990**
- Increase (Decrease) in Trade Payables to Related Parties	6	9.374.728	3.570.365
- Increase (Decrease) in Trade Payables to Non-Related Parties	7	17.615.526	28.250.625
Increase (Decrease) in Payables under Benefits to Employees	21	642.579	806.082
Adjustments relating to Increase (Decrease) in Other Payables relating to Activities		**6.004.727**	**2.071.365**
- Increase (Decrease) in Other Payables to Related Parties relating to Activities	6	4.806.213	-
- Increase (Decrease) in Other Payables to Non-Related Parties relating to Activities	9	1.198.514	2.071.365
Increase (Decrease) in Deferred Income	12	4.597.417	(102.199)
Adjustments related with other increases (decreases) in working capital		**(462.683)**	**(880.608)**
- Decrease (Increase) in Other Assets relating to Activities	29	671.928	(953.687)
- Increase (Decrease) in Other Liabilities relating to Activities	29	(1.134.611)	73.079
Cash Flows from Operations		**17.584.807**	**7.124.823**
Tax Rebates (Payments)		-	(9.833)

DESA DERİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
PERTAINING TO THE ACCOUNTING PERIOD ENDING ON DECEMBER 31ST, 2018

	Note References	Independently Audited Current Period 01.01.-31.12.2018	Independently Audited Previous Period 01.01.-31.12.2017
B. CASH FLOWS FROM INVESTMENT OPERATIONS		**(5.341.297)**	**(8.497.913)**
Cash Inflows relating to Sales, which cause Loss of Subsidiaries' Control	4	-	(59.896)
Cash Inflows from Sale of Tangible and Intangible Fixed Assets	14	150.203	29.208
Cash Outflows from Purchase of Tangible and Intangible Fixed Assets	14	**(5.491.500)**	**(5.694.948)**
- Cash Outflows from Purchase of Tangible Fixed Assets	14	(5.124.567)	(5.641.736)
- Cash Outflows from Purchase of Intangible Fixed Assets	15	(366.933)	(53.212)
Cash outflows from purchase of fixed assets held for sale	39	-	(2.772.277)
C. CASH FLOWS FROM FINANCIAL OPERATIONS		**(20.811.044)**	**3.486.094**
Cash Inflows from Borrowings		**66.265.597**	**22.228.540**
- Cash Inflows from Loans		66.265.597	22.228.540
Cash Outflows relating to Discharge of debt	36	(84.693.572)	(15.295.251)
Cash Outflows from Loan Repayments	36	**(84.693.572)**	**(15.295.251)**
Interest paid	31	(2.383.069)	(3.447.195)
Cash Inflows and Outflows from Derivative Instruments		-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF FOREIGN CURRENCY CONVERSION ADJUSTMENTS		**(8.567.534)**	**2.103.171**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42	**(8.567.534)**	**2.103.171**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	42	**8.888.394**	**6.785.223**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	42	**320.860**	**8.888.394**

The accompanying footnotes constitute an integral part of these financial statements.

(ALL AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

1. COMPANY'S ORGANIZATION AND SUBJECT OF ACTIVITY

1.1. Subject of Activity

Desa Deri Sanayi ve Ticaret A.Ş. ("Company") has been established in January 29th , 1982 and engages in manufacturing, sales, import and export of leather ready-to-wear, bags, shoes and all variety of leather craft products.

The Company's registered office is located in Halkalı Cad. No: 208 Sefaköy- Küçükçekmece / İstanbul. The Company has also a branch operating in Tuzla Free Zone. Additionally, the Company has three factories, one of which is located at the address of its registered office and the others in Ergene and Düzce at the following addresses:

Ergene Factory: Sağlık Mahallesi Kuzey Caddesi No: 14-24 Ergene / Tekirdağ
Düzce Factory: Organize Sanayi Bölgesi 9. Ada 4-5 Parsel Beyköy / Düzce

The Company's contact information is as follows.
Telephone : 0090 212 473 18 00
Fax : 0090 212 698 98 12
Web : www.desa.com.tr

Company's stocks have been offered to the public on April 29-30, 2004 and 34.92% thereof are traded at the Istanbul Stock Exchange ("BİST") as of December 31st , 2018.

The Company has 1.885 employees as of December 31st , 2018. (December 31st , 2017 - 1.747 employees)

1.2. Capital Structure

The Company has shifted to registered capital system in 2007 and its registered authorized stock amounts to TL 150.000.000. Its paid capital is TL 49.221.970 as of December 31st , 2018 (December 31st , 2017: TL 49.221.970) and has been divided into 4.922.196.986 (December 31st , 2017: 4.922.196.986) stocks each of which has a nominal value of 1 Kr.

As of December 31st, 2018 and December 31st, 2017, issued and paid in capital amounts at their carrying value are as follows:

	31.12.2018		31.12.2017	
Name Surname/Title	Share Percentage	Share Amount	Share Percentage	Share Amount
Çelet Holding A.Ş.	54,28%	26.717.682	54,28%	26.717.682
Melih Çelet	10,00%	4.922.197	10,00%	4.922.197
Free Float (*)	34,92%	17.188.312	34,92%	17.188.312
Other	0,80%	393.779	0,80%	393.779
TOTAL	**100%**	**49.221.970**	**100%**	**49.221.970**

(*)The share with a nominal value of TL 4.129.566 representing 8.39% of the share capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value ofTL 4.071.184 representing 8,27% belongs to Melih Çelet as of 31.12.2018.

(*)The share with a nominal value of TL 4.129.566 representing 8.39% of the share capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value ofTL 3.958.808 representing 8,04% belongs to Melih Çelet as of 31.12.2017.

1.3. Affiliates and Subsidiaries

Titles, subjects of activity and headquarters of the Company's affiliates and subsidiaries are as follows:

			31.12.2018	31.12.2017
	Field of Activity	Headquarter	Participation Rate%	Participation Rate%
Affiliate				
Marfar Deri San. ve Tic. Ltd. Şti.	Textile	Istanbul-Turkey	50%	50%
Samsonite Seyahat Ür. A.Ş.	Textile	Istanbul-Turkey	40%	40%
Subsidiary				
Leather Fashion Limited	Textile	Moscow-Russia	100%	100%
Desa International	Textile	London-England	100%	100%
Desa SMS Ltd.	Textile	London-England	100%	100%
Desa International (UK) Ltd.	Textile	London-England	100%	100%
Desa Deutschland GmbH	Textile	Düsseldorf-Germany	100%	100%
Leather Fashion Bulgaria EOOD	Textile	Sofia-Bulgaria	100%	100%
Desa Nineteenseventytwo SRL Italy	Textile	Milano-Italy	100%	100%

Financial statements dated December 31st , 2018 of Samsonite Seyahat Ürünleri A.Ş., which is one of the affiliates of the Company, have been consolidated with the Company's financial statements of the same term through equity method.

Other affiliates and subsidiaries are entered into the financial statements at their cost values. (Note 4)

1.4. Approval of Financial Statements:

The Company's financial statements have been approved on 25.02.2019 by the Board of Directors. General Board and certain regulatory boards are entitled to change financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a. Basis for Presentation of Financial Statements

Applied Financial Reporting Standards

The Company and its subsidiaries in Turkey comply with principles and rules issued by the Capital Markets Board ("the CMB"), the Turkish Commercial Code ("the TCC"), tax legislation and rules for the Uniform Chart of Accounts issued by Republic of Turkey Ministry of Treasury and Finance ("the Ministry of Finance") in maintaining their books of account and preparing their statutory financial statements. The subsidiary operating in foreign countries prepares its accounting records and statutory financial statements in the currencies of the countries in which it operates and in accordance with the legislation of those countries.

The accompanying financial statements have been prepared in accordance with the provisions of the Communiqué serial II, No: 14.1 on Principles Regarding Financial Reporting in Capital Market of the Capital Markets Board published in official gazette issue no 28676 dated June 13th, 2013 and Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS/TFRS") issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and annexes and comments regarding to them have been based on pursuant to the Article 5 of the Communiqué. Furthermore, the financial statements have been presented in accordance with TMS taxonomy issued by the POA under its resolution no.30 dated June 2nd, 2017.

The financial statements and notes of the Company have been presented in accordance with the formats announced by the CMB with the announcement dated June 7th, 2013 and by including the compulsory disclosures.

Under its resolution adopted on March 17th, 2005, the CMB has announced that the application of inflation accounting is not required for publicly traded companies operating in Turkey as from January 1st, 2005. Therefore, the Company's financial statements have been prepared in accordance with this resolution.

Functional and Presentation Currency

The financial statements of each entity of the Company have been presented in the currency of the primary economic environment in which such entity operates (its functional currency). The results and the financial position of each entity have been expressed in Turkish Lira ("TL"), which is the functional currency of the Company and the presentation currency for the financial statements.

USD exchange rates announce by the Central Bank of the Republic of Turkey as of December 31st , 2018 are as follows;

1 USD = TL 5,2609 (31.12.2017: TL 3,7719)	1 EURO = TL 6,0280 (31.12.2017: TL 4,5155)
1 GBP = TL 6,6528 (31.12.2017: TL 5,0308)	1 CHF = TL 5,3352 (31.12.2017: TL 3,8548)
1 BGN = TL 3,0649 (31.12.2017: TL 2,9958)	1 CNY = TL 0,7620 (31.12.2017: TL 0,5762)
1 DKK = TL 0,8060 (31.12.2017: TL 0,6055)	1 JPY = TL 0,0475 (31.12.2017: TL 0,0342)

Netting / Offsetting

All items that are significant in terms of content and amount are presented separately in the financial statements, even if they are of a similar nature. Non-significant amounts are presented by being consolidated as items that are similar to each other in terms of their principles or functions. As a result of the fact that the essence of the transaction and the event requires offsetting, Presentation of the transaction and the event at its net amount or the assets are followed at their amounts net of impairment is not considered as a violation of the rule of non-offsetting. The revenues, other than those defined in "the Revenue" section, earned by the Company as a result of the transactions carried out in the normal course of business are presented over their net values, provided that they correspond to the essence of the transaction or event.

Going Concern

The financial statements have been prepared on the basis of going concern under the assumption that the Company will benefit from its assets and fulfill its obligations in the coming year and in the ordinary course of its activities.

2.b. Declaration of Conformity with TAS

The Company prepared its financial statements for the year ended on December 31st , 2018 in accordance with the CMB's Communiqué Serial: II-14.1 and its announcements clarifying this Communiqué. The financial statements and notes are presented in accordance with the formats recommended by the CMB and by including the compulsory disclosures.

The Company's financial statements as of December 31st , 2018 have been approved by meeting of the Board of Directors dated February 25th, 2019. The General Assembly is authorized to amend the financial statements.

2.c. Restatement of Financial Statements in High Inflation Periods

Since the CMB has announced, under its resolution adopted on March 17th, 2005, that the application of inflation accounting is not required for publicly traded companies operating in Turkey and preparing their financial statements in accordance with the CMB Accounting Standards as from January 1st, 2005, it has terminated the practice of preparing and presenting the financial statements in accordance with the International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" effective as of that date.

2.d. Comparative Information and Restatement of Previous Period Financial Statements

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial position and performance evaluations. In order to maintain comparability when the presentation or classification of the financial statement items changes, the previous period financial statements are also reclassified accordingly. The Company has prepared its statement of financial position for the year ended on December 31st , 2018 comparatively with its statement of financial position dated 31 2017 and its profit or loss and other comprehensive income statement, cash flow statement and statement of changes in equity the period between January 1st - December 31st, 2018 comparatively with the period between January 1st and December 31st, 2017.

2.e. Significant Accounting Valuation Estimates and Assumptions

The preparation of the financial statements in accordance with TAS requires the management to **make decisions**, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from these estimates. The assumptions and the assumptions underlying the estimates are continuously reviewed. Updates in accounting estimates are recognized in the period in which they are updated and in subsequent periods affected by these updates.

The interpretations which may have a significant impact on the amounts reflected in the financial statements and the assumptions made by considering the main sources of the estimates already available on the date of the statement of financial position or the future estimates are as follows:

a) Severance pay and termination indemnity liability related to the Employee Benefits is determined by using the actuarial assumptions (discount rates, future salary increases and employee turnover rate). (Footnote 21)

b) The Company has depreciated its tangible and intangible assets on a straight-line basis over their useful lives. The estimated useful life residual value and depreciation method are reviewed every year for the potential effects of the changes in the estimates and are recognized prospectively, if there is a change in the estimates. (Footnote 14,15)

2.f. Changes and Errors in Accounting Policies

Changes are made in accounting policies, if they are necessary or if they have the nature which would result in a more appropriate and reliable presentation of the effects of transactions and events on the Company's financial position, performance or cash flows in the financial statements. If the changes in accounting policies affect the previous periods, the policy is applied also retrospectively in the financial statements as if it were always in use.

In the current period, there has been no significant change in the accounting policies of the Company except for the impact of TFRS 9 Financial Instruments standard.

TFRS 9 Financial Instruments

The Company has begun to apply TFRS 9 Financial Instruments Standard as of January 1st, 2018. TFRS 9 is applied retrospectively as of the effective date. The Company has applied this standard retrospectively, but by choosing the simplified application in accordance with the application exemption thereof. In other words, the Company has applied the standard by choosing the approach of presenting the previous period's effect of the transition to the new application to the retained earnings as a record of the change without need for presenting the balance sheets of three periods which contain the opening balance sheets of the current period in which the application has been made, the previous period and the period before that pursuant to TAS 8. The impact of the new accounting policies and the adjustment entries arising from the transition is summarized hereunder:

The total impact on the retained earnings of the Company due to the classification and measurement of financial instruments is as follows:

Opening of Previous Period Losses - TAS 39	**(13.749.526)**
Increase in provision for doubtful receivable of trade receivables (-)	(118.113)
Deferred tax effect	25.985
Adjustment in previous years' profits with TFRS 9	(92.128)
Opening of Previous Period Losses – TFRS 9	**(13.841.654)**

The Company has evaluated the management models which are applicable for financial assets at the date of the first application of TFRS 9 (January 1st, 2018) and has classified its financial instruments according to the appropriate TFRS 9 categories. The classification and measurement effect arising from this new reclassification has realized upon cancellation of such measurement exception of assets, which are not traded on the stock exchange and of which the fair value cannot be measured reliably and therefore, which are permitted to be carried at cost in accordance with TAS 39, pursuant to TFRS 9 as well as upon measurement of fair values of these assets by valuation techniques. Apart from this, the measurement and classification of financial assets have not changed.

In addition, the Company has applied the TFRS 7 Financial Instruments: Disclosures standard in 2018 and for the comparative periods. TFRS 9 has introduced new conditions for the followings:

1) Classification and measurement of financial assets and liabilities.
2) Impairment of financial assets.
3) General hedge accounting.

The details of these new conditions and their impact on the financial statements of the Company are explained below.

The Company has applied TFRS 9 in accordance with the provisions regarding transition stipulated in TFRS 9.

TFRS 9 regulates the provisions regarding recognition and measurement of financial assets and financial liabilities. This standard supersedes the TAS 39 Financial Instruments: Recognition and Measurement standard.

The details of new significant accounting policies as well as the impact and nature of changes in previous accounting policies are specified hereunder.

i) Classification and Measurement of Financial Assets and Financial Liabilities

TFRS 9 substantially protects the provisions of TAS 39 with respect to classification and measurement of financial liabilities. However, the previous TAS 39 classification categories have been abrogated for financial assets, loans and receivables held to maturity as well as available-for-sale financial assets.

The application of TFRS 9 has not had a significant impact on the Company's accounting policies related to its financial liabilities and derivative financial instruments. The impact of TFRS 9 on the classification and measurement of financial assets is specified hereunder.

According to TFRS 9, at initial recognition of a financial asset in financial statements, it is classified as measured at amortized cost, measured at fair value through other comprehensive income (debt instruments), measured at fair value through other comprehensive income (equity instruments) or measured at fair value through profit or loss.

The classification of financial assets in accordance with IFRS 9 is generally based on the business model used by the entity for the management of financial assets and the contractual cash flows characteristics of the financial asset.

Assets Measured at Amortized Cost

A financial asset is measured at amortized cost, if both the following conditions are met and it is not classified as Fair Value Through Profit or Loss:

1. The financial asset is held within a business model whose objective is to collect contractual cash flows;
and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Assets Measured at Fair Value Through Other Comprehensive Income

A debt instrument is measured at Fair Value Through Other Comprehensive Income, if both the following conditions are met and it is not classified as Fair Value Through Profit or Loss:

1. The financial asset is held within a business model whose objective is to collect contractual cash flows and to sell the financials and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of the investments in equity instruments, which are not held for trading, in financial statements, it is possible to make an irrevocable election to present the subsequent changes in fair value in other comprehensive income.

Assets Measured at Fair Value Through Profit or Loss

All of the financial assets, which are not measured at amortized cost or at fair value through other comprehensive income as mentioned above, are measured at fair value through profit or loss. These include all derivative financial assets as well. At initial recognition of the financial assets in financial statements, a financial asset can be irrevocably designated as fair value through profit or loss on condition that any accounting mismatch which would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases is removed or significantly reduced.

At initial measurement of financial assets other than those measured at fair value through profit or loss (except for trade receivables measured at the transaction cost and not having an important financing component at initial recognition thereof), the transaction costs directly attributable to the acquisition or issuance thereof are also measured by being added to the fair value.

The following accounting policies apply to subsequent measurement of financial assets.

