**Despec Bilgisayar Pazarlama ve Ticaret A.Ş**

**Financial Statements as of and for The Year Ended December 31, 2017 Together with Independent Auditors' Report**

**(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish)**

MGI Bağımsız Denetim S.M.M.M. A.Ş.
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# INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**To the Board of Directors of Despec Bilgisayar Pazarlama ve Ticaret Anonim Şirketi;**

## A) Audit of the Financial Statements

### *1) Opinion*

We have audited the accompanying statement of financial position of **Despec Bilgisayar Pazarlama ve Ticaret Anonim Şirketi** (the Company) as at December 31, 2017 and the related statement of profit or loss and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Despec Bilgisayar Pazarlama ve Ticaret Anonim Şirketi** as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

### *2) Basis for Opinion*

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

### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our 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.

T.C.
BAĞIMSIZ DENETİM

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***Recoverability of Trade Receivables***

| ***Key Audit Matter*** | ***How our audit addressed the key audit matter*** |
|---|---|
| Balance of the trade receivables is amount to TRY 59.880.432, and account for 56,7 percent of total assets. Provisions for doubtful trade receivables is amount to TRY 2.156.450 within this account group.Certain estimation and policy has been used to calculate recovable amount of trade receivables and determined necessary provision for trade receivables. Trade receivable account group and its recoverability were chosen as a key audit matter due to the significance in financial statements.<br><br>The Company's accounting policies, amounts and guarantees related to trade receivables explained in **Note: 10** and **Note: 38**. | Almost all of the sales are made via retailer channel and our audit procedures consist of confirmation customer outstanding balances and test whether the appropriate provision has been made for uncollectable receivables.<br><br>Third party confirmations of customer outstanding balances have been made and accuracy of the balances have been confirmed.<br><br>The Company's credit risk management based on analyzing the aging report of customers' outstanding balances. In this context, we have evaluated provisions appropriateness according to aging reports, economical conditions, historical collection trend, filed lawsuits , execution proceedings and guarantees received.<br><br>We have audited the outstanding balance of customers in respect of foreign currency valuation, discounts calculation (Unearned financial income from credit sales), other valuation, etc. |

***Inventory and Recoverability of inventory***

| ***Key Audit Matter*** | ***How our audit addressed the key audit matter*** |
|---|---|
| Balance of the inventories is amount to TRY 33.732.070, and account for 31,9 percent of total assets. Provision for inventories amount to TRY 1.483.888 within this group. Products in the company's inventory are subject to the risk of being impaired due to the rapid technological development and changes in the market. The Company Management uses certain estimates and policies to determine the provision to reduce obsolescent inventories and slow moving inventory items to net realizable value. Existence of inventories and net realizable amount has been determined as a key audit matter due to the importance of inventory account.<br><br>The Company's accounting policies and amounts related to inventory explained in **Note: 2.05.02** and **Note: 13**. | Our audit procedures base on to evaluate the Company's inventories do exist and net realizable amount of the inventories.<br><br>In this context; we participate year end inventory checking to confirm the inventories do exist. In addition we audit documents related with purchasing inventories during the year.<br><br>Provision for inventory impairment recoginized for the purpose of lower cost of inventories to their net realizable amount. We tested the Company's policy related with inventory impairment by turnover days of inventories.<br><br>Provision for net realizable amount decided according to changes in gross profit in whole or by product base.<br><br>The inventory valuation method of the Company has been confirmed with controlling sample inventory cards. |

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| *Revenue Recognition* | |
|---|---|
| ***Key Audit Matter*** | ***How our audit addressed the key audit matter*** |
| Major part of Company revenue consist of Information Technology ("IT") consumption products (toner, ink cartridge, printer tape, backup products, paper products, accessories and etc) and distribution incomes from mobile phones.<br><br>Revenue shall recognized when the Company has transferred the significant risks and rewards of ownership to the buyer according to importance of matching principle and the purpose of presenting finacial statements' correctly; therefore we determined revenue recognition as a key audit matter.<br><br>The Company's accounting policies and amounts related to revenue explained in **Note: 2.05.01** and **Note: 28**. | According to the nature of the Company's operation; there is risk that goods have been invoiced and have not been delivered. We applied following procedures to audit sales and cost of sales recognized according to matching principle that both transaction realized in same period.<br><br>We focus on sales that invoiced but unearned by analyzing the Company's procedures on sales and delivery terms.<br><br>We evaluate the Company's delivery notes, other delivery domunts and sale invoices by comparing them with each other on sampling method to evalaute sales and cost of sales recognized in same period.<br><br>We controlled that the turnover premium incomes obtained from the suppliers and the turnover premium expenses netted from the turnover premium incomes are recognized in the right period.<br><br>We tested that if there was any significant amount of sales return after the date of financial statement.<br><br>In addition to the above, we assessed whether revenue note **(Note: 2.05.01, Note:28)** was sufficient according to TAS 18. |

#### 4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are 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 overseeing the Company's financial reporting process.

#### 5) Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

T.C. 1923 BAĞIMSIZ DENETÇİ 3039

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- Identify and assess the risks of material misstatement in 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.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the 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 the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements.
- Responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with all relationships and other matters that may reasonably be thought be near independence, and where applicable related safe guards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter when, it extremely rare circumstance, 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.

T.C. BAĞIMSIZ DENETÇİ 1923

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### *B)* Other Responsibilities Arising From Regulatory Requirements

**1)** Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 398 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Company on February 27, 2018.

**2)** In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2017 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

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

**MGI BAĞIMSIZ DENETİM S.M.M.M. A.Ş.**
**A Member of MGI WORLDWIDE**

T.C. BAĞIMSIZ DENETÇİ 1923 30338

**GAMZE TÜRKİN AKSU**
**Principal Auditor in Charge**
**(İstanbul, February 27, 2018 )**

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (TL)

| | Notes | Audited Current Period December 31, 2017 | Audited Current Period December 31, 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | **104.027.458** | **85.694.385** |
| Cash and Cash Equivalents | 6 | 3.746.684 | 3.504.106 |
| Financial Investments | 7 | 160.667 | 115.680 |
| Trade Receivables | 10 | 59.880.432 | 47.963.893 |
| *- Due from related parties* | *10-37* | *706.277* | *29.672* |
| *- Trade receivables, third parties* | *10* | *59.174.155* | *47.934.221* |
| Other Receivables | 11 | 43.192 | 39.347 |
| *- Due from related parties* | *11-37* | - | - |
| *- Other Receivables, third parties* | *11* | *43.192* | *39.347* |
| Derivative Instruments | 12 | - | 238.579 |
| Inventories | 13 | 33.732.070 | 26.415.466 |
| Prepaid Expenses | 15 | 1.891.392 | 1.862.549 |
| Current Tax Assets | | - | - |
| Other Current Assets | 26 | 4.573.021 | 5.554.765 |
| **(Subtotal)** | | **104.027.458** | **85.694.385** |
| **Non-Current Assets** | | **1.605.964** | **976.157** |
| Financial Investments | 7 | 10.190 | 10.190 |
| Investment Properties | 17 | 251.890 | 18.280 |
| Property, Plant and Equipment. | 18 | 226.403 | 255.642 |
| Intangıble Assets | 19 | 420.053 | 337.826 |
| - Other Intangıble Assets | *19* | *420.053* | *337.826* |
| Deferred Tax Assets | 35 | 697.428 | 354.219 |
| **TOTAL ASSETS** | | **105.633.422** | **86.670.542** |

T.C. BAĞIMSIZ DENETÇİ 1923 3038

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (TL)

| LIABILITIES | Notes | Audited Current Period December 31,2017 | Audited Current Period December 31,2016 |
|---|---|---|---|
| **Short-Term Liabilities** | | **48.606.254** | **30.583.339** |
| Short-Term Financial Liabilities | 8 | 23.879.117 | - |
| Trade Payables | 10 | 20.612.291 | 26.894.845 |
| *- Due to related parties* | *10-37* | *522.322* | *419.373* |
| *- Trade payables, third parties* | *10* | *20.089.969* | *26.475.472* |
| Employee benefit obligations | 20 | 101.247 | 100.538 |
| Other payables | 11 | 118.455 | 87.429 |
| *- Due to related parties* | *11-37* | - | - |
| *- Other payables, third parties* | *11* | *118.455* | *87.429* |
| Derivative instruments | 12 | 493.048 | - |
| Deferred Income | 15 | 376.446 | 912.713 |
| Current income tax liabilities | 35 | 931.230 | 1.431.775 |
| Provisions | 22 | 2.094.420 | 1.156.039 |
| *- Provisions for Employee Benefits* | | - | - |
| *- Other current liabilities* | *22* | *2.094.420* | *1.156.039* |
| **(Subtotal)** | | **48.606.254** | **30.583.339** |
| **Non-current liabilities** | | **273.796** | **222.068** |
| Financial liabilities | 8 | - | - |
| Provisions | *24* | 273.796 | 222.068 |
| *- Provision for employee benefits* | *24* | *273.796* | *222.068* |
| Deferred tax liabilities | 35 | - | - |
| **EQUITY** | | **56.753.372** | **55.865.135** |
| **Equity holders of the parent** | 27 | **56.753.372** | **55.865.135** |
| Paid-in capital | | 23.000.000 | 23.000.000 |
| Adjustment to share capital | | 437.133 | 437.133 |
| Shares buyback(-) | | - | - |
| Share premium/discount | | 2.967.707 | 2.967.707 |
| Other accumulated comprehensive income and expense not to be reclassified to profit or loss | | (58.140) | (50.861) |
| *- Actuarial gain/loss arising from defined benefit plans* | | *(58.140)* | *(50.861)* |
| Other accumulated comprehensive income and expense to be reclassified to profit or loss | | 606.110 | 606.110 |
| *- Currency translation differences* | | *606.110* | *606.110* |
| *- Gains/ losses on hedge* | | - | - |
| Restricted reserves | | 8.439.543 | 7.310.637 |
| *- Legal Reserves* | | *8.439.543* | *7.310.637* |
| Retained Earnings | | 12.965.503 | 11.239.245 |
| Net Profit/(Loss) | | 8.395.516 | 10.355.164 |
| Non-controlling interest | 27 | - | - |
| **Total liabilities and equity** | | **105.633.422** | **86.670.542** |

The accompanying notes are integral parts of the financial statements.

## PROFİT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENTS (TL)

| | | Audited<br>January 1,2017<br>December 31,2017 | Audited<br>January 1,2016<br>December 31,2016 |
|---|---|---|---|
| **STATEMENT OF PROFIT OR LOSS** | | | |
| Net Sales | 28 | 260.641.087 | 192.956.531 |
| Cost of sales(-) | 28 | (242.469.369) | (177.044.511) |
| **GROSS PROFIT (LOSS) FROM TRADE OPERATION** | | **18.171.718** | **15.912.020** |
| **GROSS PROFIT** | | **18.171.718** | **15.912.020** |
| General Administrative Expenses (-) | 29 | (3.732.156) | (3.977.265) |
| Marketing, Sales and Distribution (-) | 29 | (4.915.956) | (4.049.038) |
| Other income from operating activities | 31 | 10.667.361 | 7.747.975 |
| Other expenses from operating activities | 31 | (7.590.870) | (4.156.314) |
| **OPERATION PROFIT / (LOSS)** | | **12.600.097** | **11.477.378** |
| Income from Investment Activities | 32 | 64.996 | 8.419 |
| Expenses from Investment Activities (-) | 32 | - | - |
| **OPERATING PROFIT/LOSS BEFORE FINANCIAL INCOME/EXPENSE** | | **12.665.093** | **11.485.797** |
| Financial Income | 33 | 4.195.428 | 6.647.802 |
| Financial Expenses (-) | 33 | (6.407.739) | (5.171.309) |
| **PROFIT/LOSS FROM CONTİNUİNG OPERATİONS BEFORE TAX** | | **10.452.782** | **12.962.290** |
| **Tax income/(expense), continuing operations** | | **(2.057.266)** | **(2.607.126)** |
| - Tax Income /(Expense) | 35 | (2.398.655) | (2.539.583) |
| - Deferred Tax Income / (Expense) | 35 | 341.389 | (67.543) |
| **PROFIT(LOSS) FROM CONTINUING OPERATIONS** | | **8.395.516** | **10.355.164** |
| **Net Profit(Loss)** | | **8.395.516** | **10.355.164** |
| **Profit (loss), attributable to** | | **8.395.516** | **10.355.164** |
| Noncontrolling Interests | 27 | - | - |
| Equity Holders Of The Parent | 27 | 8.395.516 | 10.355.164 |
| **Basic earnings per share** | 36 | 0,365022 | 0,450225 |
| | | | |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Other comprehensive income not to be reclassified to profit or loss** | | **(7.279)** | **(9.689)** |
| Actuarial gain/loss arising from defined benefit plans | | (9.099) | (12.111) |
| Other comprehensive income not to be reclassified to profit or loss, tax effect | | 1.820 | 2.422 |
| - Deferred Tax Income/(Expense) | | 1.820 | 2.422 |
| **Other comprehensive income to be reclassified to profit or loss** | | - | - |
| Currency translation differences | | - | - |
| Gains (losses) on cash flow hedges | 27 | - | - |
| **OTHER COMPREHENSIVE INCOME** | | **(7.279)** | **(9.689)** |
| **TOTAL COMPREHENSIVE INCOME(LOSS)** | | **8.388.237** | **10.345.475** |
| **Comprehensive Income/Expenses Attributable to** | | - | - |
| Owners of Parent | | - | - |
| Non-controlling Interests | | 8.388.237 | 10.345.475 |

The accompanying notes are integral parts of the financial statements.

