Despec Bilgisayar Pazarlama ve Ticaret A.Ş

Financial Statements as of and for The Year Ended December 31, 2018 Together with Independent Auditors' Report

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

DESPEC BİGİSAYAR PAZARLAMA VE TİCARET A.Ş
CONTENTS OF THE FINANCIAL STATEMENTS

MGI Bağımsız Denetim 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, 2018 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 2018, 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.

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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 83.753.859, and account for 70,1 percent of total assets. Provisions for doubtful trade receivables is amount to TRY 2.274.524 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. 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. Third party confirmations of customer outstanding balances have been made and accuracy of the balances have been confirmed. 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. 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 27.981.668, and account for 23,4 percent of total assets. Provision for inventories amount to TRY 1.019.510 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. 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. 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. 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. Provision for net realizable amount decided according to changes in gross profit in whole or by product base. The inventory valuation method of the Company has been confirmed with controlling sample inventory cards.

T.C. DENETÇİ

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. 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. 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. We focus on sales that invoiced but unearned by analyzing the Company's procedures on sales and delivery terms. 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. 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. We tested that if there was any significant amount of sales return after the date of financial statement. In addition to the above, we assessed whether revenue note **(Note: 2.05.01, Note:28)** was sufficient according to TFRS 15.

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:

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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.

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 25, 2019.

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, 2018 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 A.Ş.
A Member of MGI WORLDWIDE

GAMZE TÜRKİN AKSU
Principal Auditor in Charge
(Istanbul, February 25, 2019)

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (TL)

	Notes	Audited Current Period December 31,2018	Audited Previous Period December 31,2017
ASSETS			
Current Assets		**117.300.441**	**104.027.458**
Cash and Cash Equivalents	6	1.540.700	3.746.684
Financial Investments	7	83.407	160.667
Trade Receivables	10	83.753.859	59.880.432
- Due from related parties	*10-37*	-	*706.277*
- Trade receivables, third parties	*10*	*83.753.859*	*59.174.155*
Other Receivables	11	40.776	43.192
- Due from related parties	*11-37*	-	-
- Other Receivables, third parties	*11*	*40.776*	*43.192*
Derivative Instruments	12	-	-
Inventories	13	27.981.668	33.732.070
Prepaid Expenses	15	2.121.428	1.891.392
Current Tax Assets		-	-
Other Current Assets	26	1.778.603	4.573.021
(Subtotal)		**117.300.441**	**104.027.458**
Non-Current Assets		**2.159.097**	**1.605.964**
Financial Investments	7	-	10.190
Investment Properties	17	247.210	251.890
Property, Plant and Equipment.	18	218.729	226.403
Intangıble Assets	19	427.938	420.053
- Other Intangıble Assets	*19*	*427.938*	*420.053*
Deferred Tax Assets	35	1.265.220	697.428
TOTAL ASSETS		**119.459.538**	**105.633.422**

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (TL)

LIABILITIES	Notes	Audited Current Period December 31,2018	Audited Previous Period December 31,2017
Short-Term Liabilities		**41.626.976**	**48.606.254**
Short-Term Financial Liabilities	8	12.824.836	23.879.117
Trade Payables	10	23.413.390	20.612.291
- Due to related parties	*10-37*	*511.011*	*522.322*
- Trade payables, third parties	*10*	*22.902.379*	*20.089.969*
Employee benefit obligations	20	65.138	101.247
Other payables	11	458.668	118.455
- Due to related parties	*11-37*	-	-
- Other payables, third parties	*11*	*458.668*	*118.455*
Derivative instruments	12	1.073.209	493.048
Deferred Income	15	296.471	376.446
Current income tax liabilities	35	214.011	931.230
Provisions	22	3.281.253	2.094.420
- Provisions for Employee Benefits		-	-
- Other current liabilities	*22*	*3.281.253*	*2.094.420*
(Subtotal)		**41.626.976**	**48.606.254**
Non-current liabilities		**394.983**	**273.796**
Financial liabilities	8	-	-
Provisions	*24*	394.983	273.796
- Provision for employee benefits	*24*	*394.983*	*273.796*
Deferred tax liabilities	35	-	-
EQUITY		**77.437.579**	**56.753.372**
Equity holders of the parent	27	**77.437.579**	**56.753.372**
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		(114.808)	(58.140)
- Actuarial gain/loss arising from defined benefit plans		*(114.808)*	*(58.140)*
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		8.526.418	8.439.543
- Legal Reserves		*8.526.418*	*8.439.543*
Retained Earnings		21.215.589	12.965.503
Net Profit/(Loss)		20.799.430	8.395.516
Non-controlling interest	27		-
Total liabilities and equity		**119.459.538**	**105.633.422**

The accompanying notes are integral parts of the financial statements.

PROFİT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENTS (TL)

		Audited January 1,2018 December 31,2018	Audited January 1,2017 December 31,2017
STATEMENT OF PROFIT OR LOSS			
Net Sales	28	346.523.174	260.641.087
Cost of sales(-)	28	(317.464.707)	(242.469.369)
GROSS PROFIT (LOSS) FROM TRADE OPERATION		**29.058.467**	**18.171.718**
GROSS PROFIT		**29.058.467**	**18.171.718**
General Administrative Expenses (-)	29	(3.934.733)	(3.732.156)
Marketing, Sales and Distribution (-)	29	(5.792.288)	(4.915.956)
Other income from operating activities	31	16.792.883	10.667.361
Other expenses from operating activities	31	(9.114.627)	(7.590.870)
OPERATION PROFIT / (LOSS)		**27.009.702**	**12.600.097**
Income from Investment Activities	32	14.470	64.996
Expenses from Investment Activities (-)	32	-	-
OPERATING PROFIT/LOSS BEFORE FINANCIAL INCOME/EXPENSE		**27.024.172**	**12.665.093**
Financial Income	33	6.919.223	4.195.428
Financial Expenses (-)	33	(7.314.831)	(6.407.739)
PROFIT/LOSS FROM CONTİNUİNG OPERATİONS BEFORE TAX		**26.628.564**	**10.452.782**
Tax income/(expense), continuing operations		**(5.829.134)**	**(2.057.266)**
- Tax Income /(Expense)	35	(6.369.117)	(2.398.655)
- Deferred Tax Income / (Expense)	35	539.983	341.389
PROFIT(LOSS) FROM CONTINUING OPERATIONS		**20.799.430**	**8.395.516**
Net Profit(Loss)		**20.799.430**	**8.395.516**
Profit (loss), attributable to		**20.799.430**	**8.395.516**
Noncontrolling Interests	27	-	-
Equity Holders Of The Parent	27	20.799.430	8.395.516
Basic earnings per share	36	0,904323	0,365022
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss		**(56.668)**	**(7.279)**
Actuarial gain/loss arising from defined benefit plans		(70.835)	(9.099)
Other comprehensive income not to be reclassified to profit or loss, tax effect		14.167	1.820
- Deferred Tax Income/(Expense)		14.167	1.820
Other comprehensive income to be reclassified to profit or loss		-	-
Currency translation differences		-	-
Gains (losses) on cash flow hedges	27	-	-
OTHER COMPREHENSIVE INCOME		**(56.668)**	**(7.279)**
TOTAL COMPREHENSIVE INCOME(LOSS)		**20.742.762**	**8.388.237**
Comprehensive Income/Expenses Attributable to		-	-
Owners of Parent		-	-
Non-controlling Interests		20.742.762	8.388.237