Financial assets measured at fair value through profit/loss	These assets are measured at fair value in their subsequent measurements. Net gains or losses related thereto, including any interest or dividend income, are recognized in profit or loss.
Financial assets measured at amortized cost	These assets are measured at amortized cost using the effective interest method in their subsequent measurements. Their amortized costs are reduced by the amount of impairment losses, if any. Interest incomes, foreign currency gains and losses and impairment losses are recognized in profit or loss. Gains or losses arising from derecognition thereof from the statement of financial position are recognized in profit or loss.
Debt instruments measured at fair value through other comprehensive income	These assets are measured at fair value in subsequent periods. Interest incomes, foreign currency gains and losses and impairment losses calculated using the effective interest method are recognized in profit or loss. Other gains and losses are recognized in other comprehensive income. When financial assets are excluded from the statement of financial position, the gains or losses recognized in other comprehensive income previously are reclassified to profit or loss.
Equity instruments measured at fair value through other comprehensive income	These assets are measured at fair value in subsequent periods. Dividends are recognized in profit or loss unless it is expressly intended to recover part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and cannot be reclassified to profit or loss.

DESA DERİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE FINANCIAL STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD ENDING ON DECEMBER 31ST, 2018
(ALL AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

The effect of the application of TFRS 9 on the carrying values of financial assets as of January 1st, 2018 stems only from the new provisions regarding impairment as explained hereunder in more detail. The following table and accompanying notes describe the original measurement categories under TAS 39 and the categories of new measurement made according to TFRS 9 for each class of the Company's financial assets at January 1st, 2018.

Financial Assets	Original classification as per TAS 39	New classification as per TFRS 9	Original carrying value as per TAS 39	New carrying value as per TFRS 9
Cash and cash equivalents	Credit and receivables	Amortized cost	320.860	308.114
Trade and Other Receivables	Credit and receivables	Amortized cost	26.994.692	26.876.579
Financial Investments	Credit and receivables	Assets measured at fair value through profit/loss	18.167.659	18.167.659
Total Financial Assets			**45.483.211**	**45.352.352**

Financial Assets	Original classification as per TAS 39	New classification as per TFRS 9	Original carrying value as per TAS 39	New carrying value as per TFRS 9
Loans	Credit and receivables	Amortized cost	64.867.836	64.867.836
Derivative Instruments	Credit and receivables	Assets Measured at Fair Value Through Other Comprehensive Income	1.698.296	1.698.296
Total Financial Liabilities		**66.566.132**	**66.566.132**	

ii. Impairment of Financial Assets

Upon implementation of TFRS 9, "Expected Credit Loss" (ECL) model has superseded "Incurred Loss" model in TAS 39. The new impairment model is applicable to financial assets measured at amortized cost, contractual assets and Debt instruments measured at fair value through other comprehensive income, but not applied for investments in equity instruments.

Financial assets measured at amortized cost consist of trade receivables, cash and cash equivalents and private sector debt instruments.

Under TFRS 9, provisions for loss are measured by any of the following:
- 12-month ECLs: are the part which represents the expected credit losses that result from possible default event within 12 months after the reporting date.
- Lifetime ECLs: are the expected credit losses that result from all possible default events over the expected life of the financial instrument

In determining whether the credit risk of a financial asset has increased substantially since the initial recognition thereof and in estimating its ECLs, the Company considers reasonable and supportable information that is relevant to the estimation of expected credit losses, including the effects of expected prepayments, and that may be obtained without incurring excessive costs or efforts. This information includes quantitative and qualitative information and analysis basing on the Company's past credit loss experience and containing prospective information. The Company assumes that the credit risk on a financial asset is significantly increased if it is 30 days past due.

The Company considers a financial asset as in default, if:
- the debtor does not fully fulfill its credit obligation without resorting to any transactions such as the use of collateral (if any) by the Company or
- the financial instrument is 90 days past due.

In order to determine whether a financial instrument has a low credit risk, the entity may use internal credit risk ratings or other methodologies that are consistent with a globally accepted definition of low credit risk and take into account the type and risks of the evaluated financial instruments. An external rating in form of "Investment score" may indicate that the financial instrument has a low credit risk.

Measurement of ECLs

ECLs are a weighted estimate of the probability of credit losses over the expected life of the financial instrument. In another saying, it is the credit losses that are measured at the present value of all cash deficits (for example, the difference between the cash inflows to the entity and the cash flows that the entity expects to deserve).

The cash deficit is the difference between the cash flows required to be made to and the cash flows expected to be received by the entity. Since the amount and the timing of the payments are considered in expected credit losses, a credit loss takes place, even if the entity expects to receive the full payment later than the maturity specified in the contract. ECLs are discounted at the effective interest rate of the financial asset.

DESA DERİ SANAYİ VE TİCARET A.Ş.
NOTES TO THE FINANCIAL STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD ENDING ON DECEMBER 31ST, 2018
(ALL AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

Credit impairment of financial assets

At the end of each reporting period, the Company evaluates whether the financial assets measured at amortized cost and the debt instruments measured at fair value through other comprehensive income are impaired. When one or more events that adversely affect the future cash flows of a financial asset take place, the financial asset is impaired.

Presentation of Impairment

The provisions for losses in connection with the financial assets measured at amortized cost are deducted from the gross carrying value of the assets.

The provisions for losses in connection with the debt instruments measured at fair value through other comprehensive income is reflected in the other comprehensive income instead of decreasing the carrying value of the financial asset in the statement of financial position.

Impairment losses related to trade and other receivables, including the contractual assets, are presented separately in the statement of profit or loss.

Impairment losses on other financial assets are presented under "the financing costs" in a manner similar to the presentation in TAS 39 and are not shown separately in the statement of profit or loss, taking into account their significance.

Effect of new impairment model

Impairment losses are expected to increase and become more variable for the assets under the TFRS 9 impairment model. Transition to TFRS 9 has no material impact on retained earnings/losses. As of December 31st, 2018, the expected credit loss amounts to TL 12,746 (Note 42).

TFRS 15 Revenue from Contracts with Customers

TFRS 15 Revenue from Contracts with Customers standard provides a single and comprehensive model and guide for recognition of revenue and superseded TAS 18 Revenue standard. The standard has entered into force on January 1st, 2018 and it has no material impact on the financial statements of the Company.

2.g. Changes and Errors in Accounting Estimates

Accounting estimates are made basing on reliable information and reasonable estimation methods. However, estimates are revised as a result of changes in circumstances under which the estimation has been made, obtaining new information or emergence of additional developments. If the impact of the change in accounting estimate is related to only one period, it is reflected in the financial statements in the current period in which the change is made, if it is related to the future periods, both in the period in which the change is made and in the future periods, for being considered in determining the period profit or loss prospectively.

The nature and amount of a change in the accounting estimate which has an impact on the outcome of the current period or is expected to have an impact on the subsequent periods is disclosed in financial statements except for the cases in which the effect of future periods' impact cannot be estimated. There is no change in the accounting estimates expected to have an impact on the results of operations in the current period.

2.h. New and Amended Standards and Interpretations

The Company has applied only those having impact on its financial statements among the amendments in and interpretations of new and revised TASs/TRFRs issued by Turkish Accounting Standards Board (TASB) and TASB's Turkish Financial Reporting Interpretations Committee (TFRIC) in the current year and valid for the periods of the year beginning on January 1st, 2018.

i) Summary information regarding standards, amendments, interpretations and principle resolutions effective from January 1st , 2018

TFRS 9 Financial Instruments
In January 2017, the POA has issued TFRS 9 Financial Instruments standard in its final form. TFRS 9 brings together three aspects of the financial instrument recognition project: classification and measurement, impairment and hedge accounting. TFRS 9 is based on a rational, single classification and measurement approach that reflects the business model in which financial assets are managed and cash flow characteristics. Thereupon, a single model that can be applied to all financial instruments subject to impairment accounting has been established by means of a prospective "expected credit loss" model which will allow for more timely recognition of credit losses. In addition, TFRS 9 addresses the issues called "own credit risk that results in the fact that banks and other entities recognize their financial debts in the statement of profit or loss as revenue due to the decrease in the fair value of the financial liability based on decline in their credit worthiness when they choose the option to measure their financial debts at fair value. The standard also includes a hedging model developed to better associate the risk management economy with accounting practices. TFRS 9 is effective for annual periods beginning on or after January 1st, 2018, and earlier adoption of all requirements of the standard is permitted. Alternatively, entities may choose to apply earlier only the provisions regarding presentation of gains or losses pertaining to the financial liabilities that are designated as "fair value through profit or loss" without applying other requirements stipulated in the standard. The impacts of said amendment on the financial position and performance of the Company have been reflected in the financial statements.

TFRS 15 - Revenue from Contracts with Customers
In September 2016, the POA has issued TFRS 15 Revenue from Contracts with Customers standard. This standard also includes the amendments made by the IASB to clarify IFRS 15 in April 2016. The new five-step model in the standard describes the requirements in connection with recognition and measurement of revenue. The standard constitutes the model, which would be applied to the revenue from contracts with customers, for the recognition and measurement of the sale of certain non-financial assets (e.g. tangible asset sales) that are not related to the ordinary operations of an entity.

TFRS 15 is effective for annual periods beginning on or after January 1st, 2018. Earlier application is permitted. Two alternative applications have been offered for transition to TFRS 15; full retrospective application or modified retrospective application. When modified retrospective application is preferred, previous periods will not be restated but comparative numerical information will be provided in the footnotes of the financial statements. The impacts of said amendment on the financial position and performance of the Company is evaluated.

TFRS 4 Insurance Contracts (Amendments)
In December 2017, the POA has issued amendments to TFRS 4 "Insurance Contracts" standard. The amendment to TFRS 4 offers two different approaches: "overlay approach" and "deferral approach". The amendments will be effective for annual periods beginning on or after January 1st, 2018. Earlier application is permitted. The standard is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration
This interpretation issued by POA on December 19th, 2017 clarifies recognition of transactions that include the receipt or payment of advance consideration in a foreign currency. This Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which a company initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. A company is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.The interpretation is to be applied for annual reporting periods beginning on or after January 1st, 2018. Earlier application is permitted. The impacts of said amendments on the financial position and performance of the Company is evaluated.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
In December 2017 the POA has issued amendments to "TFRS 2 Share-based Payment" standard. The amendments clarify how to recognize the certain types of share-based payment transactions. The amendments cover the recognition of the followings;
a. the effects of vesting conditions on the measurement of cash-settled share-based payments,
b. share-based payment transactions with a net settlement feature for withholding tax obligations,
c. the terms and conditions of a share-based payment that changes the classification of the transaction from cash settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after January 1st, 2018. Earlier application is permitted. The amendment is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

TAS 40 Investment Properties
Transfers of Investment Properties (Amendments) : In December 2017 the POA has issued amendments to "TAS 40 Investment Properties" standard. The amendments have state that a change in intended use occurs when the property meets, or ceases to meet, the definition of "investment property" and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1st, 2018. Earlier application is permitted. The amendment is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments
In December 2017, the POA postponed the effective date of this amendments to TFRS 10 and TAS 28 indefinitely pending the outcome of its research project on the equity method of accounting. However, early application thereof is still permitted.

Annual Improvements - 2014-2016 Cycle
The POA has issued Annual Improvements to TFRS Standards 2014-2016 cycle by amending the following standards:

TFRS 1 "First-time Adoption of International Financial Reporting Standards" (Amendment)

It has abolished some TFRS 7 disclosures, TMS 19 transitional provisions and the short-term exceptions of TFRS 10 Investment Entities. The amendment is effective for annual periods beginning on or after January 1st, 2018.

TAS 28 "Investments in Associates and Joint Ventures" (Amendment)
The amendment clarifies that if the investment in an associate or joint venture is held indirectly through or directly by a venture capital organization or similar enterprises, the choice of the entity to measure its investments in the associate and the joint venture at fair value through profit or loss in accordance with TFRS 9 Financial Instruments standard is valid at the time of initial recognition of each associate or joint venture. The amendment is effective for annual periods beginning on or after January 1st, 2018. Earlier application is permitted. The potential impact of the implementation of the above mentioned standards on the financial statements in the following periods is evaluated.

ii) Standards and amendments issued but not yet effective and not adopted earlier as of December 31st, 2018

New standards, interpretations and amendments that have been issued, but have not yet been effective for the current reporting period and have not been adopted earlier by the Company as of the approval date of the year-end financial statements are as follows. Unless otherwise stated, the Company will make the necessary changes which would affect its financial statements and footnotes, after the new standards and interpretations become effective.

TFRS 16 Leases
The POA has published "TFRS 16 Leases" standard in April 2018. The new standard requires inclusion of most leases into the balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. For lessor companies, the recognition has not changed substantially and the distinction between operating and financial leases continues. TFRS 16 will supersede TAS 17 and Interpretations related to TAS 17 and is effective for annual periods beginning on or after January 1st, 2019 and Earlier application is permitted. Lessees have the exception of not applying this standard to short-term leases (leases with a lease term of 12 months or less) or to leases where the underlying asset is of low value (e.g. personal computers, some office equipment, etc.). At the effective date of the lease, the lessee measures the lease liability at the present value of the

lease payments which were not paid at that date (leasing liability) and depreciates the same during the lease term also by recognizing the right-of-use asset as of the same date. If the implicit interest rate in the lease can be readily determined, lease payments are discounted using this rate. If the rate cannot be readily determined, the lessee uses its incremental borrowing rate of interest. The lessee should recognize the interest expense on the lease liability and the depreciation expense of the right-of-use asset separately. Upon occurrence of certain events, the lessee will have to recalculate the lease liability (e.g. changes in the lease term, future lease payments vary due to changes in a certain index or rate, etc.). In this case, the lessee will recognize the recalculation effect of the lease liability as an adjustment on the right-of-use asset. The Company is in the process of evaluating the impact of the standard on its financial position and performance.

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)
In December 2017, the POA has issued its amendments to TAS 28 Investments in Associates and Joint Ventures. These amendments clarify the entities applying TFRS 9 Financial Instruments standard for long-term investments in an associate or joint venture that form part of a net investment in an associate or joint venture. TFRS 9 Financial Instruments standard does not include the investments in associates and joint ventures recognized in accordance with TAS 28 Investments in Associates and Joint Ventures. With this amendment, the POA clarifies that TFRS 9 excludes only investments of which the company recognizes by using the equity method. The entity will apply TFRS 9 only to its other investments in associates and joint ventures, including long-term investments which it does not recognize by using the equity method and which are part of a net investment in respective associates and joint ventures inherently. The amendment is effective for annual periods beginning on or after January 1st, 2019. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments
In December 2017, the POA postponed the effective date of this amendments to TFRS 10 and TAS 28 indefinitely pending the outcome of its research project on the equity method of accounting. However, early application thereof is still permitted. The Company will evaluate the impacts of these amendments after the standards are finalized.

TFRIC 23 Uncertainties on Income Tax Procedures
The interpretation clarifies how accounting and measurement requirements in "TAS 12 Income Taxes" will be applied, if there are uncertainties about income tax transactions. In case of uncertainty about income tax transactions, the interpretation addresses:
(a) whether the entity evaluates uncertain tax transactions separately;
(b) the assumptions made by the entity regarding the examination of the entity's tax transactions by tax authorities;
(c) how the entity determines its taxable income (tax loss), tax base, unused tax losses, unused tax deductions and tax rates; and
(d) how an entity evaluates the changes in information and conditions.
The interpretation is effective for annual periods beginning on or after January 1st, 2019. Earlier application is permitted. In the case of earlier adoption of this interpretation, the entity will make statement regarding earlier adoption thereof. In the first-time adoption, the entity may apply this interpretation retrospectively, in accordance with IAS 8, or retrospectively by recognizing the cumulative effect at the date of first-time adoption as an adjustment to the opening balance of the retained earnings/losses (or, If appropriate, another element of the equity item). The impact of the amendments on financial position or performance of the Company is evaluated.

Amendments to TFRS 9 – Prepayment Features with Negative Compensation
The requirements of TFRS 9 have been amended by the POA in December 2017 in order to clarify the recognition of financial instruments. Financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income, if they meet other relevant requirements of TFRS 9. According to TFRS 9, the financial assets containing a prepayment option that requires "a reasonable additional compensation" which reflects the amount of unpaid principal and interest amount substantially when the contract related thereto is terminated prematurely, meet the criteria. This amendment is effective for annual periods beginning on or after January 1st, 2019. Earlier application is permitted. The Company is in the process of evaluating the potential impacts of the adoption of IFRS 9 amendment on its financial statements.

Conceptual Framework (revised)
Revised Conceptual Framework has been issued by the IASB on March 28th, 2018. The Conceptual Framework introduces the basic framework which will provide guidance to the IASB for financial reporting when developing new IFRSs. The Conceptual Framework helps to ensure that standards are conceptually consistent and that similar transactions are handled in the same way and thus, provides useful information for investors, lenders and other creditors. The Conceptual Framework helps the companies to develop accounting policies when an IFRS is not applicable for a particular transaction and, the stakeholders to understand and interpret these standards more broadly. Revised Conceptual Framework is more comprehensive than its previous version and intends to provide the IASB with all the necessary tools for the establishment of standards. Revised Conceptual Framework covers all aspects of establishing a standard from the purpose of financial reporting to presentation and disclosure. Revised Conceptual Framework will be effective for companies using the Conceptual Framework to develop accounting policies when a IFRS is not applicable for a particular transaction, as from annual periods beginning on or after January 1st, 2020 with earlies adoption permitted. The Company is in the process of evaluating the impacts of the amendment on its financial position or performance.

Annual Improvements - 2015-2017 Cycle
The IASB has issued "IASB Annual Improvements, 2015-2017 Cycle" in December 2017.
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Amendments to IFRS 3 clarify that if a company acquires the control of the entity that it has recognized as a joint operation, it must recalculate its shares it held in said entity before acquiring such control. The amendments to IFRS 11 clarify that if a company acquires the control of the entity that it has recognized as a joint operation, there is no need for the company to recalculate its shares it held in said entity before acquiring such control.
- IAS 12 Income Taxes - Amendments clarify that all income tax effects on dividends (dividend distribution) should be recognized in profit or loss, regardless of how taxes are imposed.
- IAS 23 Borrowing Costs - Amendments clarify that if there are unpaid special borrowings after the asset is ready for its intended use or sale, the respective liability becomes a part of the funds borrowed by the company when determining the capitalization rate of the general borrowing.