## CHANGES IN SHAREHOLDER'S EQUITY STATEMENT(TL)

| | | | | | Other Comprehensive Income/(Expense) not to be Reclassified to Profit or Loss | | Other Comprehensive Income/(Expense) to be Reclassified to Profit or Loss | | | Accumulated Profit | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Audited** | Notes | Paid in Capital | Capital Translation Differences | Share Premiums/ Discounts | Defined Benefit Plans and Revaluation and Gain/Loss Arising from Measurement | Other Gains/ (Losses) | Currency Translation Differences | Gains/ (Losses) on Hedge | Other Gains/ (Losses) | Restricted Reserves | Prior Years' Profits or Losses | Current Period Net Profit Or Loss | Equity |
| **January 1 ,2017** | Note-27 | 23.000.000 | 437.133 | 2.967.707 | (50.861) | - | 606.110 | - | - | 7.310.637 | 11.239.245 | 10.355.164 | 55.865.135 |
| Transfers | | - | - | - | - | - | - | - | - | 1.128.906 | 9.226.258 | (10.355.164) | - |
| **Total Comprehensive Income** | | - | - | - | (7.279) | - | - | - | - | - | - | 8.395.516 | 8.388.237 |
| Net Current Profit | | - | - | - | - | - | - | - | - | - | - | 8.395.516 | 8.395.516 |
| *Other comprehensive income (Expense)* | | - | - | - | (7.279) | - | - | - | - | - | - | - | (7.279) |
| Dividends Paid | | - | - | - | - | - | - | - | - | - | (7.500.000) | - | (7.500.000) |
| **December 31, 2017** | Note-27 | 23.000.000 | 437.133 | 2.967.707 | (58.140) | - | 606.110 | - | - | 8.439.543 | 12.965.503 | 8.395.516 | 56.753.372 |
| **Audited** | | | | | | | | | | | | | |
| **January 1 ,2016** | Note-27 | 23.000.000 | 437.133 | 2.967.707 | (41.172) | - | 606.110 | - | - | 6.145.805 | 11.239.245 | 9.741.624 | 54.096.452 |
| Transfers | | - | - | - | - | - | - | - | - | 1.164.832 | 8.576.792 | (9.741.624) | - |
| **Total Comprehensive Income** | | - | - | - | (9.689) | - | - | - | - | - | - | 10.355.164 | 10.345.475 |
| Net Current Profit | | - | - | - | - | - | - | - | - | - | - | 10.355.164 | 10.355.164 |
| *Other comprehensive income (Expense)* | | - | - | - | (9.689) | - | - | - | - | - | - | - | (9.689) |
| *Dividends Paid* | | - | - | - | - | - | - | - | - | - | (8.576.792) | - | (8.576.792) |
| **December 31, 2016** | Note -27 | 23.000.000 | 437.133 | 2.967.707 | (50.861) | - | 606.110 | - | - | 7.310.637 | 11.239.245 | 10.355.164 | 55.865.135 |

The accompanying notes are integral parts of the financial statements.

| CASH FLOW STATEMENT (TL) | Notes | Audited Current Period<br>January 1,2017<br>December 31, 2017 | Audited Previous Period<br>January 1,2016<br>December 31, 2016 |
|---|---|---|---|
| **A. CASH FLOWS FROM OPERATIONS ACTIVITIES** | | **(15.888.624)** | **(1.350.593)** |
| **Net Profit / (Loss)** | | **8.395.516** | **10.355.164** |
| **Adjustments to Reconcile Profit (Loss)** | | **5.058.159** | **(202.787)** |
| Adjustments for depreciation and amortisation expense | 18-19 | 179.894 | 167.000 |
| **Adjustments for Impairment Loss (Reversal of Impairment Loss)** | | **449.557** | **360.879** |
| Adjustments for Provision (Reversal of Provision) of Receivables | 10 | 583.620 | 57.126 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories | 13 | (134.063) | 303.753 |
| Adjustments for Impairment Loss (Reversal of Impairment Loss) of Property , Plant and Equipment | 18-19 | - | - |
| **Adjustments for Provisions** | | **1.021.711** | **408.317** |
| Adjustments for (Reversal of) Provisions Related with Employee Benefits | 24 | 83.330 | 213.456 |
| Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions | 22 | (1.989) | 35.012 |
| Adjustments for (Reversal of) Other Provisions | 22 | 940.370 | 159.849 |
| **Adjustments for Interest (Income) Expenses** | | **486.203** | **(292.774)** |
| Adjustments for Interest Income | 31-33 | (4.769.446) | (2.488.494) |
| Adjustments for Interest Expense | 31-33 | 4.608.176 | 2.269.241 |
| Deferred Financial Expense from Credit Purchases | 10 | (9.366) | (8.662) |
| Unearned Financial Income from Credit Sales | 10 | 656.839 | (64.859) |
| **Adjustments for Tax (Income) Expenses** | 35 | **2.057.266** | **2.607.126** |
| **Other Adjustments to Reconcile profit (loss)** | 26 | **863.528** | **(3.453.335)** |
| **Changes in Working Capital** | | **(26.585.546)** | **(13.297.655)** |
| Adjustments for Decrease (increase) in Trade Accounts Receivable | 10 | (13.156.998) | (6.120.762) |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations | 11 | (3.845) | 51.715 |
| Adjustments for Decrease (increase) in Inventories | 13 | (7.182.541) | (8.881.622) |
| Adjustments for Increase (decrease) in Trade Accounts Payable | 10 | (6.273.188) | 1.941.554 |
| Adjustments for Increase (decrease) in Other Operating Payables | 11 | 31.026 | (288.540) |
| **Cash Flows From (Used in) Operations** | | **(13.131.871)** | **(3.145.278)** |
| Employee Termination Benefit Paid | 24 | (40.701) | (359.579) |
| Income Taxes Refund (paid) | 22 | (2.899.200) | (1.267.583) |
| Other inFlows (outflows) of Cash | | 183.148 | 3.421.847 |
| **B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES** | | **(409.185)** | **(473.789)** |
| **Proceeds From Sales of Property, Plant, Equipment and Intangible Assets** | | 57.307 | - |
| Proceeds From Sales of Property, Plant and Equipment | 18-19 | 57.307 | - |
| Proceeds From Sales of Intangible Assets | | - | - |
| **Purchase of Property, Plant, Equipment and Intangible Assets** | | **(232.492)** | **(473.789)** |
| Purchase of Property, Plant and Equipment | 18 | (107.757) | (130.647) |
| Purchase of Intangible Assets | 19 | (124.735) | (343.142) |
| Investment Property (-) | | (234.000) | - |
| **C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | **16.540.387** | **(8.357.539)** |
| **Proceeds from Borrowings** | 8 | **28.261.000** | **3.200.000** |
| Proceeds from Loans | 8 | 28.261.000 | 3.200.000 |
| **Repayments of Borrowings** | 8 | **(5.000.000)** | **(3.200.000)** |
| Loan Repaymants | 8 | (5.000.000) | (3.200.000) |
| Dividends Paid | | (7.500.000) | (8.576.792) |
| Interest Paid | 31-33 | 779.387 | 219.253 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES** | | **242.578** | **(10.181.921)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **242.578** | **(10.181.921)** |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 6 | 3.504.106 | 13.686.027 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 6 | 3.746.684 | 3.504.106 |

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

## NOTE 1 ORGANISATION AND NATURE OF OPERATIONS

Despec Bilgisayar Pazarlama ve Ticaret A.Ş. ("Despec", or "Company"), carries out distribution services of almost all kinds of Information Technology ("IT") consumption products (toner, ink cartridge, printer tape, backup products, paper products, accessories and etc) to computer companies and office supply stores countrywide in Turkey through its well organized distribution network. The Company, which was established with the on January 4, 1995 changed its title to İndeks Teknolojik Ürünler Dağıtım A.Ş. on August 2,1995 and to Despec Bilgisayar Pazarlama ve Ticaret A.Ş. on October 10,1998. The company started its activities mainly towards the end of 1998. Despec Bilgisayar Pazarlama ve Ticaret A.Ş. carries out sales and distribution of the products in its portfolio through sales teams employed in branches in Head Office İstanbul, Ankara and İzmir using the warehouses in mentioned cities.

Company's share capital and ownership structure as of December 31, 2017 and December 31, 2016, are as follows:

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| **Shareholder** | **Share Percentage%** | **Share Amount** | **Share Percentage%** | **Share Amount** |
| Desbil Teknolojik Ürünler A.Ş. | % 30,24 | 6.956.268 | % 30,24 | 6.956.268 |
| Despec International FZCO | % 25,97 | 5.972.254 | % 30,33 | 6.975.000 |
| Public (*) | % 43,71 | 10.052.746 | % 39,35 | 9.050.000 |
| Other | % 0,08 | 18.732 | % 0,08 | 18.732 |
| **Total** | **%100** | **23.000.000** | **%100** | **23.000.000** |

(*) 225.994 of public shares belong to Desbil Teknolojik Ürünler A.Ş.

A major part of Despec sales consists of HP and Samsung products. Other products distributed by the Company are of brands of Canon, Steelseries, Epson, Xerox, IBM, Lexmark, Trust, Targus, Jabra, Apple.

Company's branches in İzmir and Ankara, when its Headquarters office operations maintain in Kağıthane/İstanbul.

Significant risks relating to the sector are as follows:

a- Credit Risk: Capital structure of dealer channel, which is determined as classical dealer in distribution network is low. Not only the ownership these retailers (around 3.000) are handed over frequently, but also their closing and opening rates are significantly high.

b- Sectoral Competition: Manufacturing companies in operating sector are in intense competition in brand and product bases worldwide. The effects of competitive medium created by these companies also affect the prices in national markets. This creates significant risks to companies which don't have strong financial structures.

c- Foreign Exchange Rate Risk: Most of the IT byproducts are either imported or purchased domestically using foreign currencies or TL. During acquisition of products the companies are usually indebted in foreign currencies and payments are also made in same currencies. The companies which do not adopt their sales policies using currencies in which they purchase the products may encounter foreign exchange losses if rates increase.

d- The distribution agreements made with producers are not exclusive: There is no mutual exclusivity in distributorship agreements made with producer companies. In distributorship agreements according to market conditions producers can assign other distributorships, whereas in the meantime distributors can also sign distributorship agreements with other producers.

Based on the facts that the Company is active in the sector for many years and maintains a high level of knowhow, the Company management considers the risk of agreement cancellation is extremely low.

e- Amendments made in import regimes: The amendments made by governments in some periods regarding import regimes may affect import both positively and negatively.



T.C. 1923 BAĞIMSIZ DENETÇİ

The addresses of the Company's main office and branches are as follows:

**Main Office:** Merkez Mah. Erseven Sok. No: 8/3 34406 Kağıthane / İSTANBUL. The Company also has branches in Ankara and İzmir.

**Branch Addresses are as follows:**

**Ankara Branch:** Çetin Emeç Bulvarı Öveçler 4.Cadde No:4/9 Dikmen/ANKARA

**İzmir Branch:** 1370 Sokak No: 26 35320 Çankaya/İZMİR

The average number of employees of the Company as of December 31, 2017 is 30.(December 31, 2016:31). All of the employees are assigned with administrative duties.

## NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.01 Basis of presentation

The Company maintains its books of accounts and statutory financial statement in accordance with Turkish Commercial Code and accounting principles determined in tax legislations. Accompanying financial statements include adjustments and classifications made on legal books in line with the generally accepted accounting principles issued by Capital Markets Boards (CMB).

The accompanying financial statements are prepared in accordance with Capital Market Board's Communique "Priciples of Financial Reporting in Capital Markets"("Communique") which was published in the Official Gazette dated June 13,2013 and numbered 28676 Series: II,No.14.1 and that communique was repealed.

The Company is applied in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") and its addendum and interpretations issued by Public Oversight Accounting.In accordance with CMB's code article 14. Decisions are made as determining the implementation by committee for financial reporting principle,procedures and principles,providing apparentness and comprehensible or providing secure uniformity of implementation.Corporates are required to comply with this decision.

The accompanying financial statements are prepared in accordance with communiqué numbered II-14.1,financial statements and footnotes are presented according to the formats which must be applied dated June 7, 2013 by CMB.

The accompanying financial statements were approved by its Board of Directors for the period as of date February 27, 2018. Board of Directors has the authority to change the financial statements.

The non-monetary items present in the December 31, 2017 financial statements have been accepted as the USD currency until June 30, 2013. The transactions in the non-monetary items that take place after this date are recorded in TL due to the change in the functional currency to the TL currency.

### 2.02 Dealing with the Inflation Effects in Hyper-Inflationary Periods

According to the decision dated March 17, 2005 with No:11/367 made by the CMB, the inflation accounting is no longer effective for the periods after January 1, 2005 for the companies that are operating in Turkey and preparing financial statements in accordance with CMB standards. Therefore, practise of International Accounting Standards 29 "Financial Reporting on Hyper-Inflationist Economies" ended after January 01, 2005.

### 2.03 Changes in Accounting Policies

The changes to the current accounting policies can be performed if it is necessary or the changes will provide more appropriate and reliable presentation of the transactions and events related to the financial position, performance and the cash flow of the Company that affect the financial statements of the Company. If the changes in accounting policies affects the prior periods, policy is applied to the prior period financial statements as if it is applied before. There were not any changes in accounting policies in the current period.

**2.04 Changes in Accounting Estimates and Errors**

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. On the other hand, if the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted.

In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements. However; if the affect of the accounting estimate to the financial statement is not determinable, then it is not disclosed in the notes to the financial statements. The Company management uses accounting estimates related to issues such as determination of useful lives of tangible and intangible assets, actuarial assumptions used in termination indemnity calculation, provisions for pending law suits and proceedings in favor of and/or against the Company and provisions for decrease in value of inventories. Detailed explanations on the used estimates were made the following changes in the accounting estimates used in the related notes located below.

TAS 21 The Effects of Changes in Foreign Exchange Rates Standard defines that functional currency is the currency of the primary economic environment in which the entity operates. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency; the currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled). The Company Management reviews accounting estimations about functional currency and accounting policies in every period.