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 ,2018	**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**
Adjustments Related to Accounting Policy Changes		-	-	-	-	-	-	-	-	-	-	-	-
Effect on changing policy of TFRS 9, net		-	-	-	-	-	-	-	-	-	(58.555)	-	(58.555)
Currently Stated		**23.000.000**	**437.133**	**2.967.707**	**(58.140)**	**-**	**606.110**	**-**	**-**	**8.439.543**	**12.906.948**	**8.395.516**	**56.694.817**
Transfers		-	-	-	-	-	-	-	-	86.875	8.308.641	(8.395.516)	-
Total Comprehensive Income		**-**	**-**	**-**	**(56.668)**	**-**	**-**	**-**	**-**	**-**	**-**	**20.799.430**	**20.742.762**
Net Current Profit		-	-	-	-	-	-	-	-	-	-	20.799.430	20.799.430
Other comprehensive income (Expense)		-	-	-	(56.668)	-	-	-	-	-	-	-	(56.668)
Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-
December 31, 2018	**Note-27**	**23.000.000**	**437.133**	**2.967.707**	**(114.808)**	**-**	**606.110**	**-**	**-**	**8.526.418**	**21.215.589**	**20.799.430**	**77.437.579**
Audited													
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**

The accompanying notes are integral parts of the financial statements.

CASH FLOW STATEMENT (TL)	Notes	Audited Current Period January 1,2018 December 31, 2018	Audited Previous Period January 1,2017 December 31, 2017
A. CASH FLOWS FROM OPERATIONS ACTIVITIES		**11.595.840**	**(15.888.624)**
Net Profit / (Loss)		**20.799.430**	**8.395.516**
Adjustments to Reconcile Profit (Loss)		**11.431.101**	**5.058.159**
Adjustments for depreciation and amortisation expense	17-18-19	174.649	179.894
Adjustments for Impairment Loss (Reversal of Impairment Loss)		**(346.304)**	**449.557**
Adjustments for Provision (Reversal of Provision) of Receivables	10	118.074	583.620
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	13	(464.378)	(134.063)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Property , Plant and Equipment	17-18-19	-	-
Adjustments for Provisions		**1.353.594**	**1.021.711**
Adjustments for (Reversal of) Provisions Related with Employee Benefits	24	166.761	83.330
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	22	4.462	(1.989)
Adjustments for (Reversal of) Other Provisions	22	1.182.371	940.370
Adjustments for Interest (Income) Expenses		**3.119.924**	**486.203**
Adjustments for Interest Income	31-33	(7.017.273)	(4.769.446)
Adjustments for Interest Expense	31-33	10.301.355	4.608.176
Deferred Financial Expense from Credit Purchases	10	(25.300)	(9.366)
Unearned Financial Income from Credit Sales	10	(138.858)	656.839
Adjustments for Tax (Income) Expenses	35	**5.829.134**	**2.057.266**
Other Adjustments to Reconcile profit (loss)	26	**1.300.104**	**863.528**
Changes in Working Capital		**(14.468.835)**	**(26.585.546)**
Adjustments for Decrease (increase) in Trade Accounts Receivable	10	(23.852.643)	(13.156.998)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations	11	2.416	(3.845)
Adjustments for Decrease (increase) in Inventories	13	6.214.780	(7.182.541)
Adjustments for Increase (decrease) in Trade Accounts Payable	10	2.826.399	(6.273.188)
Adjustments for Increase (decrease) in Other Operating Payables	11	340.213	31.026
Cash Flows From (Used in) Operations		**17.761.696**	**(13.131.871)**
Employee Termination Benefit Paid	24	(116.409)	(40.701)
Income Taxes Refund (paid)	35	(7.086.336)	(2.899.200)
Other inFlows (outflows) of Cash		1.036.889	183.148
B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(170.180)**	**(409.185)**
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		**(170.180)**	**(232.492)**
Purchase of Property, Plant and Equipment	18	(116.733)	(107.757)
Purchase of Intangible Assets	19	(53.447)	(124.735)
Investment Property (-)		-	(234.000)
C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**(13.632.104)**	**16.540.387**
Proceeds from Borrowings	8	46.252.256	**28.261.000**
Proceeds from Loans	8	46.252.256	28.261.000
Repayments of Borrowings	8	(57.306.537)	**(5.000.000)**
Loan Repaymants	8	(57.306.537)	(5.000.000)
Dividends Paid		-	(7.500.000)
Interest Paid	31-33	(2.577.823)	779.387
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**(2.206.444)**	**242.578**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2.206.444)**	**242.578**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	3.746.684	3.504.106
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	1.540.240	3.746.684

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, mobile phone 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, 2018 and December 31, 2017, are as follows:

	December 31, 2018		December 31, 2017	
Shareholder	**Share Percentage%**	**Share Amount**	**Share Percentage%**	**Share Amount**
Desbil Teknolojik Ürünler A.Ş.	% 31,23	7.182.262	% 30,24	6.956.268
Despec International FZCO	% 18,00	4.140.000	% 25,97	5.972.254
Public (*)	% 50,69	11.659.006	% 43,71	10.052.746
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 Canon, HP and Samsung products. Other products distributed by the Company are of brands of 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.