The amendment is effective for annual periods beginning on or after January 1st, 2019. Earlier application is permitted. The Company is in the process of evaluating the impacts of the amendment on its financial position or performance.

Plan Amendment, Curtailment and Settlement (Amendments to IAS 19)
In February 2018, the IASB has issued IAS 19 Amendments "Plan Amendment, Curtailment and Settlement" in order to align accounting practices with each other and provide further information on the issue in the decision-making process. The amendment requires the calculation of service cost and net interest cost, using the current actuarial assumptions, for the rest of the annual accounting period after plan amendment, curtailment and settlement has taken place. The amendments will be effective for annual periods beginning on or after January 1ST, 2019. Earlier application is permitted. In the event of earlier adoption of such amendments, the entity will disclose earlier adoption. The Company is in the process of evaluating the impacts of these amendments on its financial position or performance.

Prepayment Features with Negative Compensation (Amendment to IFRS 9)
In October 2017, the IASB has issued minor amendments to IFRS 9 Financial Instruments in order to allow the entity to measure some prepayable financial assets at amortized cost. The entity applying IFRS 9 measures a prepayable financial asset at fair value through profit or loss. With the application of the amendments, the entities will be able to measure the prepayable financial assets with negative compensation at amortized cost, if certain conditions are met. The amendment will be effective for annual periods beginning on or after January 1ST, 2019. Earlier application is permitted. The Company is in the process of evaluating the impacts of the amendment on its financial position or performance.

iii) New and amended standards and interpretations issued by the International Accounting Standards Board (IASB) as of December 31st, 2018 but not published by the POA

The new standards, interpretations and amendments to existing IFRS standards listed hereunder have been issued by the IASB but have not yet entered into force for the current reporting period. However, these new standards, interpretations and amendments have not yet been adopted to TFRS / published by the POA and are therefore not a part of TFRS. The Company will make the necessary amendments to its financial statements and footnotes after these standards and interpretations enter into force under TFRS.

FRS 17 - New Insurance Contracts Standard
The IASB has issued IFRS 17, a comprehensive new accounting standard which covers recognition and measurement, presentation and disclosure for insurance contracts. IFRS 17 introduces a model which ensures that the liabilities arising from insurance contracts are measured at the current balance sheet values and recognition of profit during the period in which the services are provided as well. IFRS 17 will be applied for annual periods beginning on or after January 1st, 2021. Earlier application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Definition of a Business (Amendments to IFRS 3)
In October 2018, the IASB has issued amendments in definition of a business mentioned in IFRS 3 "Business Combinations". The purpose of this amendment is to help to determine whether an entity will be recognized as a business combination or as an asset acquisition. The amendments are as follows: - Clarification of minimum requirements for the entity; - Removal of the assessment of the completion of missing inputs by market participants; - Addition of an application guide to help entities assess whether the acquisition process is substantive; - Narrowing the definitions of a business and of outputs; and – Issuance of an optional fair value concentration test. The amendment will be effective for annual periods beginning on or after January 1st, 2020. Earlier application is permitted.

Amendments to IAS 1 and IAS 8 - Definition of Material
In October 2018, the IASB issued the amendment to "Definition of Material" (Amendments to IAS 1 and IAS 8). The amendments provide guidance to help to clarify the definition of "material", to determine the materiality threshold, and to improve consistency in the implementation of the materiality concept in terms of IFRSs. The amendments to IAS 1 and IAS 8 are effective for annual periods beginning on or after January 1st, 2020 with earlier application permitted.
The application of IAS 1 and IAS 8 is not expected to have a significant impact on the Company's financial statements.

2.i. Summary of Significant Accounting Policies

The significant accounting policies applied during the preparation of the accompanying financial statements are as follows:

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and time deposits with maturities less than three months. Cash and cash equivalents are short-term highly liquid assets which are readily convertible to cash, have maturities not more than three months and have no risk of value loss.

Cash and cash equivalents have been at total of the acquisition costs and the accrued interests. Bank balances denominated in foreign currencies have been translated at year-end exchange rates. (Note: 41)

Trade Receivables

The Company-induced trade receivables which are created by providing goods or services directly to a debtor have been valued at discounted cost using the effective interest method. Short-term trade receivables with no stated interest rate have been valued at original invoice amount, if the effect of interest accrual is insignificant. (Note: 7)

A risk provision for trade receivables is established, if there is a situation which indicates that the Company will not be able to collect all amounts due. The amount of this provision is the difference between the carrying value of the receivable and the recoverable amount. The recoverable amount is the value of all cash flows, including amounts recoverable from guarantees and collaterals, discounted based on the original effective interest rate of the trade receivable. (Note: 7)

If the amount of impairment decreases due to a situation that occurs after the write-down, the mentioned amount is reflected in the other incomes in the current period.

Trade payables

Trade and other payables are presented in records at discounted cost value representing the fair value of the invoiced or uninvoiced amount to be incurred in the future regarding the purchase of goods and services.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs, which include some of the fixed and variable production overheads, are valued in accordance with the method to which the inventories are based. The Company uses the weighted moving average method in cost calculations. Net realizable value is calculated by deducting the total of the estimated costs of completion and the estimated costs required to make the sale from the estimated selling price in the ordinary course of business. When the net realizable value of the inventories falls below their costs, the inventories are reduced to their net realizable value and reflected to the income statement as an expense in the year in which the impairment occurs.

In cases where the conditions that previously caused the inventories to be reduced to net realizable value have become invalid or it has been proved that there is an increase in the net realizable value due to changing economic conditions, the provision for impairment is canceled. The amount canceled is limited to the amount of the impairment reserved previously. (Note 10)

Tangible Assets

Tangible assets are reported in the financial statements with their values determined after deduction of the accumulated depreciation and permanent impairment, if any, at their adjusted acquisition costs expressed in terms of purchasing power of TL on December 31st, 2004 for the items acquired before January 1st, 2005 and at their acquisition costs for the items acquired after January 1st, 2005. Depreciation is calculated at inflation-adjusted amounts in accordance with the straight-line depreciation method that reflects the economic useful lives of the tangible assets mentioned hereunder. Lands have not been depreciated since their economic useful lives are considered infinite.

The estimated useful lives of such assets are as follows:

	Depreciation Time
Buildings	40 years
Machinery & Equipment	5-10 years
Fixtures	5-10 years
Transport Vehicles	5-10 years
Leasehold improvements	5-10 years

If the carrying value of an asset is higher than the recoverable amount thereof, its carrying value is reduced to its recoverable amount. The recoverable amount is the higher of the asset's net selling price or value in use. Net selling price is determined by deducting the costs to be incurred in order to realize the sale from the fair value of the asset. Value in use is determined by adding residual values to estimated amounts of cash flows expected to be obtained in the future as of the balance sheet date by continuing to use the related asset.

Profit or loss on disposals of tangible assets are determined by comparing the adjusted amounts and the amounts collected and reflected to the related income and expense accounts in the current period. Maintenance and repair expenses of tangible assets are normally recognized as expense. However, in exceptional cases, if maintenance and repair results in expansion or substantial improvement in assets, such costs can be capitalized and depreciated over the remaining useful life of the related asset. (Note: 14)

Intangible Assets

Intangible assets comprise acquired information systems, concession rights, computer software and development costs. Intangible assets are recognized at their acquisition costs and depreciated by using the straight-line method over their estimated useful lives for a period not exceeding 15 years from the date of acquisition. There is no depreciation for the brands due to their unlimited lives. In case of impairment, the carrying value of the intangible assets is reduced to their recoverable amount. (Note: 15)

a) Research and Development Expenses

Research expenses are recognized as expense in the period in which they are incurred. Development costs are recognized as intangible assets resulting from development (or from the development stage of a project carried out within the entity), all of the following conditions are met;

- Completion of the intangible asset in order to be ready for use or sale is technically feasible;
- The entity intends to complete the intangible asset and use or sell such asset;
- There is possibility for using or selling intangible asset;
- How the intangible asset is likely to generate future economic benefit is certain;
- Sufficient technical, financial and other resources are available to complete the development phase and to use or sell the intangible asset; and
- Expenses on intangible assets in the development process are measurable reliably.

Otherwise, development expenses are recognized as expense as they are incurred. In projects where it is difficult to separate the research and development stages, the relevant project is considered at the research stage and recognized as expense as incurred.

b) Rights and Other Intangible Assets

Rights and other intangible assets comprise acquired information systems, information system development costs, purchased technology

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and other identifiable rights. Rights and other intangible assets are recognized at their acquisition costs and amortized on a straight-line basis over their estimated useful lives not exceeding five years.

The depreciation periods of such assets determined according to their estimated useful lives are as follows:

	Depreciation Periods
Rights	3-5-13 years
Other Intangible Assets	3-5-13-24 years

Fixed Assets Held for Sale and Discontinued Operations

Fixed assets held for sale are classified as fixed assets held for sale and amortization is discontinued, if their carrying values are recovered as a result of a sales transaction, not by use. Fixed assets held for sale are valued at the lower of their carrying value and fair value less costs to sell.

Income and expenses arising from discontinued operations are classified separately in the comprehensive income statement.

Investment Properties

The land or the building or any part of the building or both which is held (by its owner or lessee named in lease contract) for the purpose of being used in production or supply of goods and services or for administrative purposes or for the purpose of earning rental income or value increase gain or both during the normal course of business instead of being sold are classified as investment properties.

An investment property is recognized as an asset, if it is probable that the future economic benefits associated with the property will be provided for the entity and the cost of the investment property can be reliably measured.

The Company has changed its accounting policy related with its buildings held for investment and has adopted the fair value method. Differences arising from the fair value method have been recognized in profit / (loss) statement under investment properties appreciation adjustment under the income from investment activities account group.

Borrowing Costs

The Company reflects the borrowing costs to the profit / loss statement as finance cost over the loan period. Financing cost arising from loans is recognized in profit/loss statement when they occur. Borrowing costs directly attributable to acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the qualifying asset, if they can be measured reliably and are likely to provide future economic benefits to the entity. Borrowing costs directly attributable to acquisition, construction or production of a qualifying asset are the borrowing costs that will not arise if the expenditure associated with a qualifying asset has not been made.

If an entity is borrowed particularly for the purpose of acquiring a qualifying asset, then the borrowing cost to be capitalized is determined by deducting the incomes from temporary accretion of these funds from the borrowing costs incurred for such borrowing during the relevant period. In cases where some of the funds borrowed by an entity as a general purpose are used for the financing of a qualifying asset, the amount of borrowing costs that can be capitalized is determined with the help of an activation ratio to be applied to the expenses related to the asset. This capitalization rate is the weighted average of the borrowing costs of all current liabilities of the entity during the relevant period, excluding borrowings made for the purchase of qualifying assets. The amount of borrowing costs capitalized over a period may not exceed the amount of borrowing costs incurred during the relevant period.

When all transactions necessary to make an asset ready for its intended use or sale are completed virtually, capitalization of borrowing costs is ceased. In cases where the construction of a qualifying asset is completed in parts and each part can be used while other parts are under construction, the capitalization of the borrowing costs related to the respective part is ceased upon the virtually completion of all transactions necessary for the preparation of a particular part for the intended use or sale.

Financial Instruments

(i) Financial Assets

The Company recognizes its financial assets in three categories as financial assets recognized at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income. The classification is based on the business model and expected cash flows, which are determined according to the purpose of benefiting from financial assets. The Company makes the classification of its financial assets on the date when they are purchased.

Financial Assets Recognized at Amortized Cost

The financial assets that are not traded in an active market and non-derivative financial assets, which include fixed or certain payments and for which the business model based on collection of contractual cash flows is adopted, the terms of the contract only include payments of principal and interest arising from principal balance on certain dates are classified as assets recognized at amortized cost value. Assets recognized at amortized cost include "trade receivables" and "cash and cash equivalents" items in the statement of financial position. Since the trade receivables recognized at amortized cost in the financial statements do not contain a significant financing component, the Company has chosen the simplified application for impairment calculations. Accordingly, in cases where the trade receivables are not impaired due to certain reasons, the Company measures the expected credit loss provision from an amount equal to the lifetime expected credit losses and considers past credit loss experiences and future estimates in its calculations.

Financial Assets Recognized at Fair Value Through Profit or Loss

The assets, for which the Company has adopted the business model based on collection of contractual cash flows and / or on sell, are classified as assets recognized at fair value.

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Impairment of Financial Assets

Impairment on financial assets and contractual assets is calculated with "expected credit loss" model. Impairment model is applied for financial assets and contractual assets amortized at cost. "Simplified approach" is applied within the scope of impairment calculations of trade receivables, which are recognized at amortized cost in the financial statements and which do not include a significant financing component (with a maturity less than one year). According this approach, in cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured from an amount equal to "lifetime expected credit losses".

ii) Financial Liabilities

Financial liabilities are measured at fair value at initial recognition. The transaction costs directly attributable to assuming the related financial liability are also added to the said fair value.

(iii) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at their fair value as of the date of entry into force of the related derivative contract and are valued at their fair value also for the following periods. Derivative financial instruments are classified as assets, if their fair values are positive and as liabilities, if their fair values are negative. The method of recognizing for gains and losses related to derivative financial instruments varies depending on whether the derivative financial instrument is hedged or not and on the type of hedged instrument. At the transaction date, the Company associates the relationship between the hedging instrument and the hedged item together with the Company's risk management objectives and strategies for hedging transactions. In addition, the Company also regularly evaluates that the derivative transactions used for hedging can effectively offset the changes in the fair value or cash flows of the hedged item.

Derivative Financial Instruments for Trading
The Company's derivative financial instruments for trading consist of forward foreign currency purchase and sales contracts. While these derivative financial instruments provide effective protection against risks for the Company economically, they are generally recognized as derivative financial instruments for trading in financial statements since they do not meet the requirements for risk accounting. All gains and losses arising from changes in the fair value of such derivative financial instruments are recognized as financial income / expense in the income statement.

Cash Flow Hedging
The effective portion of the changes in the fair value of derivatives designated as cash flow hedges are recognized within the hedging fund in equity. Income and expenses related to the ineffective portion are immediately classified as financial income / expense and recognized in the statement of comprehensive income. The amounts accumulated in the hedging fund are associated with the income statement in the periods when the hedged items affect the income statement (e.g. realization of estimated cash flows that are hedged). In case that cash flow hedge accounting cannot be continued due to the expiration, realization or sale of the hedging instrument or effectiveness test related thereto fails, the amounts recognized under equity are transferred to the profit / loss accounts when the cash flows for the hedged item are realized. Based on this, some derivative contracts made by the Company have been evaluated and recognized as hedging derivative instruments since they meet the necessary conditions for risk accounting stipulated in TFRS 9.

Related Parties

Within the scope of this report, the shareholders of the Company, or its affiliates and subsidiaries in which it has indirect capital and management relations, and the entities other than its subsidiaries, the management personnel who are directly or indirectly authorized and responsible for the planning, conducting and supervising of the Company's activities, such as the members of the board of directors of the Company, the general manager, the close family members of these persons and the companies directly or indirectly controlled by such persons, are considered as related parties. As of December 31st, 2018, related parties of the Company are as follows;

Name & Surname – Title of Related Parties	Relation
Çelet Holding A.Ş.	Shareholder
Melih Çelet	Shareholder – Board Member
Nihal Çelet	Shareholder
Burak Çelet	Shareholder - Board Member
Burcu Özden	Shareholder
İlgin Özden	Shareholder
Geza Ümit Erwin	Shareholder
Burçak Çelet	Board Member
Muvaffak Batur	Board Member - Independent
Numan Emre Bilge	Board Member - Independent
GSD Holding A.Ş.	Affiliated Company
Marfar Deri San. ve Tic. Ltd. Şti.	Affiliated Company
Samsonite Seyahat Ürünleri A.Ş	Affiliated Company
Leather Fashion Limited	Subsidiary
Desa International Ltd.	Subsidiary
Desa SMS Ltd.	Subsidiary
Desa International (UK) Ltd.	Subsidiary
Desa Deutschland GMBH	Subsidiary
Leather Fashion Bulgaria EOOD	Subsidiary
Desa Nineteenseventytwo SRL Italy	Subsidiary
Adesa Mağ. Teks. ve Der. San. Tic.A.Ş.	Melih Çelet-Shareholder & Board Member
Sedesa Deri San. ve Dış Tic. Ltd.Şti.	Melih Çelet-Old Shareholder & Old Manager
Serga Deri Mam.San.ve Tic. A.Ş.	Melih Çelet- Shareholder & Board Member
Yapı Enerji Ürt. Sat. İnş.San.ve Tic. A.Ş.	Melih Çelet- Shareholder & Board Member

Bank loans
Loans are recognized at the proceeds received on loan date, net of transaction costs incurred. Loans are reported at cost value using the effective interest method, if the difference between the discounted value and the first recognized value is significant. Any difference between proceeds, net of transaction costs, and the discounted value is recognized as financing cost in the income statement over the loan period. Financing cost arising from loans is recognized in the income statement when it is incurred.

Impairment of Assets
In case of occurrence of events or changes indicating that the carrying values of assets cannot be realized, it is examined whether there is any impairment. In case of having such indications or if the carried values exceed the realizable value, the assets are reduced to their realizable value. Impairment provision expense is recognized in the income statement when the carrying value of assets exceeds the realizable value.

The amount convertible into cash is the higher of the asset's net selling price and its net carrying value in use. If the amount convertible into cash can be determined, it is estimated for each asset and if it cannot be determined, it is estimated for the cash generating unit to which the asset is included. However, the increase in the carrying value of the asset as a result of reversal of the provision for impairment is recognized on condition that it does not exceed the value to be determined if no impairment amount loss is reserved for such asset in previous periods.