TAS 19 In accordance with the revised standard, actuarial gain / loss related to employee benefits which were stated in profit or loss in the previous periods were recognized in other comprehensive income.

***Important Accounting Evaluations, Estimations and Assumptions***

During preparation of financial statements Company management makes assumptions and estimates effecting the amounts of reported assets and liabilities, which effect contingent liabilities and commitments as of balance sheet date and income and expense items as of reporting period. Actual results may differ from the estimations made. Estimates are reviewed regularly and when it is required necessary adjustments are reflected to the financial statements in the period they are realized.

Assumptions made taking the basic reasons of interpretations, which can affect the amounts presented in the financial statements significantly and estimates which exist as of balance sheet date or are expected to occur in the future, into consideration, are explained in the following paragraphs:

- Actuarial assumptions relating to Termination Indemnity Liabilities ( Discount rates, expected salary increases and reassignment rates of employees). **(Note:24)**

- The Company calculates depreciation according to straight line method according to the useful lives of fixed assets. The expected useful lives residual values and depreciation method is reviewed annually for any changes in estimates and proactively adjusted in case of any changes. There were not any changes in estimates related with depreciation calculations.**(Note:18-19)**

- The Company makes provision for receivable when there conditions indicate that collectability of these receivables are dubious whether there are not any legal processes initiated related to these receivables or not. The Company receives guarantees for receivables from companies which are considered to carry collection risks. **(Note:10)**

- The inventories are reflected to the financial statements with the lesser of cost or net realizable value. The effect of technological developments on the inventories of the company are taken into consideration during the calculation of impairment.**(Note:13)**

- The Company receives commissions from producer Company's according to sales or procurement volumes using predetermined commission rates. The commission incomes are recorded according to accrual basis. **(Note:26)**

### 2.05 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are as follows:

*2.05.01 Revenue Recognition*

The Company recognizes income in fair value according to the accrual basis, when the Company reasonably determines the income and economic benefit is probable.

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

- The significant risks and the ownership of the goods are transferred to the buyer;
- The Company refrains the managerial control over the goods and the effective control over the goods sold;
- The revenue can be measured reasonably;
- It is probable that the the economic benefits related to transaction will flow to the entitiy;
- The costs incurred or will be incurred in conjuction with the transaction can be measured reliably.

Interest income is accrued in the related period after discounting the cash inflows which will be received from the principal amount in the expected term using the efficient interest rate which discounts the mentioned cash inflows to recorded values.

When there is a significant amount of financing in sales, the fair value is determined by discounting the future cash flows using the embedded interest rate. The difference is reflected to the financial statements according to accrual basis.

A major part of Despec sales consists of HP and Samsung products.

Other products distributed by the Company are products of Canon, Steelseries, Epson, Xerox, IBM, Lexmark, Trust and Targus,Jabra and Apple. 90 % - 95 % of inventory purchases are provided from the first ten major suppliers. Purchases from HP,Samsung and Canon cover approximately 60 % - 80 % of total inventory purchases.

A major part of procurements of the Company are made directly from producers. The fluctuations in prices which may occur according to market conditions are covered by producer companies to provide price competitiveness. Other than this, losses related to defect products are paid to the Company by producers. Moreover, related to massive procurement of Public Sector or Private Sector companies, special prices are provided by the producers and the best pricing conditions are offered to companies operating in these sectors. In line with the dynamic and changing structure of IT Sector, the Company is supported directly and continuously by producers regarding new products and technologies.

The Company markets and sells the products imported from producers companies, which the Company has signed distributorship agreements. All of the sales are made via retailer channel, which consists of approximately 3.000 retailers, and there are no sales made directly to end users by the Company. Almost 50-65 % of the sales are made through ten major retailers.

When the products in inventories are sold with prices lower than acquisition costs in line with the demand of producers according to their marketing strategies, there are payments made with the explanation of inventory protection. These payments are deducted from the cost of inventories. On the other hand sales commissions obtained in line with the sales volumes are added to sales.

*2.05.02 Inventory Valuation*

Inventories are stated either at the lower of acquisition cost or net realizable value. The Company's inventories consist of cartridge, toner, tape and paper. The inventory costing method used by the Company is "First in First out (FIFO)". Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



T.C. BAĞIMSIZ DENETÇİ 1923 3038

The Company also calculates net realizable values of commercial goods and reflects provision for decrease in value when there are indications of value decrease. **(Not:13)**

*2.5.03 Property, Plant and Equipment*

For Assets acquired in and after 2005, the property, plant and equipment is reflected to the financial statements by deducting their accumulated depreciation from their cost. For assets that were acquired before January 01, 2005, the property, plant and equipment is presented on the financial statements based on their cost value, which is adjusted according to the inflationary effects as of December 31, 2004. Depreciation is calculated using the straight-line method based on their useful lives. The following rates, determined in accordance with the useful lives of the fixed assets, are used in calculation of depreciation.

| | Useful Lives(year) |
|---|---|
| - Furniture's and Fixtures | 4-10 |
| - Motor Vehicles | 5-10 |
| - Leasehold Improvements | 5-10 |
| - Rights | 5-15 |

If the carrying amount of a property, plant and equipment is more than the expected recoverable amount, the net book value is decreased to recoverable amount by making provision.

The profit and loss arisen from fixed asset sales are determined by comparing the net book value with the sales price and the difference is recorded as operating profit or loss.

*2.05.04 Intangible Assets*

Intangible assets acquired before January 01, 2005 are carried at acquisition costs adjusted for inflation; whereas those purchased in and purchased after January 01, 2005 are carried forward at their acquisition cost less accumulated amortization.

Intangible fixed assets comprise of information systems and software rights expenses. Amortization is calculated using the straight-line method between 3 and 10 years period.

*2.05.05 Leasing*

The Company does not have any financial leasing transaction. The Company is lessee of various operational leases. In operational leases the lessor retains the significant risks and benefits related to the leased asset. Expenses incurred relating to these leases is recorded as expense in the income statement according to straight line method. The most important operational leasing of the Company is the rent for Company center from the related İndeks Bilgisayar Sistemeleri Mühendislik Sanayi Ticaret A.Ş. (İndeks A.Ş.) Leasing process is carried out an annual and rents are invoiced as a monthly by İndeks A.Ş.Company's logistic servise is invoiced as a monthly by Teklos Teknoloji Lojistik Hizmetleri A.Ş. (Teklos A.Ş.). The purchases from related parties are disclosed in **Note: 37.**

*2.05.06 Impairment of Assets*

Assets that have an indefinite useful life, such as goodwill, are not subject to amortization but they are annually tested for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

*2.05.07 Borrowings Costs*

The borrowing costs are recognized as expense when they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence, when expenditures and borrowing costs for the asset are incurred, continues until that asset becomes available for sale.



T.C. BAĞIMSIZ DENETÇİ 3038 1923

Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. There are no capitalized borrowing costs in current period related to qualifying assets.

*2.05.08 Financial Instruments*

*(i) Financial Assets*

Investments are recognized and derecognized on trade date where the purchase of sales of an investment is under a contract, whose terms require delivery of the investment within the timeframe establıshed by the market concerned and are initially measured at fair value, net of transaction costs except for those financial assets aclassified as fair value through profit or loss which are initially measured at fair value.Other financial assets are classified as "financial assets, whose fair value differences are reflected to the profit or loss", "financial assets held to the maturity", "financial assets available for-sale" and "loans and receivables.

*Prevailing Interest Method*

Prevailing interest method is the valuation of financial asset with their amortized cost and allocation of interest income to the relevant period. Prevailing interest rate is that discounts the estimated cash flow for the expected life of financial instrument or where appropriate a shorter period. Income related to financial assets, except the "financial assets, whose fair value differences are reflected to the profit or loss", is calculated by using the prevailing interest rate.

*a) Financial Assets Whose Fair Value Differences Are Reflected to the Profit or Loss*

"Financial assets whose fair value differences are reflected to the profit or loss", are the financial assets that are held for trading purposes. If a financial asset is acquired for trading purposes, it is classified in this category. Also, derivative instruments, which are not exempt from financial risk, are also classified as "Financial assets whose fair value differences are reflected to the profit or loss". These financial assets are classified as current assets.

*b) Financial Assets Which Will Be Held to the Maturity*

Debt instruments, which the Company has the intention and capablity to hold to maturity, and/or have fixed or determinable payment arrangement are classified as "Investments Held to the Maturity". Financial asset that will be held to the maturity, are recorded after deducting the impairment from the cost basis, which has been amortized with prevailing interest method. All relevant income is calculated using the prevailing interest method.

*c) Financial Assets Available-For-Sale*

Financial assets, which are "Available-for-Sale" are either (a) financial assets, which will not be held to maturity or (b) financial assets, which are not held for trading purposes. Financial assets Available-for-Sale are recorded with their fair value if their fair value can be determined reliably. Marketable securities are shown at their cost basis unless their fair value can be reliably measured or have an active trading market. Profit or loss pertaining to the financial assets Available-for-Sale is not recorded on the income statement. The fluctuation in the fair value of these assets are shown in the statement of shareholders' equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized is includeded in profit or loss for the period. Provisions recorded in the income statement pertaining to the impairment of financial asset Available-for-Sale can not be reversed from the income statement in future periods. Except equity instruments classified as available-for-sale, if impairment loss decreases in next period and if therein decreasing can be related to an event occurred after the accounting of impairment loss, impairment loss accounted before, can be cancelled in income statement.The Company classified all of the existing financial assets as Available for Sale Financial Assets. Company's as of period is not available financial asset for sale.

*d) Loans and Receivables*

Trade receivables, other receivables, and loans are initially recognized at their fair value. Subsequently, receivables and loans are measured at amortized cost using the effective interest method. In the case of interest on loans and receivables negligible, registered value of loan and receivables is accepted as fair value.



T.C. BAĞIMSIZ DENETÇİ 1923

*Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indication of impairment at each statement of financial position date. Financial assets are impaired, where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced with the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are reversed against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With respect to available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

*Cash and Cash Equivalents*

Cash and cash equivalents are cash, demand deposit and other short-term highly liquid investments, which their maturities are three months or less from the date as of acquisition, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*(ii) Financial Liabilities*

Financial liabilities and equity instruments are classified based on arrangements according to the agreement, and definition of financial liability and equity instrument. Agreement which embodies right of assets after deducting all the liabilities, is a financial instrument based on equity. Accounting policies for the financial liabilities and the financial instruments based on equity are determined below.

Financial liabilities are classified as financial liabilities whose fair value differences are reflected to the profit / (loss) or other financial liabilities.

*a) Financial Liabilities Whose Fair Value Differences Are Reflected to the Profit / (Loss)*

"Financial liabilities whose fair value differences are reflected to the profit /loss" are recorded at fair value and are re-evaluated at the end of each balance sheet date. Changes in fair value are recognized in the income statement. Recognized net earnings and/or losses in the income statement also include interest payments made for this financial liability.

*b) Other Financial Liabilities*

None.

*2.05.09 Effects of Currency Fluctuations*

All transactions, denominated in foreign currencies, are converted into TL by the exchange rate ruling at the transaction date. All foreign currency denominated monetary assets and liabilities stated at the balance sheet are converted into TL by the exchange rate ruling at the balance sheet date.

*2.05.10 Earnings per Share*

Earnings per share in the income statement is calculated by dividing net income by the weighted average number of common shares outstanding for the period.In Turkey, companies are allowed to increase their share capital by



T.C. BAĞIMSIZ DENETÇİ 1923

distributing "bonus shares" from retained earnings. These bonus shares are deemed as issued shares while calculating the net earnings per share.

Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this calculation.

*2.05.11 Events after the Balance Sheet Date*

Events after the Balance Sheet Date cover all events that occur between the balance sheet date and the publication date of the financial statements. If there is substantial evidence that the subsequent events existed or arose after the balance sheet date, these events are disclosed and explained in the notes to the financial statements. **(Note: 40)**

The Company adjusts its financial statements if the above-explained subsequent events require any adjustments.

*2.05.12 Provisions, Contingent Assets and Liabilities*

A provision is recognized when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Contingent liabilities and assets are not reflected to financial statements but disclosed in the notes to the financial statements. The entity recognizes a provision for the part of the obligation, for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made.

*2.05.13. Related Parties*

IAS 24 "Related Parties" defines related parties as the parties which can control the counterparty directly or indirectly through share ownership, rights based on agreement, family relation and etc. or which can affect the decisions of the counterparty significantly. Shareholders and Company management is also considered as related parties. Transactions held with related parties comprise of transfer of resources and liabilities between related parties with or without value.

In the accompanying financial statements shareholders, companies which are indirectly in capital relation with the Company, board of director's members, senior managers and other administrative senior personnel are considered as related parties. Including any manager of the Company (administrative or other), administrative senior personnel are the personnel who have direct or indirect authority and responsibility for activity planning, management and control. Transactions with related parties are disclosed in **Note: 37.**

*2.05.14 Taxation and Deferred Tax*

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against whichthose deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

*Current and deferred tax for the period*

Current and deferred tax are recognized as an expense or income to the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in the equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Taxes stated in financial statements contain changes in current and deferred taxes for the period. Company calculates current period tax and deferred tax over the period results.

*Offsetting Tax Income and Liablities*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Corporate tax amounts are offset with prepaid corporate tax as they are related. Deferred tax assets and liabilities are also offset.

*2.05.15 Retirement Pay*

According to Turkish Labor Law, employee termination benefit is reflected in the financial statements, when the termination indemnities are deserved. Such payments are considered as being part of defined retirement benefit plan as per TAS No.19 "Employee Benefits".

The retirement benefit obligation recognized in the financial statements represents the present value of the defined benefit obligation as adjusted for unrecognized gains and losses.Interest cost included in retirement pay is presented in retirement pay expense in the income statement.