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, 2018 is 32.(December 31, 2017:30). 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 25, 2019. Board of Directors has the authority to change the financial statements.

The non-monetary items present in the December 31, 2018 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.

Compulsory change in accounting policy due to IFRS 9

The Company has applied IFRS 9 Financial Instruments beginning on January 1, 2018. The standard shall be applied retrospectively. The Company retrospectively applied simplified approach according to application exception of this standard. In other words, there is no need to present three periods of balance sheet, i.e. current period, previous period and opening balance sheet of previous period, to show the effect of transition of new application to previous periods according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Company chose to present transition effect as an adjustment to prior years' profits or losses of current balance sheet. The effect of new accounting policy and adjustment of transition are summarized as follows:

Effect of classification and measurement of financial instruments to prior years' profits or losses as below;

Openning balance of prior years' profits or losses – IAS 39	**12.965.503**
Increase of doubtful trade receivables (-)	(62.007)
Deferred tax effect	13.642
Provision for Impairment of Participation	(10.190)
Adjustment to retained earnings caused by application of TFRS 9	**(58.555)**
Adjusted Openning balance of retained earnings - IFRS 9	**12.906.948**

The Company has evaluated the business models applicable to financial assets at the initial application date (1 January 2018) and classified its financial instruments in the appropriate IFRS 9 categories. IFRS 9 has abolish the application of IAS 39, financial assets that are not traded on the stock exchange and whose fair value cannot be reliably measured and therefore allowed to be carried at cost, with the exception of measurement application and fair value of these financial assets measured with valuation techniques. The classification and measurement effect arising from this reclassification was caused by this change. Apart from that, financial assets measurement and classification have not been changed except calculation of provisions for financial assets.

Financial Assets	Business/ Management Model	Measurement Method of IFRS 9
Cash Equivalents	Holding for the purpose of collection	Amortized cost
Notes Receivables	Holding for the purpose of collection	Amortized cost
Trade Receivables	Holding for the purpose of collection	Amortized cost
Derivative Instruments	Holding for trade	Fair value through statement of profit or loss

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

Revenues, that reflect the goods and/ or services promised to transfer, presented as an expected earning amount. Within the framework of TFRS 15, a 5-step process is applied to record revenue.

- Identification of contracts with customers
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

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 mobile phone, 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.

The Company also calculates net realizable values of commercial goods and reflects provision for decrease in value when there are indications of value decrease. **(Note: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	3-10
- Motor Vehicles	5-10
- Leasehold Improvements	5-10
- Rights	3-15

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.

2.05.08 Financial Instruments

i. Classification and measurement of financial assets and liabilites
At initial recognition of financial assets to the financial statements classified as:

a) measured at amortized cost,

b) measured at fair value ("FV") through other comprehensive income ("FVOCI") – debt instruments,

c) measured at fair value ("FV") through other comprehensive income – equity instruments,

d) measured at fair value ("FV") through profit and loss ("FVTPL"),

Classification of financial assets, generally, base on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if both of the following conditions are met and not classified as FV through profit and loss :

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at amortized cost if both of the following conditions are met and not classified as FV through profit and loss :

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

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

ii. *Impairment of Financial Assets*

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost and contract assets but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables, other receivables and cash and cash equivalents. The Company measures loss allowances at an amount equal to lifetime expected credit losses for trade receivables, other receivables, other assets and contractual assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Company shall reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

This is generally the case when the Company determines that the debtor does not have sufficient sources of income or assets that can repay the amounts subject to write-off. Nevertheless, financial assets that are written-off may still be subject to sanction activities applied by the Company for the recovery of past due receivables.

Financial assets are written-off if there is no expectation of recovery (ie the debtor does not restructure its debt with the Company). The Company continues to exercise sanctions in order to recover trade receivables, other receivables, other assets and contractual assets that were written-off; the recovery amounts are recognized in profit or loss.

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 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.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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.

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, 2018;

TFRS 9 "Financial instruments" (Amendments): effective from periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities and also includes an expected credit losses model.

TFRS 15 "Revenue from contracts with customers"(Amendments): effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.

TFRS Interpretation 22 "Foreign Currency Transactions and Advance Consideration'' (Amendment): 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 recognises 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,with earlier adoption permitted.

TFRS 2 ''Classification and Measurement of Share-based Payment Transactions'' (Amendments): The TASB issued amendments to 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: the effects of vesting and non-vesting conditions on the measurement of cash-settled sharebased payments, share-based payment transactions with a net settlement feature for withholding tax obligations; and 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 amendments are applied for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

TAS 40 ''Investment Property: Transfers of Investment Property'' (Amendments): The TASB issued amendments to TAS 40 *"Investment Property"*. 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 applied for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

Annual Improvements to TFRSs - 2014-2016 Cycle

The TASB issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

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

TAS 28 "Investments in Associates and Joint Ventures" (Amendment): 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.

The effects of standards and interpretations on the Company's financial statements those have been effective as of current period set out in **Note: 2.04**.

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, 2018, are as follows:

TFRS 16 "Leases": On 13 January 2016, TASB issued the new leasing standard which will replace TAS 17 *"Leases"*, TFRS Interpretation 4 *"Determining Whether an Arrangement Contains a Lease"*, TAS Interpretation 15 *"Operating Leases –Incentives"*, and TAS Interpretation 27 *"Evaluating the Substance of Transactions Involving the Legal Form of a Lease"* and consequently changes to TAS 40 *"Investment Properties"*. TFRS 16 *"Leases"* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 *"Revenue from Contracts with Customers"*. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 16.

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

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

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

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 TASB, thus they do not constitute part of TFRS.

IAS 1 "Presentation of Financial Statements" ve IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Amendments): In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that,'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must applied prospectively and earlier application is permitted.

Annual Improvements to IFRSs - 2010-2012 Cycle

IFRS 17 The new Standard for insurance contracts (Amendments): The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts coveringrecognition and measurement, presentation and disclosure.

IFRS 17 model combines a current balancesheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognized over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early 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.