Leasing Transactions

Financial Leasing Transactions

The tangible asset acquired under finance leases is capitalized at the lower of the fair value of the asset net of less the tax benefits or incentives at the beginning of the lease term or of the reduced value of the minimum lease payments at that date. Principal lease payments are reported as liabilities and reduced as they are paid. Interest payments are recognized in the income statement as expense during the financial leasing period. The tangible assets acquired under finance leases are depreciated over the useful life of the asset.

Operational Leasing Transactions

Leases contracts where the lessor owns all the risks and benefits of the property are called operational leases. The Company is a party to the operational leasing transactions both as a lessor and as a lessee. The rental amounts paid as a result of the operational leases are recognized as an expense in accordance with ordinary method during the lease term. The rental income collected as a lessor is recognized as income during the lease term.

Investment Properties

The lands and the buildings held for the purpose of being used in production of goods and services or for administrative purposes or for the purpose of earning rental income and/or capital gain or both during the normal course of business instead of being sold are classified as investment properties and these are carried at cost minus accumulated depreciation in accordance with the cost method (excluding lands). The cost of the investment property constructed by the company is carried at cost on the date of completion of the construction or improvement works. At that date, the asset becomes investment property and therefore transferred to the investment properties account.

Employee Benefits

Defined Benefit Plan

Provision for severance pays and termination indemnities is recognized based on actuarial studies in accordance with TAS 19 "Employee Benefits". Severance pay and termination indemnity liability represents the value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees in accordance with the Turkish Labor Law or the termination of the employment contract due to reasons specified by the relevant law on the date of statement of financial position. The Company calculates and recognizes severance pays and termination indemnities by basing on information arising from Company's own experience regarding resignation of personnel or termination of their employment as well as estimating recognition of entitled benefits at reduced net value.

Defined Contribution Plans

The Company pays social security premiums to the Social Security Institution mandatorily. The Group has no other liability as long as it pays these premiums. These premiums are reflected to personnel expenses in the period they accrue.

Revenues

In recognition of revenue, the Company has begun to use the following five-step model in accordance with TFRS 15 "Revenue from contracts with customers".

- Identification of contracts entered into with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in contracts
- Allocation of transaction price to performance obligations
- Recognition of revenue

The Company recognizes a contract entered into with the customer as revenue only if all of the following conditions are met:

a) The parties to the contract have approved the contract (in accordance with written, oral or other commercial practices) and undertakes to fulfil their own obligations,

b) The Company can identify the rights of each party related to the goods or services to be transferred,

c) The Company can identify the payment terms for the goods or services to be transferred,

d) The contract has commercial substance;

e) It is probable that the Company will collect the consideration to which it is entitled for the goods or services to be transferred to the customer. When assessing whether the collectability of a consideration is probable or not, the Company considers only the client's ability and intend to make payment at the due date. The consideration, which the Company will be entitled to collect, may be lower than the price specified in the contract, as it offers a price advantage to its customer.

Revenues are recognized on an accrual basis at the fair value of the consideration received or receivable on account of the reliable determination of the revenue amount and the probable economic benefits associated with the transaction. Net sales have been calculated by deducting the sales returns and the sales discounts from the sales of goods.

Sale of Goods:

Revenue from the sale of goods is recognized when the following conditions are met:

- The Company transfers all significant risks and rewards in connection with the ownership to the buyer,
- The Company does not have an ongoing administrative involvement associated with the property and an effective control over the goods sold;
- The amount of revenues is measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs resulting from the transaction are measured reliably.

Service Sales:

In cases where the outcome of a transaction in connection with the provision of services can be estimated reliably, the revenue related to the transaction is reflected in the financial statements by taking the level of completion as of the balance sheet date into consideration. In the case of the existence of all of the following conditions, the results of the transaction can be estimated reliably:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will be acquired by the entity;
- The level of completion of the transaction as of the balance sheet date can be measured reliably; and
- Costs incurred for the transaction and the costs required to complete the transaction can be measured reliably.

Dividend and Interest Income:

Interest income is accrued in the related period at the effective interest rate which reduces the remaining principal amount and the estimated cash inflows from the respective financial asset during the expected life thereof to the carrying value of the said asset. Dividend income earned from equity investments is recognized when the shareholders' right to receive dividends arises. Other incomes are recognized on an accrual basis at the fair value of the consideration received or receivable upon service delivery or revenue realization, transfer of risks and benefits, reliable determination of the amount of revenue and the probable economic benefits to be transferred to the Company.

Taxes Calculated over Corporate Earnings

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

Corporation Tax

Corporate tax is calculated over the taxable portion of the period's profit. Taxable profit differs from profit reported in the income statement, since it excludes items that are taxable or deductible in following years and items that are not taxable or deductible. The Company's corporate tax liability has been calculated using tax rates that have been legalized as of the balance sheet date.

Deferred Tax

Deferred tax asset and liability is determined by calculating the impacts of the temporary differences between the amounts of assets and liabilities reported in the financial statements and the amounts based on in calculation of the statutory tax base in accordance with the balance sheet method by considering the legalized tax rates.

When calculating the deferred tax liabilities for all taxable temporary differences, the deferred tax assets consisting of deductible temporary differences are recognized on condition that it is strongly probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Such assets and liabilities are not recognized, if the temporary difference, in connection with a transaction which does not affect the commercial or financial profit/loss, arises from initial recognition of goodwill or other assets and liabilities in financial statements (other than business combinations).

Deferred tax liabilities are calculated for all taxable temporary differences associated with the investments in subsidiaries and affiliates as well as the shares in joint ventures, except for the cases where the Company is able to control the removal of temporary differences and in the near future it is unlikely that such difference will be removed. Deferred tax assets resulting from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable to benefit from such differences by earning sufficient taxable profit in near future and to remove these differences in future.

The carrying value of the deferred tax asset is reviewed at each balance sheet date. The carrying value of a deferred tax asset is reduced to the extent that it is no longer probable to earn a financial profit at a level which allows to get benefit of part or all of it. Deferred tax assets and liabilities are calculated over the tax rates (tax regulations), which have been legalized or substantially legalized as of the balance sheet date and which are expected to be valid during the period in which the assets will be realized or the liabilities will be fulfilled.

During the calculation of deferred tax assets and liabilities, the tax consequences of the methods that the Company forecasts to recover the carrying value of its assets or fulfill its liabilities as of the balance sheet date are taken into consideration.

Deferred tax assets and liabilities are set off when there is a legal right to offset current tax assets and current tax liabilities, or if the assets and liabilities are associated with the income tax collected by the same tax authority, or if the Company intends to pay off the current tax assets and liabilities by means of netting.

Corporate tax other than those associated with the items recognized directly in equity as receivable or liability (in which case deferred tax associated with these items is also recognized directly in equity) or those resulting from initial recognition of business combinations as well as deferred tax pertaining to the respective period is recognized in the statement of income as income or expense. In business combinations, the tax effect is taken into consideration in the calculation of goodwill

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or in determining the part of the acquirer's share in fair value of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary which exceeds the cost of acquisition.

Employee Benefits / Severance Pays and Termination Indemnities

Severance Pay and Termination Indemnity

The Company is obliged to pay a certain amount of severance pay or termination indemnity to the personnel who has resigned due to retirement or has been dismissed due to reasons other than resignation and misconduct after servicing for a minimum period of one year, pursuant to the applicable labor law. Such payments are calculated on the basis of 30 days' total gross wage and other benefits limited to a maximum of TL 5.434,42 (December 31st, 2017: TL 4.732,48) for each year of employment, as of December 31st, 2018.

The Company has calculated the provisions for Severance Pay and Termination Indemnity in the accompanying financial statements by using "Projection Method" and basing on the Company's experiences gained in previous years in terms of personnel's completion of service period and entitlement to retirement pay and has discounted the same by earning ratio of government bonds at the balance sheet date. All the calculated gains and losses are reflected in the income statement.

The ratios of the underlying assumptions used in the balance sheet date are as follows:

	31.12.2018	31.12.2017
Interest rate	22.39%	11.50%
Inflation rate	21,57%	9.84%
Discount rate	0,67%	1.51%

Social Security Premiums

The Company pays social security premiums to the Social Security Institution mandatorily. The Company has no other liability as long as it pays these premiums. These premiums are reported as personnel expenses in the period they are incurred.

Foreign Currency Assets and Liabilities

Foreign currency transactions are recognized at current exchange rates applicable on transaction date. The assets and liabilities recorded in foreign currency are subject to valuation on the basis of exchange rates applicable at the end of the period. Exchange differences arising from the valuation process are recognized in the income statement as foreign exchange gain or loss.

Earnings Per Share

Earnings per share disclosed in the income statement are calculated by dividing the net profit by the weighted average number of shares that have been outstanding during the year.

In case of capital increase from internal sources within the period, when calculating the weighted average of the number of shares, the new value is assumed to be valid at the beginning of the period.

The matter is discussed in TAS 33 as follows:

Ordinary shares can be issued or the number of ordinary shares outstanding can be reduced without any change in the resources. For example:

a) Capitalization or issuance of bonus shares (sometimes referred to as share dividends)

b) the existence of a bonus element in any other issue; for example, a bonus element in an issuance transaction which includes new rights to existing shareholders

c) Share split and

d) Consolidation of shares by increasing the nominal value (consolidation of shares).

In case of a capitalization or issuance of bonus shares or share split, ordinary shares are issued to existing shareholders without requiring an additional payment. Therefore, the number of ordinary shares outstanding increases without an increase in resources. The number of ordinary shares outstanding prior to the said transaction shall be adjusted in accordance with the proportional change in the number of ordinary shares outstanding, if the transaction would have been realized at the beginning of the earliest period.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

In cases where the Company has an existing liability arising from past events, outflow of resources containing economic benefits from the entity in order to meet such liability is probable and the amount of the liability can be estimated reliably, the related liability is recognized in the financial statements as provision.

Contingent liabilities are continuously valuated in order to determine whether the possibility of an outflow of resources containing economic benefits is probable. If the possibility of an outflow of resources containing economic benefits in future becomes probable for the items transacted as contingent liability, such contingent liability is recognized in the financial statements of the period in which the change in the probability arises, except for the cases where a reliable estimate is not made.

Contingent Liabilities and Assets

Transactions giving rise to commitments and contingent liabilities refer to cases of which the occurrence is dependent on the results of one or more events in the future. Therefore, some transactions are recognized as off-balance sheet items in terms of possible losses, risks or uncertainties. If an estimate is made for possible liabilities or losses that may occur in the future, these liabilities are considered as expense and debt for the Company. However, the revenues and the profits which are likely to occur in the future are reflected in the financial statements.

In cases where it is expected that all or part of the economic benefits used for the payment of the provision will be covered by third parties, the amount to be collected is recognized as an asset, if the repayment of this amount is certain and the amount is calculated reliably.

Events after Date of Statement of Financial Position

Events after the balance sheet date covers all events between the balance sheet date and the date of authorization for issuance of the balance sheet, even if they have occurred after any announcement or other selected financial information related to the period profit has been disclosed to the public. If events requiring an adjustment to the financial statements occur after balance sheet date, the Company adjusts amounts included in its financial statements accordingly.

Statement of Cash Flow

Cash flows of the period are classified and reported in the statement of cash flows on the basis of operating, investing and financing activities. Cash flows from operating activities represent cash flows from the Company's operations.

Cash flows related with investing activities represent cash flows used in and obtained from investment activities (fixed asset investments and financial investments) by the Company.

Cash flows related to financing activities represent the resources used by the Company in financing activities and the repayments of these resources. Cash and cash equivalents include cash and bank deposits as well as short-term highly liquid investments with a maturity of 3 months or less that can easily be converted into cash.

Governmental Incentives and Aids

All governmental incentives, including non-monetary governmental incentive monitored at fair value, are recognized in the financial statements when there is reasonable assurance that the conditions related thereto will be satisfied and the incentive can be obtained by the entity.

Research and development incentives are reported in the financial statements when the Company's incentive requests are approved by the competent authorities. The Company does not have any governmental incentives and aids in current and previous periods.
The governmental incentives utilized by the Company in current and previous periods are disclosed in Note 19.

3. BUSINESS COMBINATIONS

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

4. SHARES IN OTHER ENTITIES

a) Financial Investments

All of the financial investments are available-for-sale financial assets and consist of unlisted shares.

Since Desa International Limited and Leather Fashion Limited, which are subsidiaries not consolidated due to their low turnover, have lost their equity capital as of December 31st, 2018, an impairment equal to their value in assets has been calculated and reported in Financial Investments account.

	31.12.2018	31.12.2017
GSD Holding A.Ş.	38	38
Equity Security	**38**	**38**
Marfar Deri San. ve Tic. Ltd. Şti.	40.000	40.000
Associations Capital Subscription (-)	(30.000)	(30.000)
Affiliates	**10.000**	**10.000**
Leather Fashion Limited	6.871	6.871
Provisions for losses of Leather Fashion Limited (-)	(6.871)	(6.871)
Desa International Ltd.	3.100.203	3.100.203
Provisions for losses of Desa International Ltd (-)	(3.100.203)	(3.100.203)
Desa SMS Ltd.	4.689.823	4.689.823
Desa International (UK) Ltd.	2.891.695	2.891.695
Desa Deutschland GMBH	72.760	72.760
Leather Fashion Bulgaria EOOD	20.421	20.421
Desa Nineteenseventytwo SRL Italy	39.475	39.475
Subsidiaries	**7.714.174**	**7.714.174**
	7.724.212	**7.724.212**

The financial statements of Samsonite Seyahat Ürünleri A.Ş., one of the subsidiaries of the Company, as of December 31st, 2018 have been consolidated with the financial statements of the Company for the same period by using the equity method.

Other affiliates and subsidiaries are presented as financial assets at cost in the financial statements. (Note 4)

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b) Investments valued by equity method are as follows:
It is stated below as of December 31st, 2018

	Location	Share Percentage	Value a Cost	Parent company Profit/Loss share	Parent company retained and outstanding profit /loss share	Net
Samsonite Sey. Ürünleri A.Ş.	Turkey	39,99%	1.539.980	1.647.095	7.256.372	10.443.447

It is stated below as of December 31st, 2017:

	Location	Share Percentage	Value a Cost	Parent company Profit/Loss share	Parent company retained and outstanding profit /loss share	Net
Samsonite Sey. Ürünleri A.Ş.	Turkey	39,99%	1.539.980	1.950.965	5.305.407	8.796.352

Capital amount of Samsonite SeyahatÜrünleri San. ve Tic. A.Ş., affiliate of which financial statements are consolidated by the Company by the equity method is TL 3.850.000 while participation value of the company is TL 1.539.980. Balance sheet value of the affiliate valued by the equity method is TL 10.443.447. (31.12.2017: 8.796.352 TL)

Summary financial information of Samsonite SeyahatÜrünleri San.ve Tic. A.Ş. are as follows:

Samsonite Seyahat Ürünleri A.Ş	**31.12.2018**	**31.12.2017**
Total assets	44.922.095	33.880.340
Total liabilities	(18.813.139)	(11.889.176)
Net assets	26.108.956	21.991.164
Net profit / loss	4.117.791	4.877.474
Affiliate net profit/loss share (%39,99)	**1.647.095**	**1.950.965**
Profit/Loss share of investment valued by equity method	**1.647.095**	**1.950.965**

5. REPORTING BY SEGMENTS

Reporting by segments has not been made since the entity does not have a distinguishable operating segment with characteristics different from other operating segments in terms of risk and return or a distinguishable geographical segment having different risk and return characteristics.

