TAT GIDA SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2018
(ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tat Gıda Sanayi Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Tat Gıda Sanayi Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Revenue recognition

Refer to Note 2.6 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for revenue recognition.

The key audit matter	**How the matter was addressed in our audit**
The Company's revenue is primarily generated from product sales to related parties. These sales comprises 88% of the total revenue. As explained in Note 2.6, revenue is recognized over the fair value of the considered receivable which is taken on the accrual basis of the financial statement when the delivery is made, the amount of income can be reliably determined and it is probable that the Company will obtain economic benefits related to these transactions. The accounting for the revenue for the accounting period in which the product is sold depends on an appropriate assessment of whether it relates to the product's sales contract. As the commercial arrangements can be complex, significant judgment is applied in selecting the accounting basis in each case. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Company and involves significant management judgment	We have performed the following audit procedures to be responsive to this area: The risk of "material misstatement" in the recognition of revenue in the financial statements is considered as a serious risk. • Assessing the appropriateness of the revenue recognition policy of the Company and inspection of the customer sales agreements; • Testing of controls, assisted by our own IT specialists, including, among others, those over: input of individual advertising campaigns' terms and pricing; comparison of those terms and pricing data against the related overarching contracts with customers; and linkage to viewer data, • Detailed analysis of revenue and the timing of its recognition based on expectations derived from our industry knowledge and external market data, following up variances from our expectations, • Substantive testing of sales to related parties, which comprise a significant portion of the company's sales, have been confirmed.

Provision for the impairment of inventories

Refer to Note 2.6 to the financial statements for summary of significant accounting policies and significant accounting assessments, estimates and assumptions for Provision for the impairment of inventories.

The key audit matter	How the matter was addressed in our audit
The Company's inventories, amounting to TL 271.813.206 as of 31 December 2018, carry a risk of diminution in value due to microbial or non-microbial deterioration and improper storage. In addition, determining the provision for such reasons in value involves judgments and estimates. These judgments and estimates include evaluation of the slow moving inventories due to various reasons and evaluation of the provision for obsolete and damaged inventories. Therefore, the provision for the impairment of inventories is a key matter for our audit.	• Procedures performed to ensure the adequacy of the provision for the diminution of the value of inventories are as follows: • Understanding and evaluating the reasonableness of the provisioning policy and the assessment of its compliance, • Inquiry with the Company management about the risk of diminution in value, • Analytical procedures on inventory turnover rates compared to the prior year, • Evaluation of the adequacy of the provision recognized in the current period in comparison to the write downs realized in the prior period, • Observation of obsolete and damaged inventories during inventory counts, • Testing, on a sample basis, the net selling prices used in the calculation for the net realizable value of inventories.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Turkish Accounting Standards, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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.

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 8 February 2018.

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

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

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

Hatice Nesrin Tuncer, SMMM
Partner
14 February 2019
Istanbul, Turkey

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TAT GIDA SANAYİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated)

ASSETS	Notes	Audited 31 December 2018	Audited 31 December 2017
Current Assets		**641.100.927**	**563.452.240**
Cash and cash equivalents	4	27.697.717	13.025.751
Trade receivables	7	323.463.202	272.370.755
-Trade receivables from related parties	7-25	*301.504.094*	*244.725.130*
-Trade receivables from third parties	7	*21.959.108*	*27.645.625*
Other receivables		57.495	165.847
-Other receivables from third parties	8	*57.495*	*165.847*
Derivatives		--	453.194
Inventories	9	237.813.206	231.676.801
Current Tax Asset	24	807.523	--
Prepaid expenses	10	2.802.504	2.760.369
Other current assets	17	48.459.280	42.999.523
Non-Current Assets		**223.209.193**	**222.537.003**
Other receivables		68.085	88.233
-Other receivables from third parties	8	*68.085*	*88.233*
Financial investments	5	1.815.749	3.177.374
Property, plant and equipment	11	189.547.315	185.506.697
Intangible assets	12	7.474.977	1.241.169
Prepaid expenses	10	51.874	1.933.563
Deferred tax assets	24	994.868	151.381
Other non-current assets	17	23.256.325	30.438.586
TOTAL ASSETS		**864.310.120**	**785.989.243**