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

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, 2018	December 31, 2017
Cash	54.647	66.180
Bank(Demand Deposit)	568.679	3.679.917
Financial Assets Measured at Amortised Cost(Reverse Repo)	800.460	-
Credit Card Slips	116.914	587
Total	**1.540.700**	**3.746.684**

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

Amounting of TL 460 consist of interest income accrual which arising from reverse repo transactions in 1 day maturity. Interest rate of TL reverse repo is %21.

Account Name	December 31,2018	December 31,2017
Cash and Cash equivalents	1.540.700	3.746.684
Interest Income Accruals (-)	(460)	-
Total	**1.540.240**	**3.746.684**

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, 2018	December 31, 2017
Stock (Indeks) (*)	83.407	160.667
Long Term Securities (**)	-	10.190
Total	**83.407**	**170.857**

(*)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, 2018 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, 2018	December 31, 2017
Appreciation of Financial Asset	10.190	10.190
Provision for Impairment Loss	(10.190)	-
Total	-	**10.190**

NOTE 8 SHORT-TERM AND LONG-TERM FINANCIAL LIABILITIES

December 31,2018

Current financial liabilities for the periods ended are as follows:

Account Name	December 31, 2018	December 31, 2017
Bank Loans	12.824.836	23.879.117
Total	**12.824.836**	**23.879.117**

December 31,2018

Type	Foreign currency amount	TRY amount	Effective interest rate (%)
Short Term Loans			
Loans *(TL)*		*12.824.836*	*36,5*
Total		**12.824.836**	

Movements of the liabilities are as below:

Account Name	December 31, 2018	December 31, 2017
Balance at January 1	23.879.117	-
Inflow of principal liabilities	46.252.256	28.261.000
Outflow of principal liabilities	(58.013.256)	(5.000.000)
Outflow of interest payments	(4.686.446)	(1.195.253)
Interest accruals for the period	5.393.165	1.813.370
Balance at Ending	**12.824.836**	**23.879.117**

December 31,2017

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

NOTE 9 OTHER FINANCIAL LIABILITIES

None.

NOTE 10 TRADE RECEIVABLES AND PAYABLES

Short-Term trade receivables as of December 31, 2018 and December 31, 2017 are as follows:

Account Name	December 31, 2018	December 31, 2017
Trade Receivables	70.857.469	50.668.372
*- Due from related parties **(Note. 37)***	-	*706.277*
- Others	*70.857.469*	*49.962.095*
Notes receivables	13.841.086	10.295.614
Discount on notes receivables (-)	(944.696)	(1.083.554)
Doubtful trade receivables	2.274.524	2.156.450
Provision for doubtful receivables (-)	(2.274.524)	(2.156.450)
Total	**83.753.859**	**59.880.432**

TL 35.784.670 of the total trade receivables in the amount of **TL 83.753.859**, and **TL 21.343.117** of the total receivables in the amount of **TL 59.880.432** (Eular Hermes guarantee amount is included.) are under guarantee as of December 31, 2018 and December 31, 2017 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 31,2019 for the accounts receivable which are found within the borders of Turkey.(Guarantee proportion is determined %90 for trade receivables credit limit which are demanded.)

- Amount of Eular Hermes guarantee as of December 31,2018 **TL 28.610.713** (December 31,2017: **14.375.300 TL**)

Movement of provision for doubtful receivables is as follows:

	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
Opening balance	2.156.450	1.572.830
TFRS 9 Opening Adjustment (Note:2.03)	62.007	
Period expense	56.067	583.620
Closing balance	**2.274.524**	**2.156.450**

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

	December 31, 2018	December 31, 2017
0-3 months	477.657	368.435
3-12 months	155.161	145.400
1-5 years	-	-
Total	**632.818**	**513.835**

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Current trade payables for the period ended are as follows:

Account Name	December 31, 2018	December 31, 2017
Trade payables	23.654.856	20.828.457
Others	*23.143.845*	*20.306.135*
*Due to related parties **(Note: 37)***	*511.011*	*522.322*
Notes payables	-	-
Discount of notes payables (-)	(241.466)	(216.166)
Total	**23.413.390**	**20.612.291**

The Company has no non-current trade receivables.

The average term of collection of trade receivables varies between 40-70 days. The average term of payments varies between 20-35 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, 2018	December 31, 2017
Receivables from personnel	40.776	43.192
Total	**40.776**	**43.192**

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, 2018	December 31, 2017
Taxes and other deductions	458.668	118.455
Total	**458.668**	**118.455**

NOTE 12 DERIVATIVE INSTRUMENTS

The company has no derivative instruments located within current assets.

Current liabilities for derivative financial assets are as follows:

Account Name	December 31, 2018	December 31, 2017
Derivative Financial Payables	1.073.209	493.048
Total	**1.073.209**	**493.048**

As of December 31, 2018, company has made foreign exchange purchase contracts for the amounts of USD 3.357.800. The maturity of the contracts is 0-3 months. The fair value of the contracts as of December 31, 2018 is TL 18.738.260 and the total amount of valuation difference is TL 1.073.209 is recognized in the statement of profit or loss.

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, 2018	December 31, 2017
Commercial Goods	24.436.623	28.619.616
Goods in Transit	4.564.555	6.596.342
Decrease in Value of Inventory (-)	(1.019.510)	(1.483.888)
Total	**27.981.668**	**33.732.070**

As of December 31,2018 **TL 3.647.986** (December 31,2017 **TL 4.211.478**)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, 2018 December 31, 2018	**January 1, 2017 December 31, 2017**
Opening Balance (-)	(1.483.888)	(1.617.951)
Cancellation of Provision Due to Increase in Net Realizable Value Net (+)	464.378	134.063
Provision for the Period(-)		-
Balance at the end of year (-)	**(1.019.510)**	**(1.483.888)**

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 317.464.707 and **TL 242.469.369** are the costs of goods sold as of December 31,2018 and December 31, 2017 respectively.

Explanation	**December 31, 2018**	**December 31, 2017**
Cost	4.667.496	5.695.366
Provision for Value Decrease in Inventories	1.019.510	1.483.888
Net Realizable Value **(a)**	3.647.986	4.211.478
Inventory presented with its cost value **(b)**	24.333.682	29.520.592
Total Inventories (a+b)	**27.981.668**	**33.732.070**

NOTE 14 BIOLOGICAL ASSETS

None.