*2.05.16 Cash flow statement*

Cash and cash equivalents are stated at their fair values in the balance sheet. The cash and cash equivalents comprises cash in hand, bank deposits and highly liquid investments.

On cash flow statement, the Company classifies period's cash flows as operating, investment and financing activities.Cash inflow provided from operating activities denotes cash inflow provided from main activities of the Company.

Cash flow concerned with investment activities shows cash used and provided from investment activities (asset investments and financial investments).

Cash flow concerned with investment activities represents sources used from financial activities and pay-back of these funds.



T.C. BAĞIMSIZ DENETÇİ 3035 1923

### 2.06 Comparative Information and Adjustment of the Previous Period Financial Statements

The comparative financial statements have been presented to enable to perform the financial position and the performance trend analysis. All necessary adjustments are made in previous financial statements to present consistent and comparative financial statements, if required.

### 2.07 Offsetting

The financial assets and liabilities in the financial statements are offset and the net amount reported in the balance sheet, where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 2.08 Investment Property

Investment property is classified as property which is held where the main objective is for rent and/or capital gains income. As of the date of the balance sheet the investment property has been reflected in the attached financial tables based on their acquisition price. The company's investment property consists of land **(Note: 17).**

### 2.09 New and Revised International Financial Reporting Standards

**i) Summary of the new standards, amendments, interpretations and resolutions which are effective as at January 1, 2017;**

**IFRS 12 "Disclosure of Interests in Other Entities" (Amendment):** With the Annual Improvements to IFRSs - 2014-2016 Cycle; this amendment clarifies that an entity is not required to disclose summarized financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

**IAS 7 'Statement of Cash Flows (Amendments):** In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve the information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. It is not applied as retroactive applications. Earlier application is permitted.

**IAS 12 Income Taxes (Amendments):** Recognition of Deferred Tax Assets for Unrealized Losses (Amendments) In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted.

**ii) The new standard, Amendments, and interpretations that are not effective or an early adoption is not used by the Company as of December 31, 2017, are as follows:**

**TFRS 1 "First-time Adoption of International Financial Reporting Standards"( Amendment):** With the Annual Improvements to TFRSs - 2014-2016 Cycle; this amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

**TFRS 2 "Share-Based Payment":** Clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for: a. the effects of vesting and non-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; and c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These



T.C. BAĞIMSIZ DENETÇİ 3038

amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

**TFRS 9 "Financial Instruments: Classification and Explanation" :** TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value of a fair value option financial liability attributable to credit risk is presented under other comprehensive income. The date of mandatory application of the amendments is deferred at January 1,2018. Early adoption is permitted.

**TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) Amendments** issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. The amendments will be applied prospectively on January 1, 2016 and next periods. Effective date was delayed indefinitely by IACB on December 15, 2015.

**TFRS 15 "Revenue from Contracts with Customers"** The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

**TAS 28 "Investments in Associates and Joint Ventures" (Amendment):** With the Annual Improvements to TFRSs - 2014-2016 Cycle; this amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

**TAS 40 "Investment Property" (Amendments):** The amendments state that a change in 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 1 January 2018. Earlier application is permitted.

**TFRIC 22 "Foreign Currency Transactions and Advance Consideration" (Interpretation):** The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The 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 an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity 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 effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

**iii) Summary of the new standards, amendments, and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA:**

The following standards, interpretations, and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the consolidated financial statements. However, these standards, interpretations, and amendments to existing IFRS standards are not yet adopted/issued by the POA, thus they do not constitute part of TFRS.

**IFRS 16 Leases:** In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating



T.C. 1923 DENET 3033

and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

**IFRS 17 The new Standard for insurance contracts:** The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Aim of the standard is to provide fairly presentation. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

**IFRIC 23 Uncertainty over Income Tax Treatments:** The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments When there is uncertainty over income tax treatments. An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

**Annual Improvements to IFRSs - 2015-2017 Cycle**

The IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

**IFRS 3 "Business Combinations" ve IFRS 11 "Joint Arrangements" (Amendments):** The amendments to IFRS 3 "Business Combinations" clarify when an entity obtains control of a business that is a joint operation. Standard will be effective after December 31, 2018. Earlier application is permitted.

**IFRS 11 "Joint Arrangements"**; clarify the previous held interest measurement when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. Standard will be effective after December 31, 2018. Earlier application is permitted.

**IAS 12 "Income Taxes" (Amendments):** Clarify the recognition of income tax consequences of dividends under IAS 12 "Income Taxes". Standard will be effective after December 31, 2018. Earlier application is permitted.

**IAS 23 "Borrowing Costs" (Amendments):** The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. Those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. Standard will be effective after December 31, 2018. Earlier application is permitted.

The Company is in the process of assessing the impact of the interpretation on financial statements of the company.

**NOTE 3 BUSINESS COMBINATIONS**

None.

**NOTE 4 BUSINESS ASSOCIATIONS**

None.

**NOTE 5 SEGMENT REPORTİNG**

The Company operates solely in information technologies sector and Company management considers that segment reporting is not required.

**NOTE 6 CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents for the periods ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cash | 66.180 | 44.834 |
| Bank(Demand Deposit) | 3.679.917 | 3.396.495 |
| Credit Card Slips | 587 | 62.777 |
| **Total** | **3.746.684** | **3.504.106** |



T.C. BAĞIMSIZ DENETÇİ 3039 1923

The cash and cash equivalents balance shown in the statement of cash flows is net of interest income accruals, as follows:

| Account Name | December 31,2017 | December 31,2016 |
|---|---|---|
| Cash and Cash equivalents | 3.746.684 | 3.504.106 |
| Interest Income Accruals (-) | - | - |
| **Total** | **3.746.684** | **3.504.106** |

Company does not have any term or blocked account. Generally the payments received by credit cards are collected from bank in the following days after the sales. Gain/Loss in exchange differences are reported in Financial Gain/Loss account in Financial Statements.

**NOTE 7 FINANCIAL INVESTMENTS**

The company's short-term and long-term financial investments are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Stock (Indeks) (*) | 160.667 | 115.680 |
| Long Term Securities (**) | 10.190 | 10.190 |
| **Total** | **170.857** | **125.870** |

(*)The Indeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret A.Ş shares found in the above mentioned short term financial investment have been valued based on their market price and have been recorded in the financial statements accordingly.

According to IFRS 13 *Fair Value Measurement Standard*; when measuring for fair value and relating explanations, in order to increase consistency and comparison, a fair value hierarchy has been created in order to categorize the valuation methods used. Level 1 inputs are based off of comparing the Company's assets with similar assets or comparing their liabilities with active market quotes. When evaluating the Company's shares the 2. Session of the BIST on December 31, 2017 was used as a basis for measurement.

(**)1.000 shares of İnterpromedya Yayıncılık Etkinlik Yönetim ve Pazarlama A.Ş. was purchased for **TL 10.000** during 2011. The share capital of İnterpromedya A.Ş. is **TL 500.000** and the Company has a share percentage of 0,2 %.

The movement of the Company's Long-Term Financial Asset and Investments are as below:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Appreciation of Financial Asset | 10.190 | 10.190 |
| **Total** | **10.190** | **10.190** |

**NOTE 8 SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES**

**December 31,2017**

Current financial liabilities for the periods ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Bank Loans | 23.879.117 | - |
| **Total** | **23.879.117** | - |

**December 31,2017**

| Type | Foreign currency amount | TRY amount | Effective interest rate (%) |
|---|---|---|---|
| **Short Term Loans** | | | |
| Loans *(TL)* | | *23.879.117* | *16,61-18,93* |
| **Total** | | **23.879.117** | |

Movements of the liabilities are as below:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Balance at January 1 | - | - |
| Inflow of principal liabilities | 28.261.000 | 3.200.000 |
| Outflow of principal liabilities | (5.000.000) | (3.200.000) |
| Outflow of interest payments | (1.195.253) | (351.975) |
| Interest accruals for the period | 1.813.370 | 351.975 |
| **Balance at Ending** | **23.879.117** | - |

**December 31,2016**

The Company has no financial liability as of December 31, 2016.

**NOTE 9 OTHER FINANCIAL LIABILITIES**

None.

**NOTE 10 TRADE RECEIVABLES AND PAYABLES**

Short-Term trade receivables as of December 31, 2017 and December 31, 2016 are as follows:

| Hesap Adı | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Trade Receivables | 50.668.372 | 34.711.321 |
| *- Due from related parties (Note. 37)* | *706.277* | *29.672* |
| *- Others* | *49.962.095* | *34.681.649* |
| Notes receivables | 10.295.614 | 13.679.287 |
| Discount on notes receivables (-) | (1.083.554) | (426.715) |
| Doubtful trade receivables | 2.156.450 | 1.572.830 |
| Provision for doubtful receivables (-) | (2.156.450) | (1.572.830) |
| **Total** | **59.880.432** | **47.963.893** |

**TL 21.343.117** of the total trade receivables in the amount of **TL 59.880.432**, and **TL 14.671.516** of the total receivables in the amount of **TL 47.963.893** (Eular Hermes guarantee amount is included.) are under guarantee as of December 31, 2017 and December 31, 2016 respectively. The detailed information relating to quality and level of trade receivables are disclosed in **Note: 38.**

The company has a receivables insurance policy with Euler Hermes Sigorta A.Ş until March 31,2018 for the accounts receivable which are found within the borders of Turkey.(Guarantee proportion is determined %80 for trade receivables credit limit which are demanded.)

- Amount of Eular Hermes guarantee as of December 31,2017 **TL 14.375.300** (December 31,2016: **12.270.495 TL**)

Movement of provision for doubtful receivables is as follows:

| | January 1, 2017<br>December 31, 2017 | January 1, 2016<br>December 31, 2016 |
|---|---|---|
| Opening balance | 1.572.830 | 1.515.704 |
| Collection in current period (-) | - | - |
| Period expense **(Note:30)** | 583.620 | 57.126 |
| **Closing balance** | **2.156.450** | **1.572.830** |

The maturities of trade receivables which is overdue and there is not decline in value are as follows;

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| 0-3 months | 368.435 | 215.999 |
| 3-12 months | 145.400 | 180.870 |
| 1-5 years | - | - |
| **Total** | **513.835** | **396.869** |



T.C. BAĞIMSIZ DENETÇİ 3038 1923

Current trade payables for the period ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Trade payables | 20.828.457 | 27.101.645 |
| *Others* | *20.306.135* | *26.682.272* |
| *Due to related parties **(Note: 37)*** | *522.322* | *419.373* |
| Notes payables | - | - |
| Discount of notes payables (-) | (216.166) | (206.800) |
| **Total** | **20.612.291** | **26.894.845** |

The Company has no non-current trade receivables.

The average term of collection of trade receivables varies between 60-80 days. The average term of payments varies between 30-40 days. Compound interest rate of domestic government bonds is used as prevailing interest rate for rediscount of trade receivables and payables in TL. Also Libor and Eurobond are used for trade receivables and payables in USD and EURO.

**NOTE 11 OTHER RECEIVABLES AND PAYABLES**

Other current receivables for the period ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Receivables from personnel | 43.192 | 8.466 |
| Due to related parties (Note:37) | - | - |
| Deposits and guarantees given | - | 30.881 |
| **Total** | **43.192** | **39.347** |

The Company has no non-current other receivables.

The quality and level of risks in other receivables are explained in **Note: 38**

Current other payables for the periods ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Taxes and other deductions | 118.455 | 87.429 |
| **Total** | **118.455** | **87.429** |

**NOTE 12 DERIVATIVE INSTRUMENTS**

Derivative Financial Instruments located within Current Assets are as follows;

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Derivative Financial Instruments Receivables | - | 238.579 |
| **Total** | **-** | **238.579** |

As of December 31, 2016, company has made foreign exchange purchase contracts for the amounts of USD 3.488.460 and EURO 254.954 . The maturity of the contracts is 0-3 months. The fair value of the contracts as of December 31, 2016 is TL 12.983.863 and the total amount of valuation difference is TL 238.579 is recognized in the statement of profit or loss.

Current liabilities for derivative financial assets are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Derivative Financial Payables | 493.048 | - |
| **Total** | **493.048** | **-** |

As of December 31, 2017, company has made foreign exchange purchase contracts for the amounts of USD 4.572.350. The maturity of the contracts is 0-3 months. The fair value of the contracts as of December 31, 2017 is TL 17.739.495 and the total amount of valuation difference is TL 493.048 is recognized in the statement of profit or loss.

**NOTE 13 INVENTORIES**

Inventories for the periods ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Commercial Goods | 28.619.616 | 24.685.717 |
| Goods in Transit | 6.596.342 | 3.347.700 |
| Decrease in Value of Inventory (-) | (1.483.888) | (1.617.951) |
| **Total** | **33.732.070** | **26.415.466** |

As of December 31,2017 **TL 4.211.478** (December 31,2016 **TL 3.834.671**)is reflected to financial statements with their net realizable values. The remaining inventories are presented at cost.

Inventories whose invoices are received at an earlier date than their physical entry in the warehouses are classified under the account "Goods in Transit"

Provision for Impairment of Inventory:

| | January 1, 2017 December 31, 2017 | January 1, 2016 December 31, 2016 |
|---|---|---|
| Opening Balance (-) | (1.617.951) | (1.314.198) |
| Cancellation of Provision Due to Increase in Net Realizable Value Net (+) | 134.063 | - |
| Provision for the Period(-) | - | (303.753) |
| **Balance at the end of year (-)** | **(1.483.888)** | **(1.617.951)** |

The inventories are presented with the lesser of cost and net realizable value in the financial statements.