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

TAT GIDA SANAYİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated)

LIABILITIES	Notes	Audited 31 December 2018	Audited 31 December 2017
Short Term Liabilities		**246.759.458**	**270.876.344**
Short-term financial borrowings	6	48.338.499	45.140.855
Short-term portion of long-term borrowings	6	6.153.846	56.799.986
Trade payables		166.845.335	141.140.183
- Trade payables to related parties	7-25	*39.726.677*	*18.958.312*
- Trade payables to third parties	7	*127.118.658*	*122.181.871*
Employee benefit obligations	16	7.088.508	5.981.742
Other payables		9.090.481	11.447.176
- Other payables from related parties	25	*4.977.767*	*5.565.583*
- Other payables from third parties	8	*4.112.714*	*5.881.593*
Deferred income	10	4.609.695	5.515.635
Current tax liabilities	24	--	130.838
Short-term provisions		4.633.094	4.719.929
- Short-term provisions for employment benefits	16	*900.000*	*900.000*
- Other short-term provisions	14	*3.733.094*	*3.819.929*
Long Term Liabilities		**116.675.236**	**22.137.264**
Long-term financial borrowings	6	101.538.462	7.692.308
Long-term provisions		15.136.774	14.444.956
- Long-term provisions for employment benefits	16	*15.136.774*	*14.444.956*
EQUITY		**500.875.426**	**492.975.635**
Equity attributable to equity holders of the parent company		**500.875.426**	**492.975.635**
Share capital	18	136.000.000	136.000.000
Inflation adjustment to share capital	18	21.601.088	21.601.088
Share premiums	18	10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss	18	232.466	1.594.091
- Financial assets revaluation reserve		*232.466*	*1.594.091*
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	18	404.935	(279.830)
-Actuarial gains / (losses) in defined benefit plan		*404.935*	*(279.830)*
Restricted reserves	18	94.838.483	89.949.523
Prior years' profit		199.113.868	172.819.429
Profit for the period		38.576.777	61.183.525
TOTAL LIABILITIES		**864.310.120**	**785.989.243**

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

TAT GIDA SANAYİ A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

		Audited	**Audited**
Profit or loss	**Notes**	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Continuing operations			
Sales	19	1.155.378.200	1.074.034.710
Cost of sales (-)	19	(919.539.938)	(835.401.871)
Gross profit		**235.838.262**	**238.632.839**
Marketing expenses (-)	20	(142.112.527)	(140.086.877)
General administrative expenses (-)	20	(57.436.645)	(47.521.854)
Research and development expenses (-)		(1.469.147)	(903.188)
Other income from operating activities	21	61.175.179	36.894.456
Other expenses from operating activities (-)	21	(36.227.753)	(16.361.322)
Operating profit		**59.767.369**	**70.654.054**
Income from investing activities	22	3.261.213	1.178.830
Expenses from investing activities (-)	22	(60.552)	(120.364)
Operating profit before finance expense		**62.968.030**	**71.712.520**
Finance income	23	21.361.537	7.829.980
Finance expense (-)	23	(42.934.614)	(14.817.057)
Finance expense, net		**(21.573.077)**	**(6.987.077)**
Profit before tax		**41.394.953**	**64.725.443**
Tax expense		**(2.818.176)**	**(3.541.918)**
Current tax expense	24	(3.854.802)	(1.338.341)
Deferred tax expense	24	1.036.626	(2.203.577)
Profit for the period		**38.576.777**	**61.183.525**
Allocation of profit for the period			
Owners of the company		38.576.777	61.183.525
Net profit for the period		**38.576.777**	**61.183.525**
Earnings per share		0,28	0,45
Diluted earnings per share		0,28	0,45
Other comprehensive income:			
Gain in revaluation reserve		(1.361.625)	300.000
Actuarial gain on employee benefits		684.765	532.306
Total other comprehensive income		**(676.860)**	**832.306**
Total comprehensive income		**37.899.917**	**62.015.831**
Total comprehensive income attributable to			
Owners of the company		37.899.917	62.015.831
Total comprehensive income		**37.899.917**	**62.015.831**