NOTE 15 PREPAID EXPENSES AND DEFERRED INCOME

Short-Term :

Short-term prepaid expenses as of December 31, 2018 and December 31, 2017 are as follows:

Account Name	**December 31, 2018**	**December 31, 2017**
Prepaid Expenses for Following Months	167.006	110.012
Advances Given	1.954.422	1.781.380
Total	**2.121.428**	**1.891.392**

Deferred Incomes as of December 31, 2018 and December 31, 2017 are as follows:

Account Name	**December 31, 2018**	**December 31, 2017**
Advances Received	296.471	195.916
Income for the following Months	-	180.530
Total	**296.471**	**376.446**

Long-Term :

Company has no prepaid expenses as of December 31, 2018 and December 31, 2017.
Company has no deferred incomes as of December 31, 2018 and December 31, 2017.

NOTE 16 INVESTMENTS EVALUATED BY EQUITY METHOD

None.

NOTE 17 INVESTMENT PROPERTY

The Company's Investment Properties are as follows:

Account Name	**December 31, 2018**	**December 31, 2017**
Cost	252.280	252.280
Accumulated Depreciation	(5.070)	(390)
Total	**247.210**	**251.890**

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December 31,2018

Cost

Account Name	January 1, 2018	Acquisitions	Disposals (-)	December 31, 2018
Lands	18.280	-	-	18.280
Buildings	234.000	-	-	234.000
Total	**252.280**	**-**	**-**	**252.280**

Accumulated Depreciation

Account Name	January 1, 2018	Period Depreciation	Disposals (-)	December 31, 2018
Buildings	390	4.680	-	5.070
Total	**390**	**4.680**	**-**	**5.070**
Net Value	**251.890**			**247.210**

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**

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

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

Account Name	December 31, 2018	December 31, 2017
Cost	1.100.231	983.498
Accumulated depreciation	(881.502)	(757.095)
Total	**218.729**	**226.403**

December 31,2018

Cost

Account Name	January 1, 2018	Acquisitions	Disposals (-)	December 31, 2018
Vehicles	3.505	-	-	3.505
Furniture & Fixtures	454.555	48.151	-	502.706
Leasehold Improvements	525.438	68.582	-	594.020
Total	**983.498**	**116.733**	**-**	**1.100.231**

Accumulated Depreciation

Account Name	January 1, 2018	Period Depreciation	Disposals (-)	December 31, 2018
Vehicles	3.505	-	-	3.505
Furniture & Fixtures	360.671	53.570	-	414.241
Leasehold Improvements	392.919	70.837	-	463.756
Total	**757.095**	**124.407**	-	**881.502**
Net Value	**226.403**			**218.729**

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**

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, 2018	December 31, 2017
Cost	687.487	634.040
Accumulated Depreciation	(259.549)	(213.987)
Total	**427.938**	**420.053**

December 31,2018

Cost

Account Name	January 1, 2018	Acquisitions	Disposals (-)	December 31, 2018
Other Intangible Assets	634.040	53.447	-	687.487
Total	**634.040**	**53.447**	-	**687.487**

Accumulated Depreciation

Account Name	January 1, 2018	Period Depreciation	Disposals (-)	December 31, 2018
Other Intangible Assets	213.987	45.562	-	259.549
Total	**213.987**	**45.562**		**259.549**

Net Value	**420.053**	**427.938**

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**

Depreciation and amortization expenses are recorded under operational expenses.

NOTE 20 EMPLOYEE BENEFIT OBLIGATIONS

Employee Benefit obligations as of December 31,2018 and December 31,2017 are as follows:

Account Name	December 31, 2018	December 31, 2017
Social Security Institution Payable	65.138	101.247
Total	**65.138**	**101.247**

NOTE 21 GOVERNMENT GRANTS

None.

NOTE 22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Provisions

Account Name	December 31, 2018	December 31, 2017
Provisions for Price Differences	3.243.768	2.061.397
Provision for Litigations	37.485	33.023
Total	**3.281.253**	**2.094.420**

December 31, 2018	Provision for Litigations	Provisions for Price Differences	Total
As of January 1	33.023	2.061.397	2.094.420
Additional Provisions	4.462	3.243.768	3.248.230
Payment	-	(2.061.397)	(2.061.397)
Total	**37.485**	**3.243.768**	**3.281.253**

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**

ii) Contingent Assets and Liabilities;

For the lawsuits initiated against Company, provision is made in financial statements in the amount of **TL 37.485.** (December 31,2017: **TL 33.023)**

Allowance for doubtful receivables arising from lawsuits and TFRS 9 adjusted receivables made in financial statements as TL 2.274.524. (December 31, 2017: 2.156.450)

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

December 31,2018

	TL	USD	EURO
Guarantee Letters Given	17.687.541	1.000.000	-
TOTAL	**17.687.541**	**1.000.000**	-

December 31,2017

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

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

Mortgages & Guarantees Given by the Company	December 31,2018	December 31,2017
A. Total amount of M&G Given on behalf of the Company	22.948.441	18.459.441
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	**22.948.441**	**18.459.441**

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, 2017: %0)

v) Mortgages and Guarantees on Assets;

There are not any restrictions on assets.
vi) Total Insurance Coverage on Assets;

December 31,2018

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

December 31,2017

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

NOTE 23 COMMITMENTS

None.

NOTE 24 EMPLOYEE TERMINATION BENEFITS

Account Name	December 31,2018	December 31,2017
Provision for employment termination benefits	394.983	273.796
Total	**394.983**	**273.796**

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 2019, termination indemnity upper limit is monthly TL 6.017,60 (December 31,2017: TL 5.001,76).