There are not any inventories given as a guarantee for payables. The information related to the insurance coverage on assets is disclosed in **Note: 22**

**TL 242.469.369** and **TL 177.044.511** are the costs of goods sold as of December 31,2017 and December 31, 2016 respectively.

| Explanation | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cost | 5.695.366 | 5.452.622 |
| Provision for Value Decrease in Inventories | 1.483.888 | 1.617.951 |
| Net Realizable Value **(a)** | 4.211.478 | 3.834.671 |
| Inventory presented with its cost value **(b)** | 29.520.592 | 22.580.795 |
| **Total Inventories (a+b)** | **33.732.070** | **26.415.466** |

**NOTE 14 BIOLOGICAL ASSETS**

None.

**NOTE 15 PREPAID EXPENSES AND DEFERRED INCOME**

**Short-Term :**

Short-term prepaid expenses as of December 31, 2017 and December 31, 2016 are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Prepaid Expenses for Following Months | 110.012 | 84.291 |
| Advances Given | 1.781.380 | 1.778.258 |
| **Total** | **1.891.392** | **1.862.549** |

Deferred Incomes as of December 31, 2017 and December 31, 2016 are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Advances Received | 195.916 | 412.759 |
| Income for the following Months | 180.530 | 499.954 |
| **Total** | **376.446** | **912.713** |

**Long-Term :**

Company has no prepaid expenses as of December 31, 2017 and December 31, 2016.
Company has no deferred incomes as of December 31, 2017 and December 31, 2016.



T.C. BAĞIMSIZ DENETÇİ 1923 3038

## NOTE 16 INVESTMENTS EVALUATED BY EQUITY METHOD

None.

## NOTE 17 INVESTMENT PROPERTY

The Company's Investment Properties are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cost | 252.280 | 18.280 |
| Accumulated Depreciation | (390) | - |
| **Total** | **251.890** | **18.280** |

**December 31,2017**

**Cost**

| Account Name | January 1, 2017 | Acquisitions | Disposals (-) | December 31, 2017 |
|---|---|---|---|---|
| Lands | 18.280 | - | - | 18.280 |
| Buildings | - | 234.000 | - | 234.000 |
| **Total** | **18.280** | **234.000** | **-** | **252.280** |

**Accumulated Depreciation**

| Account Name | January 1, 2017 | Period Depreciation | Disposals (-) | December 31, 2017 |
|---|---|---|---|---|
| Buildings | - | 390 | - | 390 |
| **Total** | **-** | **390** | **-** | **390** |
| | | | | |
| **Net Value** | **18.280** | | | **251.890** |

**December 31,2016**

**Cost**

| Account Name | January 1, 2016 | Acquisitions | Disposals (-) | December 31, 2016 |
|---|---|---|---|---|
| Lands | 18.280 | - | - | 18.280 |
| **Total** | **18.280** | | **-** | **18.280** |

## NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment for the periods ended are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cost | 983.498 | 1.004.357 |
| Accumulated depreciation | (757.095) | (748.715) |
| **Total** | **226.403** | **255.642** |

**December 31,2017**

**Cost**

| Account Name | January 1, 2017 | Acquisitions | Disposals (-) | December 31, 2017 |
|---|---|---|---|---|
| Vehicles | 132.121 | - | (128.616) | 3.505 |
| Furniture & Fixtures | 429.484 | 25.071 | - | 454.555 |
| Leasehold Improvements | 442.752 | 82.686 | - | 525.438 |
| **Total** | **1.004.357** | **107.757** | **(128.616)** | **983.498** |

**Accumulated Depreciation**

| Account Name | January 1, 2017 | Period Depreciation | Disposals (-) | December 31, 2017 |
|---|---|---|---|---|
| Vehicles | 121.400 | 10.721 | (128.616) | 3.505 |
| Furniture & Fixtures | 307.024 | 53.647 | - | 360.671 |
| Leasehold Improvements | 320.291 | 72.628 | - | 392.919 |
| **Total** | **748.715** | **136.996** | **(128.616)** | **757.095** |
| | | | | |
| **Net Value** | **255.642** | | | **226.403** |

**December 31,2016**

**Cost**

| Account Name | January 1, 2016 | Acquisitions | Disposals (-) | December 31, 2016 |
|---|---|---|---|---|
| Vehicles | 132.121 | - | - | 132.121 |
| Furniture & Fixtures | 298.836 | 130.648 | - | 429.484 |
| Leasehold Improvements | 442.752 | - | - | 442.752 |
| **Total** | **873.709** | **130.648** | - | **1.004.357** |

**Accumulated Depreciation**

| Account Name | January 1, 2016 | Period Depreciation | Disposals (-) | December 31, 2016 |
|---|---|---|---|---|
| Vehicles | 95.679 | 25.721 | - | 121.400 |
| Furniture & Fixtures | 253.781 | 53.243 | - | 307.024 |
| Leasehold Improvements | 258.906 | 61.385 | - | 320.291 |
| **Total** | **608.366** | **140.349** | - | **748.715** |
| | | | | |
| **Net Value** | **265.343** | | | **255.642** |

Other Information:

Depreciation and amortization expenses are recorded under operational expenses. The insurance coverage on assets is disclosed in **Note: 22**. There are not any liens or other restrictions on assets.

**NOTE 19 INTANGIBLE ASSETS**

The Company's Intangible Assets as of the end of the period is as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Cost | 634.040 | 509.305 |
| Accumulated Depreciation | (213.987) | (171.479) |
| **Total** | **420.053** | **337.826** |

**December 31,2017**

**Cost**

| Account Name | January 1, 2017 | Acquisitions | Disposals (-) | December 31, 2017 |
|---|---|---|---|---|
| Other Intangible Assets | 509.305 | 124.735 | - | 634.040 |
| **Total** | **509.305** | **124.735** | - | **634.040** |

**Accumulated Depreciation**

| Account Name | January 1, 2017 | Period Depreciation | Disposals (-) | December 31, 2017 |
|---|---|---|---|---|
| Other Intangible Assets | 171.479 | 42.508 | - | 213.987 |
| **Total** | **171.479** | **42.508** | **-** | **213.987** |
| **Net Value** | **337.826** | | | **420.053** |

**December 31,2016**

**Cost**

| Account Name | January 1, 2016 | Acquisitions | Disposals (-) | December 31, 2016 |
|---|---|---|---|---|
| Other Intangible Assets | 166.164 | 343.141 | - | 509.305 |
| **Total** | **166.164** | **343.141** | **-** | **509.305** |

**Accumulated Depreciation**

| | January 1, 2016 | Period Depreciation | Disposals (-) | December 31, 2016 |
|---|---|---|---|---|
| Other Intangible Assets | 144.828 | 26.651 | - | 171.479 |
| **Total** | **144.828** | **26.651** | **-** | **171.479** |
| **Net Value** | **21.336** | | | **337.826** |

Depreciation and amortization expenses are recorded under operational expenses.

**NOTE 20 EMPLOYEE BENEFIT OBLIGATIONS**

Employee Benefit obligations as of December 31,2017 and December 31,2016 are as follows:

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Social Security Institution Payable | 101.247 | 100.538 |
| **Total** | **101.247** | **100.538** |

**NOTE 21 GOVERNMENT GRANTS**

None.

**NOTE 22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

*i) Provisions*

| Account Name | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Provisions for Price Differences | 2.061.397 | 1.121.027 |
| Provision for Litigations | 33.023 | 35.012 |
| **Total** | **2.094.420** | **1.156.039** |

| December 31, 2017 | Provision for Litigations | Provisions for Price Differences | Total |
|---|---|---|---|
| As of January 1 | 35.012 | 1.121.027 | 1.156.039 |
| Additional Provisions | 3.665 | 2.061.397 | 2.065.062 |
| Payment | (5.654) | (1.121.027) | (1.126.681) |
| **Total** | **33.023** | **2.061.397** | **2.094.420** |



T.C. 1923 BAĞIMSIZ DENETÇİ 3038

| December 31, 2016 | Provision for Litigations | Provisions for Price Differences | Total |
|---|---|---|---|
| As of January 1 | - | 961.178 | 961.178 |
| Additional Provisions | 35.012 | 1.121.027 | 1.156.039 |
| Payment | - | (961.178) | (961.178) |
| **Total** | **35.012** | **1.121.027** | **1.156.039** |

*ii) Contingent Assets and Liabilities;*

**Lawsuits against the Company**

For the lawsuits initiated against Company, provision is made in financial statements in the amount of **TL 33.023.** ( December 31,2016: **TL 35.012**)

**Lawsuits filed by the Company**

For litigations filed by the Company, provision is made in financial statements in the amount of **TL 2.156.450.** (December 31,2016: **TL 1.572.830**)

*iii)Commitments not presented in the Liabilities of the Statement of Financial Position;*

**December 31,2017**

| | TL | USD | EURO |
|---|---|---|---|
| Guarantee Letters Given | 14.687.541 | 1.000.000 | - |
| **TOTAL** | **14.687.541** | **1.000.000** | **-** |

**December 31,2016**

| | TL | USD | EURO |
|---|---|---|---|
| Guarantee Letters Given | 11.687.541 | 1.375.000 | - |
| **TOTAL** | **11.687.541** | **1.375.000** | **-** |

*iv )* The ratio of Mortgages and Guarantees Given to Shareholders' Equity is as follows;

| Mortgages & Guarantees Given by the Company | December 31,2017 | December 31,2016 |
|---|---|---|
| A. Total amount of M&G Given on behalf of the Company | 18.459.441 | 16.526.441 |
| B. Total amount of M&G Given on behalf of the Subsidiaries and Affiliated Companies subject to full consolidation | - | - |
| C. Total Amount of M&G Given on behalf of the third person liability in order to sustain usual business activities. | - | - |
| D. Total Amount of other M&G Given | - | - |
| i. Total Amount of M&G Given on behalf of main shareholder | - | - |
| ii. Total Amount of M&G Given on behalf of other affiliated companies which can not be classified under section B and C. | - | - |
| iii. Total Amount of M&G Given on behalf of the third person that cannot be classified under section C. | - | - |
| **Total** | **18.459.441** | **16.526.441** |

The amounts stated above are provisions expressed in Turkish Lira as period ends.

The ratio of Mortgages and Guarantees Given to Shareholders' Equity is 0 %. (December 31, 2016: %0)

*v) Mortgages and Guarantees on Assets;*

There are not any restrictions on assets.



T.C. BAĞIMSIZ DENETÇİ 1923

*vi) Total Insurance Coverage on Assets:*

**December 31,2017**

| Type of Insured Assets | USD | TL |
|---|---|---|
| Commercial Goods | 10.000.000 | - |
| Vehicles | - | - |
| Plants, Machinery and Equipment | - | - |
| **Total** | **10.000.000** | **-** |

**December 31,2016**

| Type of Insured Assets | USD | TL |
|---|---|---|
| Commercial Goods | 10.675.000 | - |
| Vehicles | - | 107.534 |
| Plants, Machinery and Equipment | 35.000 | - |
| **Total** | **10.710.000** | **107.534** |

**NOTE 23 COMMITMENTS**

None.

**NOTE 24 EMPLOYEE TERMINATION BENEFITS**

| Account Name | December 31,2017 | December 31,2016 |
|---|---|---|
| Provision for employment termination benefits | 273.796 | 222.068 |
| **Total** | **273.796** | **222.068** |

In context of current Labor Law, liability of payment of legal benefit for termination indemnity arises when terminated employment contract is qualified for termination indemnity. In addition, according to currently operated Social Insurance Law making payment to employee, who has the right of severance with termination indemnity, is a legal liability As of January 1st 2018, termination indemnity upper limit is monthly TL 5.001,76 (December 31,2016: TL 4.426,16).

Termination indemnity payable is not subjected to any legal funding.

Termination indemnity payable, is calculated by forecasting the present value of currently working employee's possible future liabilities IAS 19 ("Employee Termination Benefits"), predicts to build up Company's liabilities with using actuarial valuation techniques in context of defined benefit plans. According to these predictions, actuarial assumptions used in calculation of total liabilities are as follows:

Base assumption is the inflation parallel increase of maximum liability of each year Applied discount rate must represent expected real discount rate after the adjustment of future inflation As of December 31,2017, provisions in financial statement are calculated by forecasting the present value of currently working employee's possible future liabilities.

The provisions at the balance sheet dates have been calculated assuming an annual inflation rate of 8 % and a discount rate of 12%. As a result, the real discount rate is calculated as 3,70 % (December 31, 2016: 3,51%). The assumptions made by the company related to real discount rates are reviewed annually. There were not any changes in discount assumptions in the current period.

The possibility of dismissing regarding termination indemnity liabilities is %98,13' as of December 31, 2017. (December 31, 2016; %98,12)

| | January 1,2017<br>December 31, 2017 | January 1,2016<br>December 31, 2016 |
|---|---|---|
| January 1 | 222.068 | 356.080 |
| Current Period Service Cost | 41.007 | 31.829 |
| Interest Cost | 22.207 | 35.608 |
| Actuarial Income/(Loss) | 9.099 | 12.111 |
| Loss Composed on Payment | 20.116 | 146.019 |
| Paid | (40.701) | (359.579) |
| **Closing Balance** | **273.796** | **222.068** |

Provision expense (income) for termination indemnities are recognized the accounts as follows;

| **Account Name** | **January 1,2017 December 31, 2017** | **January 1,2016 December 31, 2016** |
|---|---|---|
| General Administration Expenses | (83.330) | (213.456) |
| Other income from operating activities | - | - |
| The amount accounted in (Profit) / Loss | **(83.330)** | **(213.456)** |
| Actuarial Loss accounted in Other Comprehensive Income | (9.099) | (12.111) |
| **Total Expense/(Income)** | **(92.429)** | **(225.567)** |

According to the regulation under IAS 19 released on January 1, 2013 actuarial losses and gains are to be recorded under other comprehensive income in Shareholder's Equity.