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

TAT GIDA SANAYİ A.Ş.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

	Share capital	**Inflation adjustments to share capital**	**Share premium**	**Financial assets revaluation reserve**	**Actuarial gain/losses in defined benefit plans**	**Restricted reserves**	**Net profit for the period**	**Prior year's profit**	**Total equity**
Balance at 1 January 2017	**136.000.000**	**21.601.088**	**10.107.809**	**1.294.091**	**(812.136)**	**84.592.445**	**64.700.560**	**143.476.510**	**460.960.367**
Transfers	--	--	--	--	--	5.357.078	(64.700.560)	59.343.482	--
Dividend payment	--	--	--	--	--	--	--	(30.000.563)	(30.000.563)
Total comprehensive income	--	--	--	300.000	532.306	--	61.183.525	-	62.015.831
Balance at 31 December 2017	**136.000.000**	**21.601.088**	**10.107.809**	**1.594.091**	**(279.830)**	**89.949.523**	**61.183.525**	**172.819.429**	**492.975.635**
Balance at 1 January 2018	**136.000.000**	**21.601.088**	**10.107.809**	**1.594.091**	**(279.830)**	**89.949.523**	**61.183.525**	**172.819.429**	**492.975.635**
Transfers	--	--	--	--	--	4.888.960	(61.183.525)	56.294.565	--
Dividend payment	--	--	--	--	--	--	--	(30.000.126)	(30.000.126)
Total comprehensive income	--	--	--	(1.361.625)	684.765	--	38.576.777	-	37.899.917
Balance at 31 December 2018	**136.000.000**	**21.601.088**	**10.107.809**	**232.466**	**404.935**	**94.838.483**	**38.576.777**	**199.113.868**	**500.875.426**

TAT GIDA SANAYİ A.Ş.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

	Notes	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
Profit for the period		38.576.777	61.183.525
Adjustments to reconcile profit for the period:			
Adjustments related to depreciation and amortization expenses	11-12	15.881.926	12.857.436
Adjustments related to provision for employee termination benefit			
Provision for doubtful receivables	16	118.211	166.604
Gain on sales of property, plant and equipment			
Adjustments related to other provisions	7	7.293.930	7.661.943
Adjustments related to income accruals	14	(86.835)	(2.074.305)
Adjustments related to increase in fair value of derivatives	22	48.498	8.055
Unrealized foreign exchange loss	7	352.958	(1.910.468)
Discount expense		(453.194)	453.194
Discount income		2.120.750	1.263.500
Interest income		6.097.355	197.856
Dividend income		(1.769.476)	(1.248.700)
Interest expense	23	(3.140.380)	(1.822.966)
Changes in working capital		(1.657.918)	(937.378)
Profit for the period	23	18.812.923	9.540.713
Adjustments to reconcile profit for the period:		**82.195.525**	**85.339.009**
Changes in trade receivables and other receivables		6.250.235	43.868.813
Changes in due from related parties		(55.009.488)	(82.446.248)
Changes in inventories		(6.136.405)	(28.921.112)
Changes in prepaid expenses		1.839.554	(2.235.683)
Changes in other current and non-current assets		1.722.504	(21.989.358)
Changes in trade payables		(1.160.567)	26.977.854
Changes due to related parties		20.180.549	(4.159.179)
Changes in deferred income		(905.940)	808.650
Changes in employee benefit payables		1.106.766	154.919
Changes in other current liabilities		(1.768.879)	3.411.488
Cash flows from operating activities		**48.313.854**	**20.809.153**
Employee termination benefits paid	16	(5.724.209)	(5.878.472)
Taxes refund / (paid)	24	(1.974.986)	2.334.416
Net cash flows from operating activities		**40.614.659**	**17.265.097**
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	11-12	(26.220.694)	(45.257.209)
Cash generated from sale of property, plant and equipment and intangible assets		15.844	3.504
Dividend received	22	1.657.918	937.378
Net cash (used in)/from investing activities		**(24.546.932)**	**(44.316.327)**
Financing activities:			
Cash inflows due to loan received	23	3.140.380	1.822.966
Cash outflows due to loan received	6	258.314.196	134.437.733
Cash provided from bond issue	6	(216.448.292)	(98.832.765)
Cash paid for bond issue	18	(30.000.126)	(30.000.563)
Dividend paid		(16.401.919)	(10.468.208)
Interest paid		**(1.395.761)**	**(3.040.837)**
Net cash used in financing activities		**14.671.966**	**(30.092.067)**
Net change in cash and cash equivalents	**4**	**13.025.751**	**43.117.818**
Cash and cash equivalents at the beginning of the period	**4**	**27.697.717**	**13.025.751**