6. RELATED PARTY DISCLOSURES

6.1. Receivables from related parties as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	**31.12.2017**
Trade Receivables	18.741.417	6.108.401
Orher Receivables	2.659.486	723.812
	21.400.903	**6.832.213**

Trade Receivables from related parties as of December 31st, 2018 and 2017 are as follows:

Related Companies and Shareholders	**31.12.2018**	**31.12.2017**
Adesa Deri	18.072.471	3.624.857
Serga Deri	155.819	188.446
Leather Fashion Bulgarıa	150.989	-
Çelet Holding	144.882	311.236
Desa International Ltd	61.620	22.574
Desa Deutschland Gmbh	59.610	1.382.535
Desa Nineteenseventytwo SRL Italy	28.423	7.000
Marfar Deri	24.358	23.504
Desa International UK	17.745	30.437
Yapı Enerji	15.735	-
Sedesa Deri	6.751	-
Desa SMS	3.014	517.812
	18.741.417	6.108.401

Other Receivables from related parties as of December 31st, 2018 and 2017 are as follows:

Related Companies and Shareholders	**31.12.2018**	**31.12.2017**
Desa Deutschland Gmbh	2.028.758	45.960
Desa SMS	397.163	22.002
Serga Deri	213.846	77.691
Desa Nineteenseventytwo SRL Italy	19.719	14.849
Adesa Deri	-	373.300
Leather Fashion Bulgaria	-	33.032
Çelet Holding	-	87.002
Burcu Çelet Özden	-	69.389
Marfar Deri	-	586
	2.659.486	**723.811**

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6.2 Payables to related parties as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	**31.12.2017**
Trade Payables	21.451.406	12.076.678
Other Payables	4.806.213	-
Deferred Incomes from Related Parties	3.929.266	941.972
	30.186.885	13.006.507

	31.12.2018	31.12.2017
Samsonite Seyahat Ürünleri	21.404.891	12.063.835
Serga Deri	40.382	-
Desa Deutschland Gmbh	6.133	-
Desa Int Ltd	-	700
Sedesa Deri	-	12.143
Trade Payables	**21.451.406**	**12.064.535**
Adesa	3.830.396	941.972
Desa Int Ltd	934	-
Desa SMS	97.936	-
Deferred Incomes from Related Parties	**3.929.266**	**941.972**
	25.380.672	13.006.507

Other Payables from related parties as of December 31st, 2018 and 2017 are as follows:

Related Companies and Shareholders	**31.12.2018**	**31.12.2017**
Adesa Deri	4.542.434	-
Desa Deutschland Gmbh	263.779	-
	4.806.213	-

6.3 Prepaid Expenses from related parties as of December 31st, 2018 and 2017:

Related Companies and Shareholders	**31.12.2018**	**31.12.2017**
Marfar Deri	10.027	-
Yapı Enerji	6.362	-
Serga Deri	80	-
	16.469	-

6.4 Details of sale and purchase transactions made with related parties are as follows:

	31.12.2018		**31.12.2017**	
Related Company	**Purchases**	**Sales**	**Purchases**	**Sales**
Adesa Deri	-	160.204.074	-	64.859.877
Samsonite Seyahat Ürünleri	26.390.418	-	20.640.235	-
Desa SMS Ltd	-	-	16.525	-
Desa International UK	-	-	-	-
Desa Deutschland		799.282	-	176.166
TOTAL	**26.390.418**	**161.003.356**	**20.656.760**	**65.036.043**

6.5 Interest, rent and etc. received from and paid to related parties are as follows:

	31.12.2018	**31.12.2017**
Service charges paid to Related Companies	2.368.409	600.807
Rents paid to related parties which are not shareholders	733.662	614.874
Interest expenses paid to Related Companies	682.273	391.750
Rents paid to shareholders	814.933	706.538
Rents paid to Related Companies	22.233	17.363
Other expenses	1.612	1.316
TOTAL PAID	**4.623.122**	**2.332.648**

	31.12.2018	**31.12.2017**
Service charges billed to affiliates	4.451.129	3.777.520
Office rent received from affiliate	2.688.363	2.036.848
Service charge invoiced to Related Companies	1.790.097	484.300
Interest incomes collected from Related Companies	151.023	98.470
Office rent invoiced to Related Companies	496.014	23.400
Service charges billed to shareholdes	60.000	32.849
Vehicle rents received from shareholders	-	45.000
TOTAL COLLECTED	9.636.626	6.498.387

6.6 Wages and similar benefits provided to Top Executives are stated below:

Total of wages and similar benefits provided to top executives is TL 1.850.854 as of December 31st, 2018 (December 31st, 2017 – TL 1.698.671)

7. TRADE RECEIVABLES AND PAYABLES

Short-Term Trade Receivables

Details of short term trade receivables as of December 31st, 2017 and 2018 are as follows:

	31.12.2018	**31.12.2017**
Trade Receivables from Related Parties (Note 6)	18.741.417	6.108.401
Trade Receivables from Related Parties	**18.741.417**	**6.108.401**
Buyers	2.102.438	2.544.543
Credit Card Receivables	3.551.145	3.531.774
Rediscount of Credit Card Receivables (-)	(636.424)	(28.931)
Doubtful Trade Receivables	266.031	697.707
Provision for Doubtful Trade Receivables (-)	(266.031)	(697.707)
Other Trade Receivables	**5.017.159**	**6.047.386**
	23.758.576	**12.155.787**

Movement table of provision for doubtful receivables is as follows:

	31.12.2018	**31.12.2017**
Beginning of period	**(697.707)**	**(557.205)**
Provision allocated in the period / adjustment (+)	(118.113)	(140.502)
Provision collected in the period (-)	-	-
Provision allocated in the period / adjustment (+)	(549.789)	-
END OF PERIOD	**(266.031)**	**(697.707)**

Aging of doubtful trade receivables for which a provision is reserved is as follows:

	31.12.2018	**31.12.2017**
Receivables overdue up to 90 days	-	-
Receivables overdue more than 90 days	-	-
Receivables overdue more than 180 days	(266.031)	(697.707)
END OF PERIOD	**(266.031)**	**(697.707)**

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Short-Term Trade Payables

Details of short term trade payables as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Trade payables to related parties (Note 6)	21.451.406	12.076.678
Trade payables to related parties	**21.451.406**	**12.076.678**
Suppliers	54.275.976	33.484.618
Cheques and notes payable	30.021.991	33.121.543
Deferred financing income (-)	(2.638.593)	(1.898.191)
Other trade payables	**81.659.374**	**64.707.970**
	103.110.780	76.784.648

Long-term trade payables

Details of long term trade payables as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Trade payables to non-related parties	-	20.279
Other trade payables	**-**	**20.279**

8. RECEIVABLES AND PAYABLES FROM FINANCIAL ACTIVITIES

None. (31.12.2017: None)

9. OTHER RECEIVABLES AND PAYABLES

Other Short-Term Receivables

Details of other short term receivables as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Other receivables from related parties	2.659.486	723.812
Other receivables from related parties	**2.659.486**	**723.812**
Receivables from Tax Office	112.909	112.909
Deposits and guarantees given	103.349	4.710
Other Receivables	13.518	
Receivables from Execution Office	3.250	3.250
Other receivables from non-related parties	**233.026**	**120.869**
	2.892.512	**844.681**

Other Long-Term Receivables

Details of other long term receivables as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Deposits and Guarantees Given	225.491	202.384
Other Receivables from Non-Related Parties	225.491	202.384

Other Short-Term Payables

Details of other short term payables as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Other Payables to Related Parties	4.806.213	-
Other Payables to Related Parties	**4.806.213**	**-**
SSI Premium Payable (*)	2.167.566	4.103.444
Taxes and Funds Payable	1.514.483	1.297.381
Other Liabilities	1.343.728	-
Individual Pension System Deductions	37.450	-
Maturated, Delayed or Deferred Tax by Ins. and Other Liabilities		15.375 24.638
Other Payables to Non-Related Parties	**5.078.602**	**5.425.463**
	9.884.815	**5.425.463**

It consist of SSI premiums payable for the period of December 2018. Total SSI premiums have been paid in full on December 31st, 2018, which is legal payment date.

Other Long-Term Payables

Details of other long term payables as of December 31st, 2017 and 2018 are as follows:

	31.12.2018	31.12.2017
Deferred Tax Liabilities	-	15.375
	-	**15.375**

10. INVENTORIES

Details of inventories as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Raw Materials and Supplies	39.083.207	43.461.966
Semi-Finished Goods	44.467.593	44.086.957
Finished Goods	50.702.513	37.108.801
Trade Goods	23.713.756	22.762.168
Other Inventories	9.378.542	4.877.766
	167.345.611	**152.297.658**

Total insurance amount on inventories is TL196.809.088 (December 31st, 2017 – TL 152.854.991).

11. BIOLOGICAL ASSETS

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

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12. PREPAID EXPENSES AND DEFERRED INCOMES

Short-Term Prepaid Expenses

Details of short term prepaid expenses as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Order advances given to related parties	16.469	-
Prepaid expenses of related parties (Note 6)	16.469	-
Order advances given to suppliers	3.327.178	112.803
Prepaid expenses for future months	1.180.919	1.456.518
Work advances	80.107	149.939
Provision for doubtful receivables related to work advances (-)	-	(126.261)
Prov. for doubtful receivables related to order adv. given to supp. (-)	-	(25.637)
Advances given to personnel	89.169	35.886
Prepaid expenses of non-related parties	**4.677.373**	**1.603.248**
	4.693.842	**1.603.248**

Long-Term Prepaid Expenses

None. (31.12.2017: None)

Short-Term Deferred Income

Details of short term deferred income as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	31.12.2017
Advances received to related parties	3.929.266	941.972
Advances received from related parties (Note 6)	**3.929.266**	**941.972**
Order advances received	1.733.382	123.260
Other payables to non-related parties	**1.733.382**	**123.260**
	5.662.648	**1.065.232**

13. INVESTMENT PROPERTIES

None. (December 31st, 2017 None.)

14. TANGIBLE FIXED ASSETS

Movements of tangible fixed assets as of December 31st, 2018 are as follows:

Cost	01.01.2018	Inflow	Transfer	Outflow	Valuation	31.12.2018
Lands and Parcels	11.025.000	-	-	-	-	11.025.000
Land improvements	12.703	-	-	-		12.703
Buildings	31.172.285	-	-	-	-	31.172.285
Machinery, Equipment	9.881.461	1.298.403	-	(37.002)	-	11.142.862
Vehicles	1.492.993	-	-	-	-	1.492.993
Fixtures	19.006.304	2.251.030	-	(1.893)	-	21.255.441
Other Tangible Fixed Assets	26.780.993	1.512.681	-	-	-	28.293.674
Construction in progress	**159.639**	**62.454**	**-**	**-**	**-**	**222.093**
Total	**99.531.378**	**5.124.568**	**-**	**(38.895)**		**104.617.051**

Accumulated Depreciation (-)	01.01.2018	Inflow	Transfer	Outflow	Valuation	31.12.2018
Land improvements	8.649	637	-	-	-	9.286
Buildings	2.722.171	190.927	-	-	972.451	3.885.549
Machinery, Equipment	5.754.627	990.315	-	(33.638)	-	6.711.014
Vehicles	1.242.375	51.984	-	-	-	1.294.359
Fixtures	14.442.028	821.023	-	(505)	-	15.262.546
Other Tangible Fixed Assets	21.924.834	1.969.879	-	-	-	23.894.713
Total	**46.094.684**	**4.024.765**	**-**	**(34.433)**	**972.451**	**51.057.467**
Net Value	**53.436.694**					**53.559.584**

Total insurance amount on fixed assets is TL 322.955.218 as of December 31st, 2018.

Movements of tangible fixed assets as of December 31st, 2017 are as follows:

Cost	01.01.2017	Inflow	Transfer	Outflow	Valuation	31.12.2017
Lands and Parcels	4.910.000	-	-	-	6.115.000	11.025.000
Land improvements	12.703	-	-	-	-	12.703
Buildings	14.319.152	-	-	-	16.853.133	31.172.285
Machinery, Equipment	8.417.712	1.463.749	-	-	-	9.881.461
Vehicles	1.492.993	-	-	-	-	1.492.993
Fixtures	17.086.419	1.935.225	-	(15.340)	-	19.006.304
Other Tangible Fixed Assets	24.943.438	2.182.322	-	(344.767)	-	26.780.993
Construction in progress	99.199	60.440	-	-	-	159.639
Total	**71.281.616**	**5.641.736**	**-**	**(360.107)**	**22.968.133**	**99.531.378**
Accumulated Depreciation (-)						
Land improvements	(8.011)	(638)	-	-	-	(8.649)
Buildings	(2.722.171)	-	-	-	-	(2.722.171)
Machinery, Equipment	(4.712.927)	(1.041.700)	-	-	-	(5.754.627)
Vehicles	(1.117.576)	(124.799)	-	-	-	(1.242.375)
Fixtures	(13.124.055)	(1.318.167)	-	194	-	(14.442.028)
Other Tangible Fixed Assets	(20.559.546)	(1.525.268)	-	159.980	-	(21.924.834)
Total	**(42.244.286)**	**(4.010.572)**	**-**	**160.174**	**-**	**(46.094.684)**
Net Value	**29.037.330**					**53.436.694**

Total insurance amount on fixed assets is TL 373.356.173 as of December 31st, 2017.

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15. INTANGIBLE FIXED ASSETS

Movements of intangible fixed assets as of December 31st, 2018 are as follows:

	01.01.2018	Inflow	Outflow	31.12.2018
Cost				
Rights	1.527.230	366.934	-	1.894.164
Total	**1.527.230**	**366.934**	**-**	**1.894.164**
Accumulated Depreciation (-)	**01.01.2018**	**Inflow**	**Outflow**	**31.12.2018**
Rights	871.271	211.340	-	1.082.611
Rights	871.271	211.340	-	1.082.611
Net Value	**655.959**			**811.553**

Movements of intangible fixed assets as of December 31st, 2017 are as follows:

	01.01.2017	Inflow	Outflow	31.12.2017
Cost				
Rights	1.474.018	53.212		1.527.230
Total	**1.474.018**	**53.212**	**-**	**1.527.230**
Accumulated Depreciation (-)	**01.01.2017**	**Inflow**	**Outflow**	**31.12.2017**
Rights	(748.092)	(123.179)	-	(871.271)
Rights	(748.092)	(123.179)	-	(871.271)
Net Value	**725.926**			**655.959**

16. GOODWILL

None. (December 31st, 2017: None)

17. LEASING TRANSACTIONS

17.1 Financial Leasing Transactions

The Company does not have any financial leasing payables as of December 31st,2018. (December 31st,2017: None)

17.2 Operational Leasing Transactions

Leases by the Company in the capacity of Tenant

	31.12.2018	31.12.2017
Car Rental Expenses	503.106	287.096
Shop Rental Expenses	39.644.562	32.367.120
Administrative Buildings and Warehouses Rental Expenses (*)	1.755.386	1.338.775
Total	**41.903.054**	**33.992.991**

(*) The term of contracts for leasing relating to administrative buildings is one year or less.

Minimum lease payment commitments due to the lease contracts arising from store leasing transactions of the Company are as follows:

	31.12.2018	31.12.2017
Less than a year	35.285.937	29.821.626
More than a year – Less than 5 years	59.643.182	54.578.553
More than 5 years	12.778.085	12.718.698
	107.707.204	**97.118.877**

Minimum lease payment commitments due to the lease contracts arising from car rental transactions of the Company are as follows:

	31.12.2018	31.12.2017
Less than a year	323.328	348.932
More than a year – Less than 5 years	348.857	406.996
	672.185	**755.928**

Leases by the Company in the capacity of Lessor

The total rental income arising from the operational leasing transactions realized by the Company in the capacity as lessor and collected within the period as well as reflected in the income statement is amounting to TL 2.707.563. (December 31st,2017: TL 2.060.248).)

18. IMPAIRMENT OF ASSETS

Since Desa International Limited and Leather Fashion Limited, which are subsidiaries not consolidated due to their low turnover, have lost their equity capital, impairment has been calculated at the amount (TL 3.107.074) given in assets and reported in Financial Investments account in previous years, but no impairment has been calculated in 2018.

19. GOVERNMENT INCENTIVES AND AIDS

a) The Company has Inward Processing Licenses. The Company has made imports in a total amount of USD 15.768.594 as of December 31st, 2018 under those licenses and benefited from VAT incentive related to those purchases. (December 31st, 2017 – USD 9.007.621).

b) Right to benefit from the Turquality incentive amounting to TL 411.142 has been obtained during the period of twelve months within the scope of the Communiqué No. 2006/4 on Branding of Turkish Products, Establishing Image of Turkish Products Abroad and Supporting Turquality. (Right to benefit from incentive amounting to TL 783.142 has been obtained as from December 31st, 2017.)

c) Income taxes of minimum-wage workers employed in Düzce factory in the Organized Industrial Zone provide 5% exemption from payment of SSI premiums under Law No. 5084 on Amendments to Certain Laws by Encouragement of Investments and Employment. Also the Company has been entitled to benefit from an additional incentive of 6% as from January 1st, 2013 in accordance with the decree no.2013/4966 of the Council of Ministers. The Company has been entitled to an incentive in the amount of TL 1.714.936 as from December 31st,2018 and registered the same as revenue. (December 31st ,2017: TL 371.753,48)

d) The amount corresponding to five-point part of employer's share from disability, old-age and death insurance premiums of insured employers are paid by the Treasury under sub-clause (ı) added to first clause of Article 81 of Social Securities and General Health Insurance Law No. 5510. In this context, the five-point part of the Company's employer's share recorded as revenue as of December 31st,2018 is TL 3.215.237. (December 31st,2017: TL 2.215.237)

e) The subsidy for employer's contribution to the minimum wage provided in order to lessen the burden of additional cost emanated as a result of increase in minimum wage by 30 % is covered by the Treasury pursuant to the article 17 of the Law No.6661 on Amendment of Military Service Law and Some Other Laws. In this context, the five-point part of the Company's employer's share recognized as revenue as of December 31st , 2018 is TL 1.890.877 (December 31st ,2017: TL 1.327.068,36)

20. BORROWING COSTS

The total borrowings costs incurred as of December 31st,2018 amount to TL 25.374.395 (TL 20.517.308 of this amount is exchange difference) and have been recognized directly as expenses. (December 31st ,2017: TL 16.674.390 recognized directly as expenses). (See Note 31)

21. PROVISIONS, CONTINGENT ASSETS AND PAYABLES

Provision for Leaves

As of December 31st, 2018 and 2017, the details of the provision for payments for unused leaves are as follows:

	31.12.2018	31.12.2017
Provision for Employee Benefits	2.397.580	2.103.962
	2.397.580	**2.103.962**

Movements of provisions for leave payments within the period are as follows:

	31.12.2018	31.12.2017
Beginning of period	2.103.962	1.807.273
Increase within the Period (+)	293.618	296.689
Provisions cancelled within the Period (-)	-	-
	2.397.580	**2.103.962**

Provision for Legal Cases

As of December 31st, 2018 and 2017, the details of the provisions for short-term payables are as follows:

	31.12.2018	31.12.2017
Provision for Legal Cases	1.203.220	450.221
Other Short Term Provisions(*)	457.824	2.673.704
	1.661.044	**3.123.925**

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(*) As a result of limited tax audit against the Company for 2012, a tax fine amounting to TL 1.672.039,22 totally consisting of original tax amounting to TL 209.747,11 excluding delay fine, fine for loss of tax amounting to TL 803.963,12 and special irregularity fine amounting to TL 148.034,30 in terms of Corporate Tax, original tax amounting to TL 9.717.78 and fine for loss of tax amounting to TL 9.717,78 in terms of VAT, original tax amounting to TL 93.237,83 and fine for loss of tax amounting to TL 93.237,83 in terms of Income Tax Withholding, original tax amounting to TL 1.857,53 and fine for loss of tax amounting to TL 1.857,53 in terms of Stamp Tax and TL 300.668,41 in terms of Advance Corporate Tax has been calculated. A case has been initiated in connection with the aforementioned tax fines before İstanbul 11th Tax Court on 22.01.2018 by the Company. A provision amounting to TL 2.183.343,22 has been made for the said tax fines including default interest as of 31.12.2017.