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Actuarial Loss accounted in Other Comprehensive Income | (9.099) | (12.111) |
| Tax Effect: % 20 | 1.820 | 2.422 |
| **Net Value** | **(7.279)** | **(9.689)** |

In the current period acturial loss amount was TL 9.099 . Bu Deferred tax effect of this amount was also taken into consideration and stated in other comprehensive statement of profit or loss and as a result of this transaction the amount of other comprehensive was TL 7.279.

In the previous period acturial accounted was TL 12.111 . Deferred tax effect of this amount was also taken into consideration and stated in other comprehensive statement of profit or loss and as a result of this transaction the net amount of other comprehensive was TL 9.689.

**NOTE 25 CURRENT INCOME TAX ASSETS and LIABILITIES**

None.

**NOTE 26 OTHER ASSETS AND LIABILITIES**

Other Current Assets for the years ended, are as follows:

| **Account Name** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Income Accrual for Turnover Premium | 3.060.060 | 3.923.588 |
| Deferred VAT | 1.449.683 | 1.397.288 |
| Advances Given | 63.278 | 233.889 |
| **Total** | **4.573.021** | **5.554.765** |

The Company does not have Other Non-Current Assets as of period ends.

Credit note income related to following months transactions as follows:

| **Account Name** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Opening Balance | 3.923.588 | 470.253 |
| Current period accrual | 30.533.582 | 24.512.484 |
| Collection / Current account transfer | (31.397.110) | (21.059.149) |
| **Total** | **3.060.060** | **3.923.588** |

**NOTE 27 EQUITY**

*i) Non-Controlling Interests*

None.

*ii)Capital / Cross Shareholding Adjustment*

The capital of the Company, which is **TL 23.000.000**, consists of A Group shares issued to the name as paid-in capital is **TL 4.000**, B Group shares issued to the beer as paid-in capital is **TL 22.996.000**.A Group Shareholders have privilege in Board of Directors Election, B Group Shareholders do not have any privilege. A Group registered shares belong to Desbil Teknolojik Ürünler Dağıtım A.Ş.(The ultimate control of Desbil belongs to Nevres Erol Bilecik).

Capital and shareholder structure of the Company as of December 31, 2017 and December 31, 2016 are as follows;

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| **Shareholder** | **Share Percentage %** | **Share Amount** | **Share Percentage %** | **Share Amount** |
| Desbil Teknolojik Ürünler A.Ş. | % 30,24 | 6.956.268 | % 30,24 | 6.956.268 |
| Despec İnternational FZCO. | % 25,97 | 5.972.254 | % 30,33 | 6.975.000 |
| Public Shares(*) | % 43,71 | 10.052.746 | % 39,35 | 9.050.000 |
| Other | % 0,08 | 18.732 | % 0,08 | 18.732 |
| **Total** | **%100** | **23.000.000** | **%100** | **23.000.000** |

(*) 225.994 of public shares belong to Desbil Teknolojik Ürünler A.Ş.

Decision of The Board of Directors meeting dated March 14, 2012 and nr. 2012/03, TL **11.500.000** issued capital of the company to be increased to TL **23.000.000** with the rate of 100% on condition that to be in upper limits of TL **25.000.000** registered capital, to be composed increased capital amount as TL **11.500.000** from internal resource.

According to the 9th article of Articles of Association titled "Board of Directors and Term" A Group bearer shareholders have the privilege to determine the members of Board of Directors. When the Board of Directors consist of 5 or 6 members 4, when consists of 7 or 8 members 5 and when consists of 9 members 6 members are nominated from the candidates presented by Group A shareholders. Even though the B Group shares, which were offered to public gain the majority, since the A Group shareholders have the aforementioned privilege, the management sovereignty will not be lost. In any case the sovereignty will continue to belong to A Group shareholders.

**(iii) *Share Premium/Discount***

Capital reserves consist of share issue premiums. There is not movement in the current period.

**(iv) *Other Comprehensive Income / Expense not to be Reclassifield to Profit or Loss***

Other Comprehensive Income / Expense not to be Reclassifield to Profit or Loss for the periods ended, are as follows:

| **Account Name** | **December 31,2017** | **December 31,2016** |
|---|---|---|
| *Actuarial Gain/(Loss)* | (72.674) | (63.576) |
| *Tax Effect* | 14.534 | 12.715 |
| **Actuarial Gain/(Loss) (Net)** | **(58.140)** | **(50.861)** |
| **Revaluation and Gain/Loss Arising from Measurement** | **(58.140)** | **(50.861)** |
| **Other Comprehensive Income/Expense not to be Reclassifield to Profit or (Loss)** | **(58.140)** | **(50.861)** |

Movement Table is as follow;

| | **December 31,2017** | **December 31,2016** |
|---|---|---|
| Opening Balance, January 1 | (50.861) | (41.172) |
| Addition ***(Note:24)*** | (9.099) | (12.111) |
| Deferred Tax Offset (-) ***(Note:24, Note:35)*** | 1.820 | 2.422 |
| **Closing Balance** | **(58.140)** | **(50.861)** |

**(v) *Other Comprehensive Income/(Expense) to be Reclassified to Profit or (Loss)***

| **Account Name** | **December 31,2017** | **December 31,2016** |
|---|---|---|
| Currency Translation Differences | 606.110 | 606.110 |
| *Tax Effect* | **606.110** | **606.110** |
| **Other Comprehensive Income or (Expense) to be Reclassified in Profit or Loss** | **606.110** | **606.110** |



T.C. BAĞIMSIZ DENETÇİ 1923 3039

*iv) Restricted Reserves from Profit*

Restricted reserves from profits consist of legal reserves.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

*v) Previous Years' Profits*

Profits of previous years consist of extraordinary reserves, lose and profits of other previous years.

Publicly traded companies shall perform dividend distribution in accordance with the Communique on Dividends II-19.01 of the Capital Market Board effective. Within the scope of this communique,no minimum distribution rate has been determined. Companies shall pay dividends as set out in their profit distribution policies or their article association. Additionally, dividends can be paid via equal or different installments and companies can be distribute dividend advances based on profits at interim financial statements. The amount of distributable profit based on the companies' decision, does not exceed the net distributable profit in the statutory accounts, the whole amount should be distributed, otherwise all distributable amount in the statutory accounts are distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period.

Equity as of December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **December 31, 2017** | **December 31,2016** |
|---|---|---|
| Capital | 23.000.000 | 23.000.000 |
| Capital Adjustments Differences | 437.133 | 437.133 |
| Share Premium | 2.967.707 | 2.967.707 |
| Other Comprehensive Income/Expense to be Reclassified in Profit/Loss | (58.140) | (50.861) |
| *- Revaluation and Gain/Loss Arising from Measurement* | *(58.140)* | *(50.861)* |
| *- Hedging (Note:9)* | - | - |
| Foreign Currency Translation Adjustments | 606.110 | 606.110 |
| Restricted Reserves From Profit | 8.439.543 | 7.310.637 |
| *- Legal Reserves* | *8.439.543* | *7.310.637* |
| Previous Years' Profits | 12.965.503 | 11.239.245 |
| Net Period Loss/ Profit | 8.395.516 | 10.355.164 |
| **Total** | **56.753.372** | **55.865.135** |

**NOTE 28 SALES AND COST OF SALES**

Sales and cost of sales for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Domestic Sales | 274.927.437 | 202.893.330 |
| Foreign and Other Sales (-) | 637.986 | 3.988.030 |
| Sales Returns (-) | (14.474.909) | (13.311.110) |
| Sales Discounts and Other Discounts (-) | (449.427) | (613.719) |
| **Net Sales** | **260.641.087** | **192.956.531** |
| Cost of Sales (-) | (242.469.369) | (177.044.511) |
| **Gross Profit** | **18.171.718** | **15.912.020** |



T.C. 1923 BAĞIMSIZ DENETÇİ 3038

Depreciation and amortization expenses are considered as general expenses so they are presented under Operating Expenses.

Provision for impairment of inventory expenses are accounted for under the cost of sales account group.

## NOTE 29 RESEARCH AND DEVELOPMENT, MARKETING, SALES & DISTRIBUTION EXPENSES AND GENEREAL ADMINISTRATION EXPENSES

The Operational Expenses for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| General Administration Expenses (-) | (3.732.156) | (3.977.265) |
| Marketing, Sales & Distribution Expenses (-) | (4.915.956) | (4.049.038) |
| **Total Operating Expenses** | **(8.648.112)** | **(8.026.303)** |

## NOTE 30 EXPENSES BY NATURE

Expenses By Nature of the Company for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| - Personnel Expenses | (4.137.728) | (4.829.561) |
| - Transportation and Storage Expenses | (1.729.100) | (1.287.937) |
| - Advertisement Expense | (262.782) | (92.873) |
| - Rental Expense | (365.430) | (282.671) |
| - Consultancy and Audit Expenses | (186.943) | (291.998) |
| - Outsourced Benefits and Services | (192.669) | (206.002) |
| - Sales and Foreign Trade Expense | (47.644) | (61.089) |
| - Insurance Expenses | (454.206) | (206.652) |
| - Other Expenses | (1.271.610) | (767.520) |
| **Total Operating Expenses** | **(8.648.112)** | **(8.026.303)** |

Essential part of accounting,finance,consultancy,current accounts,transportation,storage,import,export and rent services of Company are provided by İndeks Bilgisayar A.Ş. and Teklos Lojistik A.Ş. which are group Company.Against these services, it is invoiced to the Company monthly.These amounts are stated under operational expenses.Information about invoice amount which are invoiced by related companies are shown in **Note 37.**

## NOTE 31 OTHER OPERATING INCOME / EXPENSE

Other income / expense for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| **Other Income** | **10.667.361** | **7.747.975** |
| Income from law suit released | 5.654 | - |
| Eliminated Interest From Revenue | 4.699.958 | 2.358.930 |
| Interest and discount Incomes | 642.881 | 698.374 |
| Foreign Exchange Gain (Trade Receivables and Payables) | 5.308.942 | 4.689.874 |
| Other Income And Profit | 9.926 | 797 |
| **Other Expenses (-)** | **(7.590.870)** | **(4.156.314)** |
| Eliminated Interest From Purchases | (1.749.494) | (908.735) |
| Interest and discount Expenses | (1.290.354) | (624.854) |
| Foreign Exchange Loss (Trade Receivables and Payables) | (4.381.613) | (2.509.483) |
| Other Expens and Loss (-)(*) | (169.409) | (113.242) |
| **Other Income / Expense (Net)** | **3.076.491** | **3.591.661** |



T.C. BAĞIMSIZ DENETÇİ 3038 1923

(*)Other Expenses and Losses are consist of in non-deductible Expenses such as tax, penalty, motor vehicle tax and special communications taxes.

### NOTE 32 INCOME AND EXPENSES FROM INVESTMENT ACITIVITIES

Income from Investment Activities for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Dividend Income | 7.689 | 8.419 |
| Gain on Sale of Fixed Assets | 57.307 | - |
| **Income from Investment Operations** | **64.996** | **8.419** |

### NOTE 33 FINANCIAL INCOME / EXPENSE

Financial Income for the period ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Interest Income | 69.488 | 129.564 |
| Foreign Exchange Gain | 4.125.940 | 6.518.238 |
| **Total** | **4.195.428** | **6.647.802** |

Financial Expense for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Bank and Interest Expenses | (2.858.682) | (1.360.506) |
| Foreign Exchange Losses | (3.549.057) | (3.810.803) |
| **Total** | **(6.407.739)** | **(5.171.309)** |

There is no capitalized financial expense of Company for current period.

### NOTE 34 FIXED ASSETS HELD FOR SALE PURPOSES AND DISCONTINUED OPERATIONS

None.

### NOTE 35 TAX ASSETS AND LIABILITIES

The Company's tax income / (expense) are composed of current period's corporate tax expense and deferred tax income / (expense).

The tax assets and liabilities of the Company as of December 31, 2017 and December 31, 2016 are as follows:

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Provision for Current Period Tax (-) | (2.398.655) | (2.539.583) |
| Deferred Tax Income / (Expense) | 341.389 | (67.543) |
| **Total Tax Income / (Expense)** | **(2.057.266)** | **(2.607.126)** |

| **Account Name** | **January 1, 2017 December 31, 2017** | **January 1, 2016 December 31, 2016** |
|---|---|---|
| Provision for Current Period Tax (-) | 2.398.655 | 2.539.583 |
| Prepaid Taxes (-) | (1.467.425) | (1.107.808) |
| **Total Tax Payable Net** | **931.230** | **1.431.775** |



T.C. BAĞIMSIZ DENETÇİ 1923 3039

*i) Provision for Current Period Tax*

Companies calculate their temporary taxes on their quarterly financial profits in Turkey. Corporate income as of the temporary tax periods, temporary tax rate of 20 % over the corporate income was calculated and prepaid taxes deducted from taxation on income.

According to Turkish Corporate Tax Law, losses can be carried forward to offset the future taxable income for a maximum period of 5 years. On the other hand, such losses cannot be carried back to offset previous years' profits.

According to Corporate Tax Law's Article: 20, the corporate tax is imposed by the taxpayer's tax returns. There is no prosedure for a final and definitive agreement on tax assessments. Annual corporate tax returns are submitted until the 25th of April following the closing of the accounting year. Moreover, the tax authorities have the right to examine the tax returns and the related accounting records within five years.

The corporation tax rate is 20% in Turkey. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları İle Diger Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

*Income Withholding Tax:*

In addition to corporate tax, companies should also calculate income withholding tax on any dividends distributed, The rate of withholding tax has been increased from 10% to 15% upon the Cabinet decision No: 2006/10731, which was published in Official Gazette on July 23, 2006.