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 31,2018, 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 14 % and a discount rate of 18%. As a result, the real discount rate is calculated as 3,51 % (December 31, 2017: 3,70%). 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 %97,97 as of December 31, 2018. (December 31, 2017; %98,13)

	January 1,2018 December 31, 2018	January 1,2017 December 31, 2017
January 1	273.796	222.068
Current Period Service Cost	44.156	41.007
Interest Cost	36.962	22.207
Actuarial Income/(Loss)	70.835	9.099
Loss Composed on Payment	85.643	20.116
Paid	(116.409)	(40.701)
Closing Balance	**394.983**	**273.796**

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

Account Name	January 1,2018 December 31, 2018	January 1,2017 December 31, 2017
General Administration Expenses	(166.761)	(83.330)
Other income from operating activities	-	-
The amount accounted in (Profit) / Loss	**(166.761)**	**(83.330)**
Actuarial Loss accounted in Other Comprehensive Income	(70.835)	(9.099)
Total Expense/(Income)	**(237.596)**	**(92.429)**

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 1,2018 December 31, 2018	January 1,2017 December 31, 2017
Actuarial Loss accounted in Other Comprehensive Income	(70.835)	(9.099)
Tax Effect: % 20	14.167	1.820
Net Value	**(56.668)**	**(7.279)**

In the current period acturial loss amount was TL 70.835. 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 56.668.

In the previous period acturial accounted was TL 9.099 . 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 7.279.

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, 2018	December 31, 2017
Income Accrual for Turnover Premium	1.759.956	3.060.060
Deferred VAT	-	1.449.683
Advances Given	18.647	63.278
Total	**1.778.603**	**4.573.021**

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, 2018	December 31, 2017
Opening Balance	3.060.060	3.923.588
Current period accrual	47.025.464	30.533.582
Collection / Current account transfer	(48.325.568)	(31.397.110)
Total	**1.759.956**	**3.060.060**

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, 2018 and December 31, 2017 are as follows;

	December 31, 2018		December 31, 2017	
Shareholder	Share Percentage %	Share Amount	Share Percentage %	Share Amount
Desbil Teknolojik Ürünler A.Ş.	% 31,23	7.182.262	% 30,24	6.956.268
Despec International FZCO	% 18,00	4.140.000	% 25,97	5.972.254
Public Shares(*)	% 50,69	11.659.006	% 43,71	10.052.746
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 31,2018	December 31,2017
Actuarial Gain/(Loss)	(143.510)	(72.674)
Tax Effect	28.702	14.534
Actuarial Gain/(Loss) (Net)	**(114.808)**	**(58.140)**
Revaluation and Gain/Loss Arising from Measurement	**(114.808)**	**(58.140)**
Other Comprehensive Income/Expense not to be Reclassifield to Profit or (Loss)	**(114.808)**	**(58.140)**

Movement Table is as follow;

	December 31,2018	December 31,2017
Opening Balance, January 1	(58.140)	(50.861)
Addition ***(Note:24)***	(70.835)	(9.099)
Deferred Tax Offset (-) ***(Note:24, Note:35)***	14.167	1.820
Closing Balance	**(114.808)**	**(58.140)**

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

Account Name	December 31,2018	December 31,2018
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**

iv) Restricted Reserves from Profit

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, 2018 and December 31, 2017 are as follows:

Account Name	December 31, 2018	December 31,2017
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	(114.808)	(58.140)
- Revaluation and Gain/Loss Arising from Measurement	*(114.808)*	*(58.140)*
- Hedging (Note:9)	-	-
Foreign Currency Translation Adjustments	606.110	606.110
Restricted Reserves From Profit	8.526.418	8.439.543
- Legal Reserves	*8.526.418*	*8.439.543*
Previous Years' Profits	21.215.589	12.965.503
Net Period Loss/ Profit	20.799.430	8.395.516
Total	**77.437.579**	**56.753.372**

NOTE 28 SALES AND COST OF SALES

Sales and cost of sales for the periods ended December 31, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
Domestic Sales	356.617.082	274.927.437
Foreign and Other Sales (-)	5.121.952	637.986
Sales Returns (-)	(15.021.311)	(14.474.909)
Sales Discounts and Other Discounts (-)	(194.549)	(449.427)
Net Sales	**346.523.174**	**260.641.087**
Cost of Sales (-)	(317.464.707)	(242.469.369)
Gross Profit	**29.058.467**	**18.171.718**

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, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
General Administration Expenses (-)	(3.934.733)	(3.732.156)
Marketing, Sales & Distribution Expenses (-)	(5.792.288)	(4.915.956)
Total Operating Expenses	**(9.727.021)**	**(8.648.112)**

NOTE 30 EXPENSES BY NATURE

Expenses By Nature of the Company for the periods ended December 31, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
- Personnel Expenses	(4.786.531)	(4.137.728)
- Transportation and Storage Expenses	(2.320.914)	(1.729.100)
- Advertisement Expense	(240.361)	(262.782)
- Rental Expense	(515.133)	(365.430)
- Consultancy and Audit Expenses	(249.346)	(186.943)
- Outsourced Benefits and Services	(211.608)	(192.669)
- Sales and Foreign Trade Expense	(133.933)	(47.644)
- Insurance Expenses	(353.466)	(454.206)
- Other Expenses	(915.729)	(1.271.610)
Total Operating Expenses	**(9.727.021)**	**(8.648.112)**

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, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
Other Income	**16.792.883**	**10.667.361**
Income from law suit released	-	5.654
Eliminated Interest From Revenue	6.854.730	4.699.958
Interest and discount Incomes	1.325.020	642.881
Foreign Exchange Gain (Trade Receivables and Payables)	8.610.748	5.308.942
Other Income And Profit	2.385	9.926
Other Expenses (-)	**(9.114.627)**	**(7.590.870)**
Eliminated Interest From Purchases	(2.986.524)	(1.749.494)
Interest and discount Expenses	(1.160.862)	(1.290.354)
Foreign Exchange Loss (Trade Receivables and Payables)	(4.923.186)	(4.381.613)
Other Expens and Loss (-)(*)	(44.055)	(169.409)
Other Income / Expense (Net)	**7.678.256**	**3.076.491**

(*)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, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
Dividend Income	14.470	7.689
Gain on Sale of Fixed Assets	-	57.307
Income from Investment Operations	**14.470**	**64.996**

NOTE 33 FINANCIAL INCOME / EXPENSE

Financial Income for the period ended December 31, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
Interest Income	162.543	69.488
Foreign Exchange Gain	6.756.680	4.125.940
Total	**6.919.223**	**4.195.428**

Financial Expense for the periods ended December 31, 2018 and December 31, 2017 are as follows:

Account Name	January 1, 2018 December 31, 2018	January 1, 2017 December 31, 2017
Bank and Interest Expenses	(7.314.831)	(2.858.682)
Foreign Exchange Losses	-	(3.549.057)
Total	**(7.314.831)**	**(6.407.739)**

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

NOTE 34 FIXED ASSETS HELD FOR SALE PURPOSES AND DISCONTINUED OPERATIONS

None.