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

NOTE 1 – ORGANISATION AND OPERATIONS OF THE COMPANY

Tat Gıda Sanayi A.Ş. ("Tat Gıda" or "the Company") was established in 1967 with the name Tat Konserve Sanayii A.Ş., the name change of the Company was decided at the extraordinary assembly meeting on 30 October 2013 and registered on 15 November 2013. The Company is engaged in production, distribution, marketing, domestic and foreign trade and brokerage of semi- finished goods and finished goods of such products; merchandise goods, food, beverage, juice, agricultural and animal products, frozen foods, dried goods, including pulverized goods and raw and primitive form of materials recipient and additives, sweet and sugar free juice and canned goods. The Company is registered in Turkey and is operating in accordance with the Turkish Commercial Code.

The Company has entered the registered capital system with the permission of the Capital Market Board dated 20.08.1992 and numbered 454. The registered capital of the Company is 250.000.000 TL and it is divided into 25.000.000.000 shares each with a nominal value of 1 Kuruş. The permission of the registered share capital ceiling is valid for 5 years between 2017-2021 and the Board of Directors has the authority to issue shares above the nominal value and to restrict the rights of the current shareholders.

The issued capital of the Company is TL 136.000.000 and its parent is Koç Holding A.Ş. Detailed information on the shareholding structure is given in Note 18.

The shares of the Company are traded in Borsa Istanbul as of 9 August 1993 and the share in the actual circulation is 41.30%.

The registered head office address of the company is "Taşdelen Mah. Sırrı Çelik Bulvarı No:7 34788 Çekmeköy/İstanbul/Türkiye" The company carries out its production activities in Mustafakemalpaşa / Bursa, Karacabey / Bursa, Torbalı İzmir, Söke / Aydın and Bornova / İzmir.

The domestic marketing and sales activities of the Company are performed by Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey"), a Koç Group company; some part of export activities of the Company are performed by Ram Dış Ticaret A.Ş. ("Ram"), a Koç Group company.
As of 31 December 2018, the number of end-of-period, average, permanent and temporary personnel employed within the Company is as follows:

	2018		2017	
	End of Period	Average	End of Period	Average
Total	**898**	**1.114**	**1.056**	**1.243**
Permanent Personnel	843	894	860	887
Temporary Personnel	55	220	196	356

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basic Principles of Presentation

Principles of measurement

The unconsolidated financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention except for the equity instruments which are carried at fair value through profit or loss. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis. The financial statements have been prepared on the basis of the inflation adjusted historical cost basis.