*ii) ) Deferred Tax :*

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS/IFRS and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS/IFRS and tax purposes and disclosed below.

| **Account Name** | **December 31, 2017 Accumulated Temporary Differences** | **December 31, 2017 Deferred Tax Receivable / (Payable)** | **December 31, 2016 Accumulated Temporary Differences** | **December 31, 2016 Deferred Tax Receivable / (Payable)** |
|---|---|---|---|---|
| Fixed Assets | (178.602) | (35.720) | (120.478) | (24.096) |
| Stock Valuation Difference | 44.987 | (9.897) | (27.802) | (5.560) |
| Rediscount Expense | 1.038.448 | 228.459 | 368.771 | 73.754 |
| Provision for Termination Indemnities | 273.796 | 54.759 | 222.068 | 44.414 |
| Provision for Inventory Impairment | 1.483.888 | 326.455 | 1.617.946 | 323.590 |
| Provision for Litigations | 33.023 | 7.265 | 35.012 | 7.002 |
| Difference Between Book Value and Tax Base of Inventories | 234.214 | 51.527 | 120.957 | 24.191 |
| Rediscount Income | (154.045) | (33.891) | (206.800) | (41.360) |
| Derivative Instruments | 493.048 | 108.471 | (238.579) | (47.716) |
| **Deferred Tax Asset / (Liabilities)** | | **697.428** | | **354.219** |

| | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Deferred Tax Asset / (Liability) at the beginning of the period | 354.219 | 419.340 |
| Employee Termination Benefits Actuarial Gain/Loss | 1.820 | 2.422 |
| Deferred Tax Income / (Expense) | 341.389 | (67.543) |
| **Deferred Tax Assets / (Liabilities)** | **697.428** | **354.219** |

Explanation of Unused Tax Advantages:

There is no financial loss transferred to next periods at the end of the periods.



T.C. BAĞIMSIZ DENETÇİ 1923 3038

Reconciliation of tax provision for the periods ended December 31, 2017 and December 31, 2016 are as follows:

| Reconciliation of Tax Provision: | January 1, 2017 December 31, 2017 | January 1, 2016 December 31, 2016 |
|---|---|---|
| Profit from Continuing Operations | 10.452.782 | 12.962.290 |
| Tax Rate % 20 | (2.090.556) | (2.592.458) |
| - Non-Deductible Expenses | 33.290 | (14.668) |
| **Deferred Tax Income** | **(2.057.266)** | **(2.607.126)** |

**NOTE 36 EARNINGS PER SHARE**

Earnings per share are calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Calculation of earnings per share/loss is as follow:

| Account Name | January 1, 2017 December 31, 2017 | January 1, 2016 December 31, 2016 |
|---|---|---|
| Current Period Profit / (Loss) | 8.395.516 | 10.355.164 |
| Average Number of Shares | 23.000.000 | 23.000.000 |
| **Earnings / (Loss) per Share** | **0,365022** | **0,450226** |

**NOTE 37 RELATED PARTIES DISCLOSURES**

**a)** Receivables from Payables and Related Parties are as follows;

| | Receivables | | Payables | |
|---|---|---|---|---|
| **December 31, 2017** | **Trade Receivables** | **Non-Trade Receivables** | **Trade Payables** | **Non-Trade Payables** |
| İndeks A.Ş. | - | - | 320.187 | - |
| Desbil A.Ş. | - | - | - | - |
| Teklos A.Ş. | - | - | 201.870 | - |
| İnfin A.Ş. | - | - | - | - |
| Artım A.Ş. | - | - | - | - |
| Neteks A.Ş | - | - | 265 | - |
| Datagate A.Ş. | 706.277 | - | - | - |
| **Total** | **706.277** | - | **522.322** | - |

| | Receivables | | Payables | |
|---|---|---|---|---|
| **December 31, 2016** | **Trade Receivables** | **Non-Trade Receivables** | **Trade Payables** | **Non-Trade Payables** |
| İndeks A.Ş. | - | - | 175.573 | - |
| Desbil A.Ş. | 7.972 | - | - | - |
| Teklos A.Ş. | - | - | 243.060 | - |
| İnfin A.Ş. | - | - | - | - |
| Artım A.Ş. | - | - | 293 | - |
| Neteks A.Ş | - | - | 447 | - |
| Datagate A.Ş. | 21.700 | - | - | - |
| **Total** | **29.672** | - | **419.373** | - |

The interest rates for USD, EURO and TL are % 3,50-% 4,75, % 3,50-% 3,75 and % 14-%16 in December 31.2017 . The interest rates for USD, EURO and TL are % 3,50 , % 3,50 and % 14 in December 31, 2016.

**b)** Acquisitions from Related Parties and Sales to Related Parties are as follows;

**December 31, 2017**

| Sales to Related Parties | Sales of Goods and Services | General Expense Allocation | Interest and Foreign Exchange Income | Total Income / Sales |
|---|---|---|---|---|
| Artım A.Ş. | 30.306 | - | 14 | 30.320 |
| Datagate A.Ş. | 855.786 | - | 16.226 | 872.012 |
| Desbil A.Ş. | - | - | - | - |
| İndeks A.Ş. | 750.685 | - | 12.626 | 763.311 |
| İnfin A.Ş. | - | - | - | - |
| Neteks A.Ş. | 42.823 | - | 29.873 | 72.696 |
| Teklos A.Ş. | 33.348 | - | 627 | 33.975 |
| **Total** | **1.712.948** | - | **59.366** | **1.772.314** |

| Purchases from Related Parties | Purchases of Goods and Services | General Expense Allocation | Interest and Foreign Exchange Expense | Total Expenses / Purchases |
|---|---|---|---|---|
| Artım A.Ş. | 3.864 | - | 87 | 3.951 |
| Datagate A.Ş. | 2.522.074 | - | 23.718 | 2.545.792 |
| Desbil A.Ş. | - | - | 7.099 | 7.099 |
| İndeks A.Ş. | 531.225 | 860.312 | 63.078 | 1.454.615 |
| İnfin A.Ş. | - | - | 837 | 837 |
| Neteks A.Ş. | - | - | 1.126 | 1.126 |
| Teklos A.Ş. | 1.799.391 | 1.408 | 12.098 | 1.812.897 |
| **Total** | **4.856.554** | **861.720** | **108.043** | **5.826.317** |

There is no taken or given guarantee in between related parties.

**December 31, 2016**

| Sales to Related Parties | Sales of Goods and Services | General Expense Allocation | Interest and Foreign Exchange Income | Total Income / Sales |
|---|---|---|---|---|
| Artım A.Ş. | 2.031 | - | 70 | 2.101 |
| Datagate A.Ş. | 273 | - | 20.390 | 20.663 |
| Desbil A.Ş. | - | - | 54.990 | 54.990 |
| Homend A.Ş. | 5.235 | - | - | 5.235 |
| İndeks A.Ş. | 499.729 | - | 58.338 | 558.067 |
| İnfin A.Ş. | - | 18.154 | 1.546 | 19.700 |
| Neteks A.Ş. | 43.954 | - | 12.175 | 56.129 |
| Teklos A.Ş. | 44.302 | 434 | 6.071 | 50.807 |
| **Total** | **595.524** | **18.588** | **153.580** | **767.692** |

| Purchases from Related Parties | Purchases of Goods and Services | General Expense Allocation | Interest and Foreign Exchange Expense | Total Expenses / Purchases |
|---|---|---|---|---|
| Artım A.Ş. | 869 | - | 243 | 1.112 |
| Datagate A.Ş. | 48.937 | - | 34.106 | 83.043 |
| Desbil A.Ş. | - | - | 6.836 | 6.836 |
| Homend A.Ş. | - | - | - | - |
| İndeks A.Ş. | 798.171 | 1.189.199 | 176.630 | 2.164.000 |
| İnfin A.Ş. | - | 18.155 | 190 | 18.345 |
| Neteks A.Ş. | 5.347 | - | 57.043 | 62.390 |
| Teklos A.Ş. | 1.330.918 | 11.403 | 17.467 | 1.359.788 |
| **Total** | **2.184.242** | **1.218.757** | **292.515** | **3.695.514** |

There is no taken or given guarantee in between related parties.

The interest rates for USD, EURO and TL are % 3,50-% 4,55, % 3,50-% 3,75 and % 14-%16 in December 31.2017 . The interest rates for USD, EURO and TL are % 3,50 , % 3,50 and % 14 in December 31, 2016.

Benefits and Services Provided for Senior Management;

| **Account Name** | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Short-Term Benefits provided to Employees | 1.544.891 | 1.952.161 |
| Employment Termination Benefits | - | - |
| Other long term benefits | - | - |
| **Total** | **1.544.891** | **1.952.161** |

Benefits and salary provided to Management Staff consist of general manager salary, assistant general manager salary.

**NOTE 38 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

(a) Capital risk management

The Company, while trying to maintain the continuity of its activities in capital management on one hand, aims to increase its profitability by using the balance between debts and resources on the other hand.

The capital structure of the Company consists of debts containing the credits explained in note 8, cash and cash equivalents explained in note 6 and resource items containing respectively issued capital, capital reserves, profit reserves and profits of previous years explained in note 27.

Risks, associated with each capital class, and the capital cost are evaluated by the senior management. It is aimed that the capital structure will be stabilized by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the senior management evaluations.

The Company follows the capital by using debt/total capital rate. This rate is found by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including credits, leasing and commercial debts as indicated in the statement of financial position). Total capital is calculated as resources plus net debt as indicated in the statement of financial position.

Net Debt / Equity Ratio as of December 31, 2017 and December 31, 2016 are as follows:

| | **December 31, 2017** | **December 31, 2016** |
|---|---|---|
| Total Liabilities | 48.880.050 | 30.805.407 |
| Negative: Cash and Cash Equivalents | (3.746.684) | (3.504.106) |
| Net Liabilities | 45.133.366 | 27.301.301 |
| Total Equity | 56.753.372 | 55.865.135 |
| Total Capital | 101.886.738 | 83.166.436 |
| **Net Liabilities/Total Capital Rate** | **0,4430** | **0,3283** |

(b) Important Accounting Policies

The Company's important accounting policies relating to financial instruments are presented in the Note 2.

(c) Risks Exposed

The Company, due to its activities, is exposed to changes in exchange rates (see article d) and interest rates (see article f).The Company, as it holds the financial instruments, also bears the risk of other party not meeting the requirements of the agreement. (Article e)

Market risks seen at the level of Company are measured according to the sensitivity analysis principle. Market risks faced by the Company in current period or the process of undertaking the faced risks or the process of the measure of faced risks was not changed according to previous year.

(d) Rate risk management

Most of the IT byproducts are either imported or purchased domestically using foreign currencies. During acquisition of products the companies are usually indebted in foreign currencies and payments are also made in same currencies. The companies which do not adopt their sales policies using currencies in which they purchase the products may encounter foreign exchange losses if rates increase.

Against the rate risk Despec determines the sales currencies in the currency which the inventories are purchased. However, according to the market conditions sales are made in different currencies in some periods. Especially in order not to bear f/x rate risk forward transactions are made in periods with volatile f/x rates.

The Company management evaluates and follows the balance of assets and liabilities in Turkish Lira and Euro type as open position.

If there is %10 increase on the general level of exchange rates and all other variables are fixed as of December 31, 2017, profit before tax will be amount of TL 530.092 (December 31, 2016: TL 1.380.396).

**Foreign Exchange Rate Sensitivity Analysis Table**

**December 31, 2017**

| | Profit / (Loss) | |
|---|---|---|
| | **Appreciation of Foreign Exchange** | **Devaluation of Foreign Currency** |
| In the event of 10% value change of US Dollar against Tl | | |
| 1- US Dollar Net Asset / Liability | 185.003 | (185.003) |
| 2- The part, hedged from US Dollar Risk (-) | - | - |
| **3- US Dollar Net Effect (1+2)** | **185.003** | **(185.003)** |
| In the event of 10% value change of Euro against TL | | |
| 4- Euro Net Asset/ (Liabilities) | 345.089 | (345.089) |
| 5- The part, hedged from Euro Risk (-) | - | - |
| **6- Euro Net Effect (4+5)** | **345.089** | **(345.089)** |
| In the event of 10% value change of Other against TL; | | |
| 7- Other Net Foreign Currency Asset/(Liabilities) | - | - |
| 8- The part, hedged from Other Risk (-) | - | - |
| **9-Other Foreign Currency Assets Net Effect (7+8)** | - | - |
| **Total** | **530.092** | **(530.092)** |

**Foreign Exchange Rate Sensitivity Analysis Table**

**December 31, 2016**

| | Profit / (Loss) | |
|---|---|---|
| | **Appreciation of Foreign Exchange** | **Devaluation of Foreign Currency** |
| In the event of 10% value change of US Dollar against TL; | | |
| 1- US Dollar Net Asset / Liability | 903.112 | (903.112) |
| 2- The part, hedged from US Dollar Risk (-) | - | - |
| **3- US Dollar Net Effect (1+2)** | **903.112** | **(903.112)** |
| In the event of 10% value change of Euro against TL | | |
| 4- Euro Net Asset/ (Liabilities) | 477.285 | (477.285) |
| 5- The part, hedged from Euro Risk (-) | - | - |
| **6- Euro Net Effect (4+5)** | **477.285** | **(477.285)** |
| In the event of 10% value change of Other against TL; | | |
| 7- Other Net Foreign Currency Asset/(Liabilities) | - | - |
| 8- The part, hedged from Other Risk (-) | - | - |
| **9-Other Foreign Currency Assets Net Effect (7+8)** | - | - |
| **Total** | **1.380.397** | **(1.380.397)** |