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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, 2018 and December 31, 2017 are as follows:

Account Name	**January 1, 2018 December 31, 2018**	**January 1, 2017 December 31, 2017**
Provision for Current Period Tax (-)	(6.369.117)	(2.398.655)
Deferred Tax Income / (Expense)	539.983	341.389
Total Tax Income / (Expense)	**(5.829.134)**	**(2.057.266)**

Account Name	**January 1, 2018 December 31, 2018**	**January 1, 2017 December 31, 2017**
Provision for Current Period Tax (-)	6.369.117	2.398.655
Prepaid Taxes (-)	(6.155.106)	(1.467.425)
Total Tax Payable Net	**214.011**	**931.230**

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 22 % over the corporate income was calculated and prepaid taxes deducted from taxation on income.(December 31, 2017:20%)

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, 2018 Accumulated Temporary Differences**	**December 31, 2018 Deferred Tax Receivable / (Payable)**	**December 31, 2017 Accumulated Temporary Differences**	**December 31, 2017 Deferred Tax Receivable / (Payable)**
Fixed Assets	(256.704)	(51.341)	(178.602)	(35.720)
Stock Valuation Difference	77.260	16.997	(44.987)	(9.897)
Rediscount Expense	829.199	182.424	1.038.448	228.459
Provision for Termination Indemnities	394.983	78.997	273.796	54.759
Provision for Inventory Impairment	1.019.510	224.292	1.483.888	326.455
Provision for Litigations	37.485	8.247	33.023	7.265
Difference Between Book Value and Tax Base of Inventories	280.480	61.706	234.214	51.527
Rediscount Income	(74.240)	(16.333)	(154.045)	(33.891)
Derivative Instruments	1.073.209	236.105	493.048	108.471
Other	2.382.390	524.126		
Deferred Tax Asset / (Liabilities)		**1.265.220**		**697.428**

	December 31, 2018	December 31, 2017
Deferred Tax Asset / (Liability) at the beginning of the period	697.428	354.219
TFRS 9 Opening Adjustment	13.642	-
Employee Termination Benefits Actuarial Gain/Loss	14.167	1.820
Deferred Tax Income / (Expense)	539.983	341.389
Deferred Tax Assets / (Liabilities)	**1.265.220**	**697.428**

Explanation of Unused Tax Advantages:

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

Reconciliation of tax provision for the periods ended December 31, 2018 and December 31, 2017 are as follows:

Reconciliation of Tax Provision:	**January 1, 2018 December 31, 2018**	**January 1, 2017 December 31, 2017**
Profit from Continuing Operations	26.628.564	10.452.782
Tax Rate (% 22-% 20)	(5.858.284)	(2.090.556)
- Non-Deductible Expenses	29.150	33.290
Deferred Tax Income	**(5.829.134)**	**(2.057.266)**

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, 2018 December 31, 2018**	**January 1, 2017 December 31, 2017**
Current Period Profit / (Loss)	20.799.430	8.395.516
Average Number of Shares	23.000.000	23.000.000
Earnings / (Loss) per Share	**0,904323**	**0,365022**

NOTE 37 RELATED PARTIES DISCLOSURES

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

	Receivables		**Payables**	
December 31, 2018	**Trade Receivables**	**Non-Trade Receivables**	**Trade Payables**	**Non-Trade Payables**
İndeks A.Ş.	-	-	165.419	-
Desbil A.Ş.	-	-	-	-
Teklos A.Ş.	-	-	236.021	-
İnfin A.Ş.	-	-	109.571	-
Artım A.Ş.	-	-	-	-
Neteks A.Ş	-	-	-	-
Datagate A.Ş.	-	-	-	-
Total	**-**	**-**	**511.011**	**-**

	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**	

The interest rates for USD, EURO and TL are % 8,00 - % 8,50, % 8,00 - % 8,50 and % 26,00 – %34,00 in December 31.2018 . The interest rates for USD, EURO and TL are % 3,50 - % 4,75, %3,50 – % 3,75 and % 14 – % 16 in December 31, 2017.

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

December 31, 2018

Sales to Related Parties	Sales of Goods and Services	General Expense Allocation	Interest and Foreign Exchange Income	Total Income / Sales
Artım A.Ş.	78.576	-	647	79.223
Datagate A.Ş.	10.691	7.485	4.825	23.001
İndeks A.Ş.	5.541.019	168.758	56.779	5.766.556
İnfin A.Ş.	22.012	-	-	22.012
Neteks Teknoloji	668	-	-	668
Neteks A.Ş.	4.913	-	372	5.285
Teklos A.Ş.	52.452	-	2.141	54.593
Total	**5.710.331**	**176.243**	**64.764**	**5.951.338**

Purchases from Related Parties	Purchases of Goods and Services	General Expense Allocation	Interest and Foreign Exchange Expense	Total Expenses / Purchases
Artım A.Ş.	20.886	-	1.727	22.613
Datagate A.Ş.	4.167.148	-	452	4.167.600
İndeks A.Ş.	8.927.831	1.422.867	569.026	10.919.724
Neotech A.Ş.	-	-	173	173
Neteks Teknoloji	-	-	1.295	1.295
Neteks A.Ş.	-	-	954	954
Teklos A.Ş.	2.467.413	284	1.120	2.468.817
TOTAL	**15.583.278**	**1.423.151**	**574.747**	**17.581.176**

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

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.	-	-	-	-
Homend 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
Homend A.Ş.	-	-	-	-
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.