These tax cases have been removed by benefiting from the Law No. 7143 and all of the debts have been paid within the scope of the Law No. 7143. Provision amounting to TL 2.183.343,22 made in previous years for the related case has been canceled.

Provision for Severance Pay and Termination Indemnity

As of December 31st, 2018 and 2017, the details of the provisions for long-term payables are as follows:

	31.12.2018	31.12.2017
Provision for Severance Pays and Termination Benefits	5.437.074	3.766.804
	5.437.074	**3.766.804**

TAccording to the laws of Republic of Turkey, the Company is obliged to pay severance pay and termination indemnity to all employees who have retired after a 25-year service period by completing a minimum service period of one year in the Company (60 year-old for men and 58 year-old for women) or whose employment relationship has been terminated or who has been called for military service or has died.

The indemnity payable equals to amount of one month's wage for each year of service and such amount is limited to a maximum of TL 5,434.42 (December 31stt, 2017: TL 4,732,48).

The liability for severance pay and termination indemnity is not subject to any funding legally. The provision for severance pay and termination indemnity is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 ("Employee Benefits") requires development of the company's liabilities by using actuarial valuation methods under defined benefit plans. Accordingly, the following actuarial assumptions have been used in the calculation of total liabilities:

The principal assumption is that the amount of the maximum liability for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting the future inflation effects. Consequently, in the accompanying financial statements as at December 31st, 2018, the provision is calculated by estimating the present value of the future probable liability of the Company arising from the retirement of the employees.

Provisions on the balance sheet date have been calculated using the real discount rate determined as 21,57 % approximately (December 31st,2017: 6,20 %) according to the assumptions of an annual inflation of 22,39 % (December 31st,2017: 10,57 %) and of a discount rate of 0,67 % (December 31st, 2017: 4,11 %). Estimated rate of termination indemnity which shall not be paid and retained by the Company due to voluntary leave of employment by the employee has also been taken into account.

Upper limit of the severance pay and termination indemnity is revised semi-annually.

	31.12.2018	31.12.2017
Beginning of period	**3.766.803**	**3.195.569**
Service cost	3.220.353	2.670.430
Interest cost	154.999	398.151
Indemnities paid	(2.357.308)	(2.523.910)
Actuarial (Gain) / Loss (Note 30/e)	652.227	26.563
	5.437.074	**3.766.803**

Guarantees Received and Given

As of December 31st, 2018 and 2017, the details of the mortgages, guarantees and sureties received by the Company re as follows:

	31.12.2018	31.12.2017
Letters of Guarantee	330.000	330.000
Surety Bonds	2.018.045	1.505.000
	2.348.045	**1.835.000**

As of December 31st, 2018 and 2017, the details of off-balance sheet liabilities that are not included in the liabilities are as follows:

	31.12.2018	31.12.2017
Letters of Guarantee		
TL	7.113.166	5.786.234
USD	2.114.424	2.467.098
EURO	56.664.264	55.279.480
Surety Bonds		
EURO	6.028.000	-
	71.919.854	**63.532.812**

(*) For the loan amounting to Euro 8.166.346 (TL 49.226.734) extended by Eximbank, a letter of guarantee in the same amount has been given.

The Company's guarantee/pledge/mortgage position table is as follows as of December 31st,2018 and December 31st,2017.

GPMs given by the Company	31.12.2018	31.12.2017
A. Total Amount of GPMs given on behalf of its own Legal Entity	71.919.854	63.532.812
B. Total Amount of GPMs given in favor of Ventures included in Full Consolidation	-	-
C. Total Amount of GPMs given to Guarantee Liability of Other 3rd Parties for purposes of carrying out Ordinary Business Activities	-	-
D. Total Amount of Other GPMs Given	-	-
1) Total Amount of GPMs given in favor of the Parent Company	-	-
2) Total Amount of GPMs given in favor of Other Group Companies not included in Items B and C	-	-
3) Total Amount of GPMs given in favor of 3rd Parties not included in Item C	-	-
Total	**71.919.854**	**63.532.812**

22.COMMITMENTS

None. (December 31st, 2016: None)

23. EMPLOYEE BENEFITS

	31.12.2018	31.12.2017
Accrued Wages of Employees	5.149.555	4.506.976
	5.149.555	**4.506.976**

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24. EXPENSES BY THEIR NATURE

Break down of significant expense items by their nature is as follows:

	31.12.2018	31.12.2017
For Production Cost	39.089.855	36.906.910
For General Management	10.345.525	8.600.517
For Marketing, Sales and Distribution	38.003.866	31.271.381
For Research and Development	753.446	632.859
Wage Expenses	**88.192.692**	**77.411.667**
For Production Cost	2.129.769	1.173.813
For General Management	285.519	483.195
For Marketing, Sales and Distribution	2.752.209	2.468.354
For Research and Development	6.255	8.389
For Service Production	371	-
Depreciation Expenses Production	5.174.123	4.133.751
	93.366.815	**81.545.418**

25. OTHER ASSETS AND LIABILITIES

Details of other current assets as of December 31st, 2017 and 2018 are as follows:

	31.12.2018	31.12.2017
Accrued Turquality Incentive Income	411.142	786.304
Other VAT	558.017	586.908
Other Current Assets	-	127.855
Interest Income Accruals	-	7.285
	969.159	**1.508.352**

26. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

26.1 Shareholder's Equity

Equity of the Company as of December 31st ,2018 is TL 75.492.735
(December 31st ,2017 – TL 69.916.632) and its details are as follows:

	31.12.2018	31.12.2017
Paid in capital	49.221.970	49.221.970
Adjustment Differences of Capital Accounts	5.500.255	5.500.255
Revaluation and Measurement Gains/Losses	28.245.208	29.122.123
Actuarial (Gain) / Loss relating to Employee Benefits	(1.647.352)	(1.138.613)
Cash Flow Hedge Gains (Losses)	(1.324.671)	-
Reserves on Retained Earnings	960.423	960.423
Previous Period Profit/Loss	(13.841.654)	(13.563.380)
Net Profit/Loss for the Period	8.378.556	(186.146)
	75.492.735	**69.916.632**

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26.2 Paid in capital

The Company has switched to registered capital system in 2007 and its registered authorized stock amounts to TL 150.000.000. Its paid in capital is TL 49.221.970 (December 31st ,2017: TL 49.221.970) and has been divided into 4.922.196.986 (December 31st ,2017: 4.992.196.986) shares each of which has a nominal value of 1 Kr.

4 (Four) members of the Board of Directors and auditors are elected amongst the candidates to be nominated by Group (A) shareholders. In Ordinary and Extraordinary General Meetings, Group (A) shareholders have 15 voting rights for 1 share while other shareholders have 1 voting right for 1 share. There is no preference share in financial terms.

As of December 31st, 2018 and December 31st, 2017, issued and paid in capital amounts at their carrying value are as follows:

	31.12.2018		31.12.2017	
Name Surname/Title	**Share Rate**	**Share Amount**	**Share Rate**	**Share Amount**
Çelet Holding A.Ş.	54,28%	26.717.682	54,28%	26.717.682
Melih Çelet	10,00%	4.922.197	10,00%	4.922.197
Free Float (*)	34,92%	17.188.312	34,92%	17.188.312
Other	0,80%	393.779	0,80%	393.779
TOTAL	**100%**	**49.221.970**	**100%**	**49.221.970**

(*) The share with a nominal value of TL 4.129.566 representing 8.39% of the share capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value of TL 4.071.184 representing 8,27% belongs to Melih Çelet as of 31.12.2018.

(*)The share with a nominal value of TL 4.129.566 representing 8.39% of the share capital in the free float belongs to Çelet Holding A.Ş. and the share with a nominal value of TL 3.958.808 representing 8,04% belongs to Melih Çelet as of 31.12.2017.

26.3 Adjustment Differences of Capital Accounts

Inflation adjustment difference for capital accounts is TL 5.500.255 as of December 31st,2018. (December 31st,2017: TL 5.500.255)

26.4 Revaluation and Measurement Gains/Losses

The tangible fixed asset revaluation surplus of TL 28.245.208 on December 31st,2018 has resulted from the revaluation of the factory and office buildings on 2012-2017 and its details are as follows: (Note 14)

	Total Surplus	Deferred Tax Impact	Revaluation Surplus (Net)
Factory Land	-	-	-
Factory and Office Building	-	-	-
Depreciation Impact as of January 01st, 2018	-	-	-
Depreciation Impact as of December 31st, 2018	(972.453)	95.538	(876.915)
TOTAL	**(972.453)**	**95.538**	**(876.915)**
01.01.2018 Open			**29.122.123**
December 31st, 2018 Net			**28.245.208**

The tangible asset revaluation surplus of TL 29.122.123 on December 31st,2017 has resulted from the revaluation of the factory and office buildings in 2017 and its details are as follows: (Note 14)

	Surplus (Net)	Total Surplus	Deferred Tax ImpactRevaluation
Factory Land	6.115.000	(672.650)	5.442.350
Factory and Office Building	16.853.133	(1.853.845)	14.999.288
Depreciation Impact as of January 01, 2017	-	-	-
Depreciation Impact as of December 31st,2017	-	-	-
TOTAL	**22.968.133**	**(2.526.495)**	**20.441.638**
01.01.2017 Open			**8.680.485**
31.12.2017 Net			**29.122.123**

26.5 Actuarial (Loss)/Gain relating to Employee Benefits

	31.12.2018	31.12.2017
Opening balance (Net)	(1.138.613)	(1.117.894)
Remeasurement Losses of Current Period Defined Benefit Plans (Net)		- -
Current Period Actuarial Difference (Net)	(422.989)	(20.719)
Deferred Tax of Current Period Actuarial Difference	(652.229)	(26.563)
Opening balance (Net)	143.490	5.844
	(1.647.352)	**(1.138.613)**

26.6 Reserves on Retained Earnings

	31.12.2018	31.12.2017
Primary Legal Reserves	960.423	960.423
	960.423	**960.423**

26.7 Previous Period Profit/Loss

	31.12.2018	31.12.2017
Accumulated Profit / Loss Opening	(13.563.380)	(263.260)
Transfer from Retained Net Profit / Loss	(186.146)	(13.300.120)
Impact due to TFRS 9 Policy Change	(92.128)	-
	(13.841.654)	**(13.563.380)**

27. COST OF REVENUE AND SALES

Details of sales as of December 31st, 2017 and 2018 are as follows:

	01.01.-31.12.2018	01.01.-31.12.2017
Domestic Sales	413.084.283	312.821.037
Export Sales	164.917.744	64.416.203
Other Sales	2.066.883	682.569
	580.068.910	**377.919.809**
Returns from Sales	(12.659.115)	(10.647.706)
Sales Discounts	(218.501.171)	(159.266.110)
Discounts	(1.260.603)	(584.453)
Sales Revenue, (net)	**347.648.021**	**207.421.540**
Cost of Sales (-)	**189.033.820**	**106.987.512**
Gross Profit / (Loss)	**158.614.201**	**100.434.028**

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STATEMENT OF COST OF GOODS SOLD (TL)

	CURRENT PERIOD 31.12.2018		PREVIOUS PERIOD 31.12.2017	
COST OF PRODUCTION				
A-Direct Raw Materials and Supplies Expenses		87.582.765		35.969.057
B-Direct Labour Expenses		39.089.855		23.332.619
C-General Production Expenses		18.080.912		6.304.415
D-Use of Semi-Finished Goods		**(2.258.705)**		**(1.740.946)**
1.Inventory at the Beginning of Period (+)	5.113.984		3.373.038	
2. Inventory at the End of Period (-)	(7.372.689)		(5.113.984)	
COST OF GOODS MANUFACTURED		**142.494.827**		**63.865.146**
E-Change in Finished Goods Inventory		**(9.124.540)**		**(3.123.430)**
1.Inventory at the Beginning of Period (+)	37.108.801		32.790.157	
2.Other Return (+)	4.469.172		1.195.213	
4.Inventory at the End of Period (-)	(50.702.513)		(37.108.801)	
I-COST OF GOODS SOLD		**133.370.287**		**60.741.715**
BUSINESS OPERATION				
A- Stock in Trade at the Beginning of Period (+)	22.762.168		17.092.524	
B- Purchases within the Period (+)	53.709.561		49.642.633	
C- Stock in Trade at the End of Period (-)	(23.713.756)		(22.757.331)	
II-COST OF TRADE GOODS SOLD		**52.757.973**		**43.977.826**
III-COST OF SERVICE SOLD		**598.443**		**589.553**
IV-COST OF OTHER SALES		**2.307.117**		**1.678.417**
COST OF SALES (I+II+III+IV)		**189.033.820**		**106.987.512**

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

	01.01.-31.12.2018	01.01.-31.12.2017
General Administrative Expenses	16.228.332	13.379.757
Marketing, Sales and Distribution Expenses	109.710.704	83.682.116
Research and Development Expenses	2.227.706	1.747.847
Operating Expenses	**128.166.742**	**98.809.720**

28.1 General Administrative Expenses (-)

The details of the general administration expenses pertaining to the periods of January 1st – December 31st, 2017 and January 1st – December 31st, 2016 by their features are as follows:

	01.01.-31.12.2018	01.01.-31.12.2017
Personnel Expenses	10.345.525	8.600.517
Rental Expenses	1.704.781	1.406.753
Consultancy Expenses	1.689.890	716.326
Travel and Transport Expenses	610.654	473.872
Other	428.719	571.286
Utility and Fuel Oil Expenses	387.127	303.689
Depreciation Expenses	285.519	483.195
Insurance, Repair & Maintenance Expenses	248.508	158.465
Legal Case and Notarial Expenses	220.073	-
Communication Expenses	106.625	406.649
Taxes and Other Legal Duties	84.669	157.998
Stationery and Advertising, Announcement Expenses	70.052	70.213
Representation and Entertainment Expenses	27.261	23.294
Trade Mark Registration Expenses	12.263	7.500
Donations and Grants	6.666	-
	16.228.332	**13.379.757**

28.2 Marketing, Sales and Distribution Expenses (-)

The details of the marketing, sales and distribution expenses pertaining to the periods of December 31st, 2017 and 2018, by their features are as follows.

	01.01.-31.12.2018	01.01.-31.12.2017
Real Estate Rental Expenses	39.644.562	32.367.120
Personnel Expenses	38.003.866	31.271.381
Advertising and Announcement Expenses	9.817.341	3.031.875
Bank Commission Expenses	5.770.831	3.659.474
Cargo Expenses	3.290.695	2.966.884
Depreciation Expenses	2.752.209	2.468.354
Other	3.193.967	2.269.746
Utility and Fuel Oil Expenses	2.263.045	1.801.955
Legal Case and Notarial Expenses	887.628	-
Product, Repair and Export Duty Expenses	838.510	346.651
Transport Expenses	637.701	447.314
Maintenance & Repair Expenses	524.722	883.695
Travel Expenses	449.474	413.605
Shelf, Sign and Printed Material Expenses	486.286	530.497
Insurance Expenses	500.125	189.408
Taxes, Duties and Charges	370.429	588.986
Phone, Fax and Data Line	189.112	191.074
Stationery Expenses	68.289	-
Representation and Entertainment Expenses	21.912	28.090
Overseas Fair Attendance Expenses	-	226.007
	109.710.704	**83.682.116**

28.3 Research and Development Expenses (-)

The details of the research and development expenses pertaining to the periods of December 31st 2017 and 2018, by their features are as follows:

	01.01.- 31.12.2018	01.01.- 31.12.2017
Design and Modeling Expenses	1.233.328	931.168
Personnel Expenses	753.446	632.859
Travel Expenses	180.568	119.055
Representation and Entertainment Expenses	40.091	33.097
Depreciation Expenses	6.255	8.389
Other	10.415	13.945
Utility and Fuel Oil Expenses	67	--
Maintenance Repair Expenses	3.536	9.334
	2.227.706	**1.747.847**

29. OTHER OPERATING INCOMES AND EXPENSES

29.1 Other Operating Incomes

The details of other operating incomes pertaining to the periods of December 31st, 2017 and 2018, are as follows:

	01.01.- 31.12.2018	01.01.- 31.12.2017
Exchange Profits	6.762.696	3.262.024
Subsidy (SSI and Withholding)	6.821.050	4.625.842
Cargo Logistics Service Incomes	4.955.393	4.056.030
Cancelled Import	4.625.340	577.640
Financing Incomes Arising from Forward Sales	3.540.408	745.192
Other Provisions No Longer Required	2.380.916	303.446
Rental Incomes	2.707.563	2.060.248
Rediscount Income	2.681.213	1.904.334
Interest Incomes	165.789	160.484
Other	468.090	627.432
Income from Damage Indemnity	308.935	252.628
Subsidy (Turquality and ITKIB)	443.987	783.933
Provisions for Legal Cases No Longer Required	140.502	23.116
Expense Contribution Incomes	43.888	30.016
Price Differences	-	1.445
	36.045.770	**19.413.810**

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29.2 Other Operating Expenses (-)

The details of other operating expenses pertaining to the periods of December 31st, 2017 and 2018, are as follows:

	01.01.- 31.12.2018	01.01.- 31.12.2017
Financing Expenses Arising from Forward Purchases	17.448.536	7.224.602
Exchange Losses	9.836.106	3.642.974
Rediscount Expense	2.626.254	1.005.999
Provision Expenses (Trade Receivables)	717.356	716.984
Provisions Expenses for Legal Cases	628.781	-
Other Provision Expenses	424.180	2.183.343
Other	239.280	298.841
Provision for Expected Credit Loss	12.746	-
Loss on Sale of Assets	-	184.398
	31.933.239	**15.257.141**

30. INCOMES AND EXPENSES FROM INVESTING ACTIVITIES

30.1 Incomes from Investing Activities

The details of incomes from investing activities pertaining to the periods of December 31st, 2017 and 2018, are as follows:

	01.01.- 31.12.2018	01.01.- 31.12.2017
Income from Fixed Asset Sales	111.309	13.673
	111.309	**13.673**

30.2 Expenses from Investing Activities (-)

None. (31.12.2017: None)

(ALL AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

31. FINANCIAL INCOME AND EXPENSES

31.1 Financial Expenses (-)

The details of financing expenses pertaining to the periods of December 31st, 2017 and 2018, are as follows:

	01.01.- 31.12.2018	01.01.- 31.12.2017
Loan Exchange Difference Expenses	20.517.308	14.302.988
Loan Interest Expense	2.383.069	3.447.195
Interest Expenses	682.273	391.750
Factoring Interest Expenses	656.125	273.328
Credit Card Commission	438.177	454.911
Bank Charges	314.584	232.037
Bank Letter of Guarantee Commission	213.893	571.970
Other Financing Expenses	155.089	212
Late Interest Expense	13.877	-
	25.374.395	**19.674.391**

31.2 Financial Income

None. (31.12.2017: None)

32. FIXED ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

	31.12.2018	31.12.2017
Fixed Assets Hold-For-Sale	2.772.277	2.772.277
	2.772.277	**2.772.277**

33. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current Tax Liability	31.12.2018	31.12.2017
Provision for Current Corporate Tax (-)	(214.468)	-
Prepaid Taxes and Funds within the Period	3.798	10.272
Net Tax Asset/(Liability) of Current Period	**(210.670)**	**10.272**

	31.12.2018	31.12.2017
Current Tax Expense/Income	(214.468)	-
Deferred Tax Expense/Income	(2.350.975)	3.511.496
Total Tax Income/(Expense)	**(2.565.443)**	**3.511.496**

The Company is subject to corporate taxes applicable in Turkey. Necessary provisions are made in accompanying financial statements for the estimated tax charge based on the Company's results for the current accounting period.