T.C. BAĞIMSIZ DENETÇİ 1923 3038

**Table of Foreign Exchange Position**

| | December 31, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | **Amount in TL** | **USD** | **EURO** | **Amount in TL** | **USD** | **EURO** |
| 1. Trade Receivables | 18.712.170 | 4.169.020 | 661.509 | 25.774.923 | 5.840.658 | 1.407.175 |
| 2a. Monetary Financial Assets | 826.260 | 213.338 | 4.777 | 2.748.073 | 739.424 | 39.325 |
| 2b. Non-Monetary Financial Assets | - | - | - | - | - | - |
| 3. Other | 7.952.863 | 1.674.139 | 362.790 | 5.750.287 | 1.481.793 | 144.360 |
| **4. Current Assets Total (1+2+3)** | **27.491.293** | **6.056.497** | **1.029.076** | **34.273.283** | **8.061.875** | **1.590.860** |
| 5. Trade Receivables | - | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - | - |
| 6b. Non-Monetary Financial Assets | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - |
| **8. Fixed Assets Total (5+6+7)** | - | - | - | - | - | - |
| **9. Total Assets (4+8)** | **27.491.293** | **6.056.497** | **1.029.076** | **34.273.283** | **8.061.875** | **1.590.860** |
| 10. Trade Payables | 4.716.981 | 966.273 | 237.470 | 6.216.870 | 1.740.423 | 24.792 |
| 11. Financial Liabilities | - | - | - | - | - | - |
| 12a. Other Monetary Liabilities | 46.255 | 11.152 | 928 | 1.030.005 | 266.751 | 24.598 |
| 12b. Other Non-Monetary Liabilities | 180.691 | 16.246 | 26.445 | - | - | - |
| **13. Total Short Term Liabilities (10+11+12)** | **4.943.927** | **993.671** | **264.843** | **7.246.875** | **2.007.174** | **49.390** |
| 14. Trade Payables | - | - | - | - | - | - |
| 15. Financial Liabilities | - | - | - | - | - | - |
| 16a. Other Monetary Liabilities | - | - | - | - | - | - |
| 16b. Other Non-Monetary Liabilities | - | - | - | - | - | - |
| **17. Total Long Term Liabilities (14+15+16)** | - | - | - | - | - | - |
| **18. Total Liabilities (13+17)** | **4.943.927** | **993.671** | **264.843** | **7.246.875** | **2.007.174** | **49.390** |
| **19. Net Asset/ (Liability) Position of Derivative Instruments off the Statement of financial position (19a-19b)** | (17.246.447) | (4.572.350) | - | (13.222.442) | (3.488.460) | (254.954) |
| 19a. Total Amount of Hedged Assets | - | - | - | - | - | - |
| 19b. Total Amount of Hedged Liabilities | 17.246.447 | 4.572.350 | - | 13.222.442 | 3.488.460 | 254.954 |
| **20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)** | **5.300.919** | **490.476** | **764.233** | **13.803.966** | **2.566.241** | **1.286.516** |
| **21. Monetary Items Net Foreign Exchange Asset / (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)** | **14.775.194** | **3.404.933** | **427.888** | **21.276.121** | **4.572.909** | **1.397.110** |
| **22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge** | - | - | - | - | - | - |
| **23. The Amount of Hedged part of Foreign Exchange Assets** | (17.739.495) | (4.572.350) | - | (12.983.864) | (3.488.460) | (254.954) |
| **23. The Amount of Hedged part of Foreign Exchange Liabilities** | - | - | - | - | - | - |
| **23. Export** | 624.983 | - | - | 712.074 | - | - |
| **24. Import** | 115.379.365 | - | - | 91.832.108 | - | - |

## DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements
*(Amount, unless shown otherwise are stated in TL)*

e ) Counterparty Risk

**CREDIT TYPES INCURRED IN RESPECT OFFINANCIAL INSTRUMENT TYPES**

| December 31,2017 | Receivables | | | | | Deposit at Banks | |
|---|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | | | |
| | Related Party | Other | Related Party | Other | Note | | Note |
| **Maximum credit risk incurred as of the date of reporting (A+B+C+D+E)** | **706.277** | **59.174.155** | - | **43.192** | | **3.679.917** | |
| *- The part of maximum risk secured by guarantee etc.* | - | 21.343.117 | - | - | | | |
| **A. Net book value of financial assets which are undue or which did not decline in value** | **706.277** | **58.737.432** | - | **43.192** | **10-11** | **3.679.917** | **6** |
| **B. Net book value of assets, overdue but did not decline in value.** | - | 436.723 | - | - | | - | |
| *- The part secured by guarantee etc.* | - | - | - | - | | - | |
| **C. Net book values of assets declined in value** | - | - | - | - | **10-11** | - | **6** |
| - Overdue (gross book value) | - | - | - | - | | - | |
| *- Decline in value (-)* | - | 2.156.450 | - | - | **10-11** | - | **6** |
| *- The part of net value secured by guarantee etc.* | - | (2.156.450) | - | - | **10-11** | - | **6** |
| - Undue (gross book value) | - | - | - | - | **10-11** | - | **6** |
| *- Decline in value (-)* | - | - | - | - | **10-11** | - | **6** |
| *- The part of net value secured by guarantee etc.* | - | - | - | - | **10-11** | - | **6** |
| **D. Elements containing credit risk off the statement of financial position** | - | - | - | - | **10-11** | - | |

**DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ**

Accompanying Notes to the Financial Statements
*(Amount, unless shown otherwise are stated in TL)*

| December 31,2016 | Receivables | | | | | Deposit at Banks | |
|---|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | | | |
| | Related Party | Other | Related Party | Other | Note | | Note |
| **Maximum credit risk incurred as of the date of reporting (A+B+C+D+E)** | **29.672** | **47.934.221** | - | **39.347** | | **3.396.495** | |
| *- The part of maximum risk secured by guarantee etc.* | - | 14.671.516 | - | - | | | |
| **A. Net book value of financial assets which are undue or which did not decline in value** | **29.672** | **47.547.991** | - | **39.347** | **10-11** | **3.396.495** | **6** |
| **B. Net book value of assets, overdue but did not decline in value.** | - | 386.230 | - | - | | - | |
| *- The part secured by guarantee etc.* | - | - | - | - | | - | |
| **C. Net book values of assets declined in value** | - | - | - | - | **10-11** | - | **6** |
| - Overdue (gross book value) | - | - | - | - | | - | |
| *- Decline in value (-)* | - | 1.572.830 | - | - | **10-11** | - | **6** |
| *- The part of net value secured by guarantee etc.* | - | (1.572.830) | - | - | **10-11** | - | **6** |
| - Undue (gross book value) | - | - | - | - | **10-11** | - | **6** |
| *- Decline in value (-)* | - | - | - | - | **10-11** | - | **6** |
| *- The part of net value secured by guarantee etc.* | - | - | - | - | **10-11** | - | **6** |
| **D. Elements containing credit risk off the statement of financial position** | - | - | - | - | **10-11** | - | |

| | Receivables | |
|---|---|---|
| **December 31, 2017** | **Trade Receivables** | **Other Receivables** |
| 1-30 Days Overdue | 368.435 | - |
| 1-3 Months Overdue | 145.400 | - |
| More than 3 Months Overdue | - | - |
| The part of net value secured by guarantee etc. | 77.112 | - |

| | Receivables | |
|---|---|---|
| **December 31, 2016** | **Trade Receivables** | **Other Receivables** |
| 1-30 Days Overdue | 215.999 | - |
| 1-3 Months Overdue | 180.870 | - |
| More than 3 Months Overdue | - | - |
| The part of net value secured by guarantee etc. | 10.639 | - |

Credit Risk Manegement

The Company's credit risk management exposed from trade receivables. Trade receivables mostly consist from receivables from dealers. The Company has set up an effective control system over its dealers and the risk is monitorized by credit risk management team and Company Management. The Company has set limits for every dealer and these limits are revised if it is necessary. The taking adequate guarantee from dealers is another method for the risk management. There is no significant trade receivable risk for the Company, because the Company has receivables from a wide range of customers instead of a small number customers and significant amounts. Trade receivables are evaluated by taking into consideration of Company's past experience and current economic situation and these receivables are presented with their net values in the statement of financial position after the proper provisions for doubtful receivables are made. The low profit margins by force of the sectoral conditions make collection and credit risk management policies important and the Company management show sensivity in these situations. The detailed information about the collection and risk management policies are as follows;

The Company starts executive proceedings and / or litigates for the receivables overdue for a few months. The Company can configure terms for dealers in difficult situations. The low profit margins by force of the sectoral conditions make collection of receivables important. There is a risk management team to minimize the risk of collections and the sales are realized by making credibility evaluations. The sales to new or risky dealers are made in cash collection.

The Company is selling products to a wide range of institutions which are selling or buying computer and its equipments. The capital structure of the dealers classified as "classic dealers" in the distribution channel is low. It is estimated that there are about 5.000 dealers in this group in Turkey and in terms of risk management to minimize the receivable risk of Despec by taking steps and establishing its own organization and working system. The steps taken by the Company are as follows;

The sales to new customers which have no experience more than 1 year: The sales to new customers which have no experience more than 1 year are made in cash collection.

The information team involved in receivable and risk management department consists of 2 staff and this team is monitoring the dealers continuously.

Credit Committee: The information about the customers which has experience more than 1 year in the sector and the customers which are demanding an increase for the credit limit are prepared by the information team and presented to credit committee every week. Credit committee consists of Senior Vice President of Finance, Finance Manager, Accounting Manager, information team staff and the Sale Manager of related Customer.

Credit Committee establish credit limits to related customers by taking into consideration the information gained from the information team, past payments and sale performances. The Credit Committee determines the conditions and if it is needed they demand for guarantees, mortgages, etc.

Trade receivables are evaluated by taking into consideration the Company policies and procedures and the trade receivables are shown with their net value after the provisions for doubtful receivables are made in the financial statements. (Note: 10)

The company has a receivables insurance policy with Euler Hermes Sigorta A.Ş until March 31,2018 for the accounts receivable which are found within the borders of Turkey.(Guarantee proportion is determined %80 for trade receivables credit limit which are demanded.)

-f) Management of interest rate risk

The interest rates of loan are fixed..

**Table of Interest Position**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Fixed Interest Financial Instruments** | | |
| Financial Assets | - | - |
| Financial Liabilities | 23.879.117 | - |
| **Floating Rate Financial Instruments** | | |
| Financial Assets | - | - |
| Financial Liabilities | - | - |

If there is a %1 increase on TL interest rate and other variables are fixed as of December 31, 2017 , loss before tax will be less with the amount of TL 238.791.

-g) Analysis Relating to Other Risks

***Risks Relating to Share etc. Financial Instruments***

The Company isn't holding marketable securities which are traded in the Istanbul Stock Exchange.

-h) Liquidty risk manegement

The Company tries to manage the liquidity risk by maintaining the continuation of sufficient funds and loan reserves by means of matching the financial instruments and terms of liabilities by following the cash flow regularly.

**Liquidity Risk Tables**

Prudent liquidity risk management signifies maintaining sufficient cash, the utility of fund sources by sufficient credit transactions and the ability to close out market positions.

Risk of existing or future possible debt requirements being fundable is managed by maintaining the continuation of availability of sufficient numbers and high quality credit providers.

The table below indicates the term divisions of derivative and non-derivative financial liabilities of the Company in TL currency.



T.C. BAĞIMSIZ DENETÇİ 3033 1923

***December 31, 2017***

| Expected Terms | Book Value | Cash Outflows Total As Per the Agreement | Less than 3 Months | 3-12 Months | 1-5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | **45.087.556** | **45.697.007** | **45.697.007** | - | - | - |
| *Bank Loans* | 23.879.117 | 24.272.402 | 24.272.402 | - | - | - |
| *Trade Liabilities* | 20.612.291 | 20.828.457 | 20.828.457 | - | - | - |
| *Other Liabilities* | 596.148 | 596.148 | 596.148 | - | - | - |

| Expected Terms | Book Value | Cash Outflows Total As Per the Agreement | Less than 3 Months | 3-12 Months | 1-5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| **Derivative Financial Liabilities** | **(493.048)** | **(647.516)** | **(629.278)** | **(18.239)** | - | - |
| *Derivative Cash Inflows* | 17.246.447 | 17.246.447 | 16.837.195 | 409.251 | - | - |
| *Derivative Cash Outflows* | (17.739.495) | (17.893.963) | (17.466.473) | (427.490) | - | - |

**December 31, 2016**

| Expected Terms | Book Value | Cash Outflows Total As Per the Agreement | Less than 3 Months | 3-12 Months | 1-5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities** | **27.995.525** | **28.202.325** | **28.202.325** | - | - | - |
| *Bank Loans* | - | - | - | - | - | - |
| *Trade Liabilities* | 26.894.845 | 27.101.645 | 27.101.645 | - | - | - |
| *Other Liabilities* | 1.100.680 | 1.100.680 | 1.100.680 | - | - | - |

| Expected Terms | Book Value | Cash Outflows Total As Per the Agreement | Less than 3 Months | 3-12 Months | 1-5 Years | More than 5 Years |
|---|---|---|---|---|---|---|
| **Derivative Financial Liabilities** | **238.579** | **170.204** | **170.204** | - | - | - |
| *Derivative Cash Inflows* | 13.222.442 | 13.222.442 | 13.222.442 | - | - | - |
| *Derivative Cash Outflows* | (12.983.863) | (13.052.238) | (13.052.238) | - | - | - |

## NOTE 39 FINANCIAL INSTRUMENTS

The Company considers that the recorded values of financial instruments reflect the fair values.

*Aims at financial risk management*

The finance department of the Company is responsible for maintaining the access to financial markets regularly and observing and managing the financial risks incurred in relation with the activities of the Company. The said risks include market risk (including foreign exchange risk, fair interest rate risk and price risk), credit risk, liquidity risk and cash receiving risk.

The Company uses the forward exchange agreements out of derivative financial instruments for the purpose of decreasing the effects of these risks and being protected from financial risk against the same. The Company has no speculative financial instruments (including derivative financial instruments) and does not involve in any activity relating to the sale or purchase of such instruments.

## NOTE 40 EVENTS AFTER BALANCE SHEET DATE

None.

## NOTE 41 OTHER ISSUES

None.