Benefits and Services Provided for Senior Management;

Account Name	December 31, 2018	December 31, 2017
Short-Term Benefits provided to Employees	1.795.142	1.544.891
Employment Termination Benefits	-	-
Other long term benefits	-	-
Total	**1.795.142**	**1.544.891**

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, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Total Liabilities	42.021.959	48.880.050
Negative: Cash and Cash Equivalents	(1.540.700)	(3.746.684)
Net Liabilities	40.481.259	45.133.366
Total Equity	77.437.579	56.753.372
Total Capital	117.918.838	101.886.738
Net Liabilities/Total Capital Rate	**0,3433**	**0,4430**

(b) Important Accounting Policies

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

(c) Rate risk management

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, 2018, profit before tax will be amount of TL 4.423.452 (December 31, 2017: TL 3.979.381).

Foreign Exchange Rate Sensitivity Analysis Table

Current Period December 31, 2018

	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	3.981.963	(3.981.963)
2- The part, hedged from US Dollar Risk (-)	-	-
3- US Dollar Net Effect (1+2)	**3.981.963**	**(3.981.963)**
In the event of 10% value change of Euro against TL		
4- Euro Net Asset/ (Liabilities)	406.449	(406.449)
5- The part, hedged from Euro Risk (-)	-	-
6- Euro Net Effect (4+5)	**406.449**	**(406.449)**
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	**4.388.412**	**(4.388.412)**

Foreign Exchange Rate Sensitivity Analysis Table

Previous Period 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	3.634.292	(3.634.292)
2- The part, hedged from US Dollar Risk (-)	-	-
3- US Dollar Net Effect (1+2)	**3.634.292**	**(3.634.292)**
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	**3.979.381**	**(3.979.381)**

Table of Foreign Exchange Position

	December 31, 2018			December 31, 2017		
	Amount in TL	**USD**	**EURO**	**Amount in TL**	**USD**	**EURO**
1. Trade Receivables	24.147.051	4.253.495	293.603	18.712.170	4.169.020	661.509
2a. Monetary Financial Assets	383.254	68.830	3.508	826.260	213.338	4.777
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	5.787.460	584.025	450.392	7.952.863	1.674.139	362.790
4. Current Assets Total (1+2+3)	**30.317.765**	**4.906.350**	**747.503**	**27.491.293**	**6.056.497**	**1.029.076**
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)	**30.317.765**	**4.906.350**	**747.503**	**27.491.293**	**6.056.497**	**1.029.076**
10. Trade Payables	3.882.376	685.420	45.861	4.716.981	966.273	237.470
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Liabilities	56.909	9.754	928	46.255	11.152	928
12b. Other Non-Monetary Liabilities	159.410	-	26.445	180.691	16.246	26.445
13. Total Short Term Liabilities (10+11+12)	**4.098.695**	**695.174**	**73.234**	**4.943.927**	**993.671**	**264.843**
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)	**4.098.695**	**695.174**	**73.234**	**4.943.927**	**993.671**	**264.843**
19. Net Asset/ (Liability) Position of Derivative Instruments off the Statement of financial position (19a-19b)	17.665.050	3.357.800	-	17.246.447	4.572.350	-
19a. Total Amount of Hedged Assets	17.665.050	3.357.800	-	17.246.447	4.572.350	-
19b. Total Amount of Hedged Liabilities	-	-	-	-	-	-
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	**43.884.120**	**7.568.976**	**674.269**	**39.793.813**	**9.635.176**	**764.233**
21. Monetary Items Net Foreign Exchange Asset / (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**20.591.020**	**3.627.151**	**250.322**	**14.775.194**	**3.404.933**	**427.888**
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				-	-	-
23. The Amount of Hedged part of Foreign Exchange Assets	18.738.260	3.357.800	-	17.739.495	4.572.350	-
23. The Amount of Hedged part of Foreign Exchange Liabilities	-	-	-	-	-	-
23. Export	1.790.311	-	-	624.983	-	-
24. Import	149.380.744	-	-	115.379.365	-	-

e) Counterparty Risk

CREDIT TYPES INCURRED IN RESPECT OFFINANCIAL INSTRUMENT TYPES

December 31,2018	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)	-	**83.753.859**	-	**40.776**		**1.369.139**	
- The part of maximum risk secured by guarantee etc.	-	35.784.670	-	-			
A. Net book value of financial assets which are undue or which did not decline in value	-	**83.331.086**	-	**40.776**	**10-11**	**1.369.139**	6
B. Net book value of assets, overdue but did not decline in value.	-	422.773	-	-		-	
- The part secured by guarantee etc.	-	-	-	-		-	
C. Net book values of assets declined in value	-	-	-	-	**10-11**	-	6
- Overdue (gross book value)	-	2.274.524	-	-		-	
- Decline in value (-)	-	(2.274.524)	-	-	**10-11**	-	6
- The part of net value secured by guarantee etc.	-	-	-	-	**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**	-	

December 31,2017	Receivables – Trade Receivables – Related Party	Receivables – Trade Receivables – Other	Receivables – Diğer Alacaklar – Related Party	Receivables – Diğer Alacaklar – Other	Note	Deposit at Banks	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)	-	2.156.450	-	-		-	
- Decline in value (-)	-	(2.156.450)	-	-	**10-11**	-	**6**
- The part of net value secured by guarantee etc.	-	-	-	-	**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, 2018	**Trade Receivables**	**Other Receivables**
1-30 Days Overdue	477.657	-
1-3 Months Overdue	70.195	-
More than 3 Months Overdue	84.966	-
The part of net value secured by guarantee etc.	210.045	-

	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	-

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 31,2019 for the accounts receivable which are found within the borders of Turkey.(Guarantee proportion is determined %90 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, 2018	December 31, 2017
Fixed Interest Financial Instruments		
Financial Assets	800.460	-
Financial Liabilities	12.824.836	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, 2018 , loss before tax will be less with the amount of TL 120.244.

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.

December 31, 2018

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	**37.058.503**	**38.191.063**	**38.191.063**	-	-	-
Bank Loans	12.824.836	13.715.930	13.715.930	-	-	-
Trade Liabilities	23.413.390	23.654.856	23.654.856	-	-	-
Other Liabilities	820.277	820.277	820.277	-	-	-

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	**(1.073.209)**	**(1.419.292)**	**(1.419.292)**	-	-	-
Derivative Cash Inflows	17.665.051	17.665.051	17.665.051	-	-	-
Derivative Cash Outflows	(18.738.260)	(19.084.343)	(19.084.343)	-	-	-

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)	-	-

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.