Corporate tax to be accrued on taxable corporate income is calculated over the tax base used in determination of business profit remaining after adding non-exempt expenses which cannot be deducted from the tax base to and deducting tax exempt income, non-taxable revenues and other deductions (losses from the previous years, investment allowances and R&D incentives, if any) from business income.

The corporate tax rate applicable in Turkey is 22%. (2017: 20%)

In Turkey, advance tax returns are filled and advance tax is accrued on a quarterly basis. Advance tax at a rate of 22% over the corporate income has been calculated at the stage of taxing the corporate incomes for 2018 as of advance tax periods. (2017: 20%)

The provision stipulating that "the corporate tax rate of 20% specified in the first paragraph of the Article 32 of the Corporate Tax Law No.5520 is applied as 22% for corporate incomes pertaining to taxation periods of 2018, 2019 and 2020" has been brought by the Law No.7061 on "Amendments to Certain Tax Laws and Some Other Laws" adopted on November 208th, 2017 through a provisional article. Furthermore, the provision stipulating that "an exemption rate of 75% applied over the income derived by corporate taxpayers from the sales of immovable properties held in their assets for a period of two full years minimum" specified in subparagraph e of the first paragraph of the Article 5 of the Corporate Tax Law No.5520 has been amended as 50% also by the same "Omnibus Law".

Movement table of deferred tax is as follows:

Movement table of deferred tax is stated below:	**01.01.- 31.12.2018**	**01.01.- 31.12.2017**
Opening Balance as of 1st January	1.768.246	777.401
Deferred Tax Income / (Expense)	(2.350.975)	3.511.496
Actuarial (Gain) / Loss	143.490	5.844
Deferred Tax for Revaluation Surplus (Note 30/e)	95.538	(2.526.495)
Derivative Instruments	373.625	-
Impact of TFRS 9 Mandatory Adjustment	25.985	-
End of Period	**55.909**	**1.768.246**
Impact of Deferred Tax Assets of Previous Year	**-**	**(777.401)**
End of Period	**55.909**	**990.845**

	31.12.2018		**31.12.2017**	
	Total Temporary Differences	**Deferred Tax Asset / Liability**	**Total TemporaryDifferences**	**Deferred Tax Asset / Liability**
Rediscount of Trade Receivables	721.920	158.822	28.932	6.365
Derivative Financial Instruments	1.698.296	373.625	-	-
Expense Accruals	3.886.873	855.112	953.452	209.759
Provision for Doubtful Receivables	136.240	29.973	140.502	30.910
Currency Valuation Differences	2.069	455	207.646	45.682
Provision for Leaves	2.397.580	527.468	296.689	65.272
Provision for Severance Pay and Termination Indemnity	5.437.074	1.196.156	3.766.804	140.034
Provisions for Liabilities/Expenses	770.317	169.470	249.920	54.984
Provision for Financial Investments Impairment	3.107.074	170.889	-	-
Financial Liabilities Reduction Differences	-	-	178.563	39.284
Legal case Provisions	1.203.220	264.708	-	-
Calculated under Accumulated Losses	-	-	14.462.870	3.181.831
Provision for Tax Penalty	-	-	2.183.343	67.065
Other	528	116	-	-
Deferred Tax Asset	**19.361.191**	**3.746.794**	**22.468.721**	**3.841.186**
Rediscount for trade payables	(2.638.593)	(580.490)	(927.267)	(203.999)
Fixed Assets Depreciations	(31.041)	(6.829)	(371.267)	(81.679)
Fixed Assets Value Increment	(21.995.680)	(2.419.525)	(22.968.133)	(2.526.494)
Finacial Investmets Value Incerements	(8.903.467)	(489.691)	-	-
Income Accruals	(877.217)	(192.988)	-	-
Other	(6.189)	(1.362)	(173.494)	(38.169)
Deferred Tax Liability	**(34.452.187)**	**(3.690.885)**	**(24.440.161)**	**(2.850.341)**
Deferred Tax Asset (Net)	**-**	**55.909**	**-**	**990.845**

(ALL AMOUNTS EXPRESSED IN TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

34. EARNINGS PER SHARE

Earnings per share disclosed in the income statement have been calculated by dividing the net profit of the current period by the weighted average number of shares that have been outstanding during the respective period.

Companies in Turkey can increase their capital by means of "bonus share" distribution to their existing shareholders from accumulated earnings and revaluation funds. Such "bonus share" distributions are considered as issued share in calculation of earnings per share. Accordingly, weighted average number of shares used in such calculations has been determined by calculating retrospective effects of share distributions.

Calculations of earnings per share have been made by dividing net profit by weighted average number of shares outstanding.

There is no financially preference share. Accordingly, earnings/loss per share on the basis of shares is as follows.

	01.01.- 31.12.2018	01.01.- 31.12.2017
Net Profit / (Loss) for the Period	8.378.556	(186.146)
Weighted average number of shares outstanding (corresponding to a share of TL 1)	49.221.970	49.221.970
Earnings/loss per share having a nominal value of TL 1	**0,1702**	**(0,0038)**

35. EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

	01.01.- 31.12.2018	01.01.- 31.12.2017
Financing Expenses	**20.517.308**	**14.302.988**
Loan Exchange Difference Expenses (-)	**20.517.308**	**14.302.988**
Real Operation Income / Expense	**(10.685.840)**	**(3.962.578)**
Foreign Exchange Gains	**6.762.696**	**3.262.024**
Foreign Exchange Losses (-)	**17.448.536**	**7.224.602**

36. FINANCIAL INSTRUMENTS

The details of financial instrıments as of December 31st, 2017 and 2018, are as follows:

	31.12.2018	31.12.2017
Short-Term Borrowings	4.995.324	45.092.956
- Bank Loans	4.975.430	45.043.791
- Credit Card Payables	19.894	49.165
Short-Term Parts of Long-Term Borrowings	32.386.507	19.744.830
- Bank Loans	32.386.507	19.744.830
Total Short-Term Borrowings	37.381.831	64.837.786
Long-Term Borrowings	27.486.005	21.097.433
- Bank Loans	27.486.005	21.097.433
Total Long-Term Borrowings	27.486.005	21.097.433
End of Period	**64.867.836**	**85.935.219**

Details of bank loans included in short-term borrowings are as follows:

	31.12.2018			31.12.2017		
Currency	**Amount in Foreign Currency**	**Amount in TL**	**Effective Interest %**	**Amount in Foreign Currency**	**Amount in TL**	**Effective Interest %**
USD	-	-	4,26%	666.667	2.514.601	5,77%
EURO	-	-	3,71%	6.923.509	31.263.106	2,50%
TL	-	4.975.430	22,39%	-	11.266.084	14,73%
Total		**4.975.430**			**45.043.791**	

Details of short-term parts of long-term borrowings are as follows:

	31.12.2018			31.12.2017		
Currency	**Amount in Foreign Currency**	**Amount in TL**	**Effective Interest %**	**Amount in Foreign Currency**	**Amount in TL**	**Effective Interest %**
EURO	5.372.679	32.386.507	3,71%	4.372.679	19.744.830	2,50%
USD	-	-	4,26%	-	-	-
Total		**32.386.507**			**19.744.830**	

Details of long-term borrowings are as follows:

	31.12.2018			31.12.2017		
Currency	**Amount in Foreign Currency**	**Amount in TL**	**Effective Interest %**	**Amount in Foreign Currency**	**Amount in TL**	**Effective Interest %**
USD	-	-	4,26%	-	-	-
EURO	4.559.722	27.486.005	3,71%	4.662.237	21.097.433	2,50%
Total		**27.486.005**			**21.097.433**	

37. DERIVATIVE INSTRUMENTS

Details of the fair value of the derivative instruments related to the forward contracts entered into by the Company as of December 31st, 2018 and 2017 are as follows: (December 31st, 2017: None)

	Purchase Contract Value	Sales Contract Value	Assets	Liabilities
Forward Exchange	14.849.620	-	-	1.698.296
31.12.2018 End of Period	**14.849.620**	**-**	**-**	**1.698.296**

	Purchase Contract Value	Sales Contract Value	Assets	Liabilities
Forward Exchange	-	-	-	- - - - -
31.12.2017 End of Period	**-**	**-**	**-**	**-**

Derivative financial instruments consist of forward foreign currency purchase / sale contracts.

38. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Main risks arising from financial instruments are credit risk, liquidity risk, market risk as well as interest rate and exchange risk.

38.1 Credit Risk:

Credit risk consists of deposits kept at banks and customers exposed to credit risk including outstanding receivables and guaranteed transactions. Risk control evaluates credit quality of the customer considering financial position and past experiences of the customer and other factors. The Company management meets such risks by limiting average risk for counterparty in each agreement and obtaining collateral when necessary. The management is not expecting any loss due to nonperformance of the parties.

As of December 31st, 2018 and 2017, the credit risks incurred by types of financial instruments are as follows:

	Trade Receivables		Other Receivables		Cash and Securities	
31.12.2018	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Deposit in Banks**	**Other**
Maximum credit risk incurred as of reporting date (A+B+C+D+E)	**18.741.417**	**5.017.159**	**2.659.486**	**458.517**	**179.456**	**30.190**
Guaranteed part of maximum risk through security etc.	-	-	-	-	-	-
A. Net carrying value of financial assets undue or not impaired	18.741.417	5.017.159	2.659.486	458.517	179.456	30.190
B. Carrying value of financial assets of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired	-	-	-	-	-	-
C. Net carrying value of assets overdue, but not impaired	-	-	-	-	-	-
D. Net carrying values of impaired assets	-	-	-	-	-	-
Overdue (gross carrying value)	-	-	-	-	-	-
Impairment (-)	-	266.031	-	-	-	-
Guaranteed part of net value through security etc.	-	(266.031)	-	-	-	-
Undue (gross carrying value)	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-
Guaranteed part of net value through security etc.	-	-	-	-	-	-
E. Elements involving off-balance sheet credit risk	-	-	-	-	-	-

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	Trade Receivables		Other Receivables		Cash and Securities	
31.12.2017	**Related Party**	**Other Party**	**Related Party**	**Other Party**	**Deposit in Banks**	**Other**
Maximum credit risk incurred as of reporting date (A+B+C+D+E)	**6.108.401**	**6.047.385**	**723.812**	**323.253**	**7.235.707**	**-**
Guaranteed part of maximum risk through security etc.	**-**	**-**	**-**	**-**	**-**	**-**
A. Net carrying value of financial assets undue or not impaired	**6.108.401**	**6.047.385**	**723.812**	**323.253**	**7.235.707**	**-**
B. Carrying value of financial assets of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired	**-**	**-**	**-**	**-**	**-**	**-**
C. Net carrying value of assets overdue, but not impaired	**-**	**-**	**-**	**-**	**-**	**-**
D. Net carrying values of impaired assets	**-**	**-**	**-**	**-**	**-**	**-**
Overdue (gross carrying value)	**-**	**-**	**-**	**-**	**-**	**-**
Impairment (-)	**-**	**697.707**	**-**	**-**	**-**	**-**
Guaranteed part of net value through security etc.	**-**	**(697.707)**	**-**	**-**	**-**	**-**
Undue (gross carrying value)	**-**	**-**	**-**	**-**	**-**	**-**
Impairment (-)	**-**	**-**	**-**	**-**	**-**	**-**
Guaranteed part of net value through security etc.	**-**	**-**	**-**	**-**	**-**	**-**
E. Elements involving off-balance sheet credit risk	**-**	**-**	**-**	**-**	**-**	**-**

38.1.2 Details and fair values of collaterals obtained for receivables are as follows:

Total amount of collaterals obtained by the Company for its receivables is TL 2.348.045 as of December 31st, 2018.
(December 31st, 2017: TL 800.000)

38.1.3 Disclosures on credit quality of financial assets undue or not impaired as well as financial assets of which conditions have been renegotiated, otherwise which would be considered as overdue or impaired:

The Company has no financial asset of which conditions have been renegotiated, otherwise would be considered as overdue or impaired.

There is no problem in collection of financial assets undue and not impaired and average collection time of trade receivables ranges between 30-365 days. (December 31st,2017: 30-365 days).

38.1.4 Disclosures on which factors have been taken into account for determination of provision for impairment reserved for impaired financial assets:

Since Desa International Limited and Leather Fashion (Russia), which are subsidiaries not consolidated due to their low turnover, have lost their equity capital as of December 31st, 2018, impairment has been calculated at the amount (TL 3.107.074) given in assets and reported in Financial Investments account.

38.1.5 Aging table of financial assets overdue, but not impaired

None. (December 31st,2017: None)

38.1.6 the assets acquired by the Company by taking over the ownership of the collateral held as security or by using other factors increasing the credit reliability;

- Nature and carrying value;

None. (December 31st, 2017: None)

- In case such assets cannot be converted into cash currently, approach of the entity regarding disposal of or use of such assets in business activities:

None. (December 31st,2017: None)

38.2. Liquidity Risk
Liquidity risk is the possibility of the Company not fulfilling its net funding liabilities. Occurrence of events resulting in decrease in fund resources such as deterioration in markets or decrease of credit rating cause liquidity risk to occur. The Company has been exposed to the liquidity risk as of December 31st,2018 and December 31st, 2017. The Company plans to carry out the liquidity management by extending maturities of trade payables and focusing on to raw material stocks instead of purchasing new raw materials.

The Company has been able to collect its export and domestic revenues in cash during the periods ended on December 31st, 2017 and December 31st, 2018 in return for liquidity risk and to reduce its indebtedness level in Euro despite high exchange differences during the said periods thanks to its export revenues. The Company plans to reduce its financial indebtedness also in 2018 as it has managed during 2017 through its surplus liquidity acquired from its export activities and to carry out its liquidity management by focusing on its raw material stocks as well.

38.2.1 Break down of derivative and non-derivative financial liabilities by their remaining maturities is as follows:

The following table has been prepared without discounting liabilities of the Company and basing on the earliest due dates. Interests to be paid on these liabilities have been included in the following table. Average maturity of trade payables is 198 days.
(December 31st, 2017 – 140 Days)

31.12.2018

Maturities as per Agreement	Carrying value	Total cash outflows as per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities	**177.863.431**	**180.238.115**	**85.899.479**	**66.852.630**	**27.486.006**	**-**
Financial Payables	64.867.836	64.603.926	7.740.600	29.377.320	27.486.006	-
Trade Payables	103.110.780	105.749.374	68.274.064	37.475.310		-
Other Payables	9.884.815	9.884.815	9.884.815	-	-	-
Derivative Financial Liabilities	1.698.296	1.698.296	-	1.698.296	-	-
Derivative Financial Instruments	1.698.296	1.698.296	-	1.698.296	-	-

31.12.2017

Maturities as per Agreement	Carrying value	Total cash outflows as per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities	168.180.985	167.579.018	17.592.845	109.576.362	40.409.811	-
Financial Payables	**85.935.219**	**85.378.041**	**2.690.033**	**42.353.752**	**40.334.256**	**-**
Trade Payables	**76.804.927**	**76.760.137**	**9.461.973**	**67.222.610**	**75.554**	**-**
Other Payables	**5.440.839**	**5.440.839**	**5.440.839**	**-**	**-**	**-**
Derivative Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Derivative Financial Instruments			**-**		**-**	**-**

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38.3 Market Risk
It is the possibility of incurring loss in positions held in the on-balance sheet and off-balance sheet accounts, due to risks resulted from interest, exchange differences and stock price changes arising from fluctuations in financial markets.

38.3.1. Exchange Risk
The effects resulting from exchange rate movements, in case of having assets, liabilities and off-balance sheet liabilities in foreign currency, are called exchange risk.

The Company's foreign currency position in the original currency as of December 31st, 2018 and 2017 is as follows:

31.12.2018

	Equivalent in TL (Functional Currency)	USD	EUR	GBP	CHF	BGN	JPY	OTHER
1.Trade Receivables	18.253.165	182.092	2.750.478	107.501	26		-	-
2a. Monetary Financial Assets (including Cash and Bank Accounts)	374.293	12.157	42.352	7.220	1.057	444	-	7
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3.Other	-	-	-	-	-	-	-	-
4.Current Assets (1+2+3)	18.627.458	194.249	2.792.829	114.720	1.083	444	-	7
5.Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7.Other		-						
8.Fixed Assets (5+6+7)	-	-	-	-	-	-	-	-
9.Total Assets (4+8)	18.627.458	194.249	2.792.829	114.720	1.083	444	-	7
10.Trade Payables	37.530.863	453.336	5.792.374	22.547	14.873	-	2.650	-
11.Financial Liabilities	32.386.507	-	5.372.679	-	-	-	-	-
12a.Other Monetary Liabilities	4.617.915	113.229	415.266	228.326	-	-	-	-
12b.Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
13. Derivative Financial Instruments	1.698.299	-	281.735	-	-	-	-	-
14.Short-Term Liabilities (10+11+12)	76.233.584	566.565	11.580.318	250.873	14.873	-	2.650	-
15.Trade Payables	-	-	-	-	-	-	-	-
16.Financial Liabilities	27.486.006	-	4.559.722	-	-	-	-	-
17a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
17b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
18. Long-Term Liabilities (14+15+16)	27.486.006	-	4.559.722	-	-	-	-	-
19. Total Liabilities	103.719.590	566.565	16.140.040	250.873	14.873	-	2.650	-
20. Net Asset / (Liability) Position of Off-Balance Sheet Derivatives (19a-19b)	-	-	-	-	-	-	-	-
20a. Total Amount of Hedged Assets	-	-	-	-	-	-	-	-
20b. Total Amount of Hedged Liabilities	-	-	-	-	-	-	-	-
21. Net Asset/(Liability) Position in Foreign Currency (9-18+19)	(85.092.132)	(372.316)	(13.347.211)	(136.153)	(13.790)	444	(2.650)	7
22. Monetary Items Net Asset / (Liability) Position in Foreign Currency (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(85.092.132)	(372.316)	(13.347.211)	(136.153)	(13.790)	444	(2.650)	7
23.Import (*)	93.895.209	881.337	14.703.806	51.605	40.146	-	1.391.426	550
24.Export (*)	174.535.560	1.728.673	26.026.537	1.249.875	43.538	-	-	7.150

(*) The equivalents in TL of the respective export and import amounts have been reported in foreign exchange buying rate of CBRT applicable on December 31st, 2018.

31.12.2017	Equivalent in TL Functional Currency)	ABD Doları	Avro	GBP	BGN	OTHER
1.Trade Receivables	4.319.065	75.419	430.975	411.103	-	-
2a. Monetary Financial Assets						
(including Cash and Bank Accounts)	7.260.545	1.177	1.604.442	2.009	443	457
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3.Other				-	-	-
4.Current Assets (1+2+3)	11.579.610	76.596	2.035.417	413.111	443	457
5.Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7.Other	-	-	-	-	-	-
8.Fixed Assets (5+6+7) -	-	-	-	-	-	
9.Total Assets (4+8)	11.579.610	76.596	2.035.417	413.111	443	457
10.Trade Payables	22.040.693	479.990	4.284.377	174.028		
11.Financial Liabilities	74.574.861	666.666	15.958.424	-	-	-
12a.Other Monetary Liabilities	-	-	-	-	-	-
12b.Other Non-Monetary Liabilities	-	-	-	-	-	-
13.Short-Term Liabilities (10+11+12)	96.615.555	1.146.655	20.242.801	174.028,40	-	-
14.Trade Payables			-	-	-	
15.Financial Liabilities			-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	-	-	-	-	-	-
18.Total Liabilities (13+17)	96.615.555	1.146.655	20.242.801	174.028,40	-	-
19. Net Asset / (Liability) Position of						
Off-Balance Sheet Derivatives (19a-19b)	-	-	-	-	-	-
19a. Total Amount of Hedged Assets	-	-	-	-	-	-
19b. Total Amount of Hedged Liabilities	-	-	-	-	-	-
20. Net Asset/(Liability) Position in						
Foreign Currency (9-18+19)	-85.035.945	-1.070.059	-18.207.385	239.083	443	457
21. Monetary Items Net Asset / (Liability)						
Position in Foreign Currency						
(=1+2a+5+6a-10-11-12a-14-15-16a)	-85.035.939	-1.070.059	-18.207.385	239.083	443	457
22. Total Fair Value of Financial						
Instruments Used for Currency Hedging	-	-	-	-	-	-
23. Import	43.576.156	1.185.845	8.508.134	28.557	-	1.682.375
24. Export	69.701.489	255.180	13.353.339	1.661.708	-	-

(*) The equivalents in TL of the respective export and import amounts have been reported in foreign exchange buying rate of CBRT applicable on December 31st, 2017.

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Currency Risk Sensitivity Analysis

If the TL changes by 20% against the following foreign currencies as of December 31st, 2018, the income statement will be affected as follows. When conducting analysis, it has been assumed that all other variables, especially interest rates, remain constant.

Exchange rate sensitivity analysis table as of December 31st, 2018 and 2017 is presented hereunder:

Exchange Rate Sensitivity Analysis Table as of December 31st, 2018

	Profit/Loss		Equity	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
In case of change in value of USD against TL at a rate of 20%;				
1- Net asset/liability in USD	(391.743)	391.743	(391.743)	391.743
2- Amount protected from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	**(391.743)**	**391.743**	**(391.743)**	**391.743**
In case of change in value of EUR against TL at a rate of 20%;	-	-	-	-
4- Net asset/liability in Euro	(16.091.398)	16.091.398	(16.091.398)	16.091.398
5- Amount protected from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	**(16.091.398)**	**16.091.398**	**(16.091.398)**	**16.091.398**
In case of change in value of GBP against TL at a rate of 20%;				
7- Net asset/liability in British Pound	(181.160)	181.160	(181.160)	181.160
8- Amount protected from British Pound risk (-)	-	-	-	-
9- British Pound Net Effect (7+8)	**(181.160)**	**181.160**	**(181.160)**	**181.160**
In case of change in value of Bulgarian Leva against				
TL at a rate of 20%;				
10- Net asset/liability in BGN	272	(272)	272	(272)
11- Amount protected from BGN risk (-)	-	-	-	-
12- BGN Net Effect (10+11)	**272**	**(272)**	**272**	**(272)**
In case of change in value of Chinese Yuan against				
TL at a rate of 20%;				
13- Net asset/liability in Chinese Yuan	1	(1)	1	(1)
14- Amount protected from Chinese Yuan risk (-)	-	-	-	-
15- Chinese Yuan Net Effect (13+14)	**1**	**(1)**	**1**	**(1)**
In case of change in value of CHF against TL at a rate of 20%;				
16- Net asset/liability in Swiss Franc	(14.714)	14.714	(14.714)	14.714
17- Amount protected from Swiss Franc (-)	-	-	-	-
18- Swiss Franc Net Effect (16+17)	**(14.714)**	**14.714**	**(14.714)**	**14.714**
In case of change in value of Japanese Yen against				
TL at a rate of 20%;				
19- Net asset/liability in Japanese Yen	(25)	25	(25)	25
20- Amount protected from Japanese Yen (-)				
21- Swiss Franc Net Effect (19+20)	**(25)**	**25**	**(25)**	**25**
TOTAL (3+6+9+12+15+18+21)	**(16.678.767)**	**16.678.767**	**(16.678.767)**	**16.678.767**

Exchange Rate Sensitivity Analysis Table as of December 31st, 2017

	Profit/Loss		Equity	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
In case of change in value of USD against TL at a rate of 20%;				
1- Net asset/liability in USD	(1.284.071)	1.284.071		
2- Amount protected from USD risk (-)				
3- USD Net Effect (1+2)	**(1.284.071)**	**1.284.071**	-	-
In case of change in value of EUR against TL at a rate of 20%;				
4- Net asset/liability in Euro	(21.848.862)	21.848.862		
5- Amount protected from Euro risk (-)				
6- Euro Net Effect (4+5)	**(21.848.862)**	**21.848.862**	-	-
In case of change in value of GBP against TL at a rate of 20%;				
7- Net asset/liability in British Pound	286.899	(286.899)		
8- Amount protected from British Pound risk (-)				
9- British Pound Net Effect (7+8)	**286.899**	**(286.899)**	-	-
In case of change in value of Bulgarian Leva against TL at a rate of 20%;				
10- Net asset/liability in BGN	532	(532)		
11- Amount protected from BGN risk (-)				
12- BGN Net Effect (10+11)	**532**	**(532)**	-	-
In case of change in value of Chinese Yuan against TL at a rate of 20%;				
13- Net asset/liability in Chinese Yuan	10	(10)		
14- Amount protected from Chinese Yuan risk (-)				
15- Chinese Yuan Net Effect (13+14)	**10**	**(10)**	-	-
In case of change in value of CHF against TL at a rate of 20%;				
16- Net asset/liability in Swiss Franc	7	(7)		
17- Amount protected from Swiss Franc (-)				
18- Swiss Franc Net Effect (16+17)	**7**	**(7)**	-	-
TOTAL (3+6+9+12+15+18)	**(22.845.485)**	**22.845.485**	-	-

38.3.2. Interest Risk:
Fluctuations in financial instrument prices due to changes in market interest rates cause the Company to deal with interest rate risk. Sensitivity of the Company to interest rate risk is related to mismatch of maturities of asset and liability accounts. This risk is managed by meeting the assets affected by interest changes with the same type of liabilities.

Interest Position Table

	Fixed rate financial instruments	**31.12.2018**	**31.12.2017**
Financial Liabilities	Bank Loans	12.462.947	29.501.267
Financial Liabilities	Credit Cards	19.894	49.165
Banks	Time Deposits	-	7.235.707
		-	
	Floating rate financial instruments		
Financial Liabilities	Bank Loans	52.384.995	56.388.849

38.4 Sensitivity Analysis for Other Risks:

None. (December 31st, 2017: None)

39. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES UNDER HEDGE ACCOUNTING)

39.1 Fair Value

Fair value is the amount that arises when an asset is exchanged or a liability is paid between a knowledgeable buyer and a knowledgeable seller in a mutual bargaining environment.

Financial assets are valued at "Fair Value" for periods following their inclusion in the balance sheet.

Fair values of financial assets are determined by the company management using available market information and proper valuation methods. However, in order to determine the fair value, estimates should be used for interpreting market data. Accordingly, the estimates presented may not reflect the actual amounts the Company could realize in the current market transaction.

Fair value of the shares traded on the stock exchange is "Stock exchange rate".

It is deemed that carrying value of cash and cash equivalents, short-term trade receivables and payables is close to their fair value.

Financial assets in foreign currency are valued at period-end exchange rate and therefore their fair values get close to their carrying values.

Since affiliates and subsidiaries of the Company are not traded in an active market, their fair values could not be measured reliably. The Company does not intend to dispose of such financial instruments in the short term.

39.2 Hedge Accounting

Hedge accounting requires recognition of hedging instruments (future contracts, option, forward and swaps) and hedged items (liabilities and reveivables subject to exchange rate, interest and price risk, included in financial statements as well as performance bonds subject to the same impacts, not included in financial statements) in financial statements as profit or loss by netting any change in their fair values with each other.

There are three types of hedging relationship:

- Fair value hedging
- Cash flow hedging
- Net investment hedging (in foreign affiliates)

39.3 Fair value estimation

The Company's various accounting policies and disclosures require the determination of the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about the assumptions used in determining the fair values are presented in the notes specific to the asset or liability.

Valuation methods according to the levels are listed as follows.

Level 1: Quoted (unadjusted) prices in the active market for Identical Assets or Liabilities;

Level 2: Data regarding prices other than quoted prices included in Level 1 which are observable directly (through prices) or indirectly (deriving from prices) for the asset or liability;

Level 3: Data not basing on observable market data for assets or liabilities (unobservable data)

The Company's assets and liabilities measured at fair value as of December 31st, 2018 and 2017 are as follows:

December 31st, 2018				
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Investments	-	-	18.167.659	18.167.659
Total Assets	**-**	**-**	**18.167.659**	**18.167.659**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Hedging derivative financial instruments	-	1.698.296	-	1.698.296
Total Liabilities	**-**	**1.698.296**	**-**	**1.698.296**

December 31st,2017				
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Investments	-	-	16.520.564	16.520.564
Total Assets	**-**	**-**	**16.520.564**	**16.520.564**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Hedging derivative financial instruments	-	-	-	-
Total Liabilities	**-**	**-**	**-**	**-**

39.4 Fair Value

Fair value is the price at which an asset is traded in a current transaction between the willing parties.

Financial assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet date.

The following methods and assumptions have been used to estimate the fair value of each financial instrument when it is possible to determine the fair value.

39.5 Financial Assets

Due to their short-term nature and insignificant credit risk, the carrying values of cash and cash equivalents plus accrued interest and other financial assets are considered to approximate their respective fair values. The carrying values of trade receivables net of provisions for doubtful receivables are considered to approximate their fair values.

39.6 Financial Liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Bank loans are stated at discounted cost and transaction costs are added to the initial cost of loans. As the interest rates thereon are updated taking into consideration the changing market conditions, it is considered that the fair values of loans denote the value they carry. Due to their short-term nature, it is estimated that the fair values of trade payables are approximate to their carrying values.

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40. EVENTS AFTER THE REPORTING PERIOD

None.

41. OTHER ISSUES SIGNIFICANTLY AFFECTING THE FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None. (December 31st,2017: None)

42. DISCLOSURES ON CASH FLOW STATEMENT

Cash and Cash Equivalents
Details of cash and cash equivalents as of December 31st, 2018 and 2017 are as follows:

	31.12.2018	**31.12.2017**
Cash	**123.960**	**489.691**
- TL	109.211	481.823
- USD	7.029	3.769
- EUR	6.354	3.077
- BGN	1.360	1017
- CNY	5	5
Banks	**179.456**	**8.286.625**
Time Deposit	-	7.235.707
- EUR	-	7.235.707
Demand Deposit	179.456	1.050.918
- TL	164.593	1.033.948
- USD	3.824	672
- EUR	3.769	6.072
- GBP	7.246	10.204
- CHF	24	22
Other liquid assets	**30.190**	**112.078**
Barter cheques	30.190	112.078
Expected Credi Loss	(12.746)	-
TOTAL	**320.860**	**8.888.394**
Interest rediscount on cash and cash equivalents		-- --
TOTAL	**320.860**	**8.888.394**

There is a blocked account of TL 8.000 in bank deposits of the Company as of December 31st, 2018. (December 31st, 2017- TL 9.250).

Breakdown of the interest rates of time deposits is as follows:

	31.12.2018		**31.12.2017**	
	Quantity	**Interest rate (%)**	**Quantity**	**Interest rate (%)**
EURO (VALUE IN TL)	-	-	7.235.707	2,45
Total	**-**		**7.235.707**	

43. DISCLOSURES ON THE STATEMENT FOR CHANGES IN EQUITY

The Company's statement of changes in equity has been reported in accordance with the financial statement and note presentation principles of which the application has been rendered compulsory with the announcement published in Weekly Bulletin issue no.2013/9 of the CMB dated 07.06.2013.

The effects of the changes in accounting policies explained in the Note 2 as well as the effects of the other retained earnings/expenses not to be reclassified in profit or loss and presented in the account of the retained earnings/losses and other comprehensive incomes have been reported in the statement of changes in equity.

Events After the Reporting Period
Date: 25.02.2019 / 21: 17: 17 - In line with our efficiency-oriented working principles about the closing of the store, It has been decided to close our store titled "Desa Deri Sanayi ve Ticaret A.Ş. İstanbul Buyaka Shopping Center Desa branch office" located as the address of Buyaka Avm, Fatih Sultan Mehmet Mah. Balkan Cad. Buyaka Avm. Sit. B Blok Apt. N56 B / 70 Ümraniye / İSTANBUL (Address code: 2696834627) as of 22.02.2019.

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Tabakhaneler Mevkii Kuzey Cad. 2.Sok. No: 14 Ergene-Tekirdağ
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DÜZCE FACTORY
1. Organize Sanayi Bölgesi 250 Ada
4. Parsel Beykoz - Düzce
T. (0380) 553 73 01 (7 Hat) / (0380) 553 73 08

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Desa Ikbal

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BİLECİK
Desa Bozuyuk

BURSA
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DENİZLİ
Desa Forum

GAZİANTEP
Desa Sankopark

İSTANBUL
Desa Beyoglu
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Desa Suadiye
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Desa Maltepe Carrefour
Desa Carousel
Desa Nautilus
Desa Palladium
Desa Istinyepark
Desa Viaport
Desa Atakoy Konaklari
Desa Marmara Forum
Desa Göztepe
Desa StarCity
Desa Buyaka
Desa Cevahir
Desa Akbati
Desa Akasya
Desa Mall Of
Desa Perlavista
Desa Emaar
Desa Marmarapark
Desa Aquaflorya
Desa Nurolpark
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Desa Anatolium Marmara

İZMİR
Desa Egs
Desa Mavibahçe
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Desa Novada
Desa Bornova
Desa Optimum
Desa Westpark

KAYSERİ
Desa Forum

MERSİN
Desa Forum

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İstanbul, Atatürk Hava limanı 2
İstanbul, Viaport
İstanbul, Buyaka
İstanbul, Marmara Forum
İzmir, Adnan Menderes Havalimanı İç Hatlar
İzmir, Adnan Menderes Havalimanı Dış Hatlar
Ankara, Acity Autlet
Ankara, Armada
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Kanyon Tumi
Akmerkez Tumi

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Ankara, Atakule Samsonite
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Ankara, Metromall Samsonite
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Antalya , 2DışHatlar Havalimanı Samsonite
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Antalya, Migros Samsonite
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Antalya, Deepo Samsonite
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Antalya , Havalimanı Samsonite
Aydın, Söke Samsonite
Bilecik, Bozüyük Sarar Samsonite
Gaziantep, Sankopark Samsonite
İstanbul, Göztepe samsonite
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İstanbul, Palladium Samsonite
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