Reporting and Functional Currency

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the functional and presentation currency of the Company is TL.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basic Principles of Presentation (Continued)

Correction of financial statements of hyperinflation periods

With the decision taken on 17 March 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with Turkish accounting standards. Accordingly, TMS 29 is not applied starting from 1 January 2005.

Foreign Currency

Foreign currency transactions

Transactions in foreign currency are translated at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates at the reporting date. Foreign currency, non-monetary assets and liabilities measured at fair value are converted to the functional currency at the exchange rate at the date when the fair value is determined in foreign currency. Foreign exchange differences arising from rediscount are generally recognized in profit or loss. Non-monetary items measured in terms of foreign currency historical costs are not translated.

Foreign exchange differences arising from the redistribution of the following items are recognized in other comprehensive income:

- equity instruments recognized under equity, other equity items reflected in other comprehensive income (except for the purpose of impairment, foreign exchange differences recognized in other comprehensive income are reclassified to profit or loss);

Foreign exchange differences are recognized in profit or loss in the period in which they arise:

- Foreign exchange differences related to the assets that are being constructed for future use and included in the cost of such assets, which are considered as a correction item in the interest costs on the liabilities denominated in a foreign currency,
- Foreign exchange differences arising from transactions with the purpose of providing financial protection against the risks arising from the foreign currency (accounting policies for providing financial protection against risks).

Annual changes in Euro / TL and USD / TL exchange rates are as follows at the end of the reporting period:

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

2.2 Statement of Compliance to Turkish Financial Reporting Standards (“TFRS”)

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation.

The considered financial statements and notes have been represented in accordance with the communique numbered II, 14.1 “Communique on the Principles of Financial Reporting in Capital Markets” (“the Communique”) announced by Capital Market Boards (“CMB”) on 13 June 2013 which is published on official Gazette numbered 28676. In accordance with article 5th of communique, Turkish Accounting Standards/Turkish Financial Reporting standards and interpretations (“TAS/TFRS”) are applied.

Additionally, financial statements and footnotes have prepared in accordance with formats issued by CMB on 7 June 2013.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Statement of Compliance to Turkish Financial Reporting Standards ("TFRS") (Continued)

Approval of financial statements:

Financial statements are authorized for issue by Board of Directors meeting on 14 February 2019. The General Assembly has authority to amend these financial statements.

2.3 Financial Statements of Comparative Information and Restatement of Prior Period

In order to allow the determination of the financial position and performance of the Company's financial statements have been prepared comparatively with the prior period. In order to comply with the presentation of the financial statements of the current period necessary, comparative figures are reclassified, and significant differences are explained.

As at 31 December 2017 statement of financial position of the Company, "Income Accruals" TL 9.054.394 presented in the "Trade Receivables" have been reclassified to "Other Current Assets" as at 31 December 2018 in the comparative financial statements. "Income Accruals" are related to export incentives received from the government.

2.4 New and Revised Financial Reporting Standards

The following new and revised standards have been applied in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other new and revised standards and interpretations applied in these financial statements that have had no material impact on the financial statements are also set out below.

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

TFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 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 financial statements resulting from the application of TFRS 16.

TFRS Comment 23 Uncertainties Regarding Income Tax Applications

In order to determine how the uncertainties related to the calculation of income taxes will be reflected on the financial statements by the POA on May 24, 2018, TFRS Comment 23 8 Uncertainties Regarding Income Tax Practices 8 was published. There may be uncertainties about how to apply tax regulations to a particular transaction or situation or whether the tax authority will accept a company's tax transactions. TAS 12 "Income Taxes" provides guidance on how to calculate current and deferred tax, but does not provide guidance on how to reflect the effects of uncertainties on the financial statements. TFRS Comment 23 introduces additional requirements to the requirements of TAS 12, clarifying how to reflect the effects of uncertainty on income taxes in the recognition of income taxes. The effective date of this Interpretation is the reporting periods beginning on or after January 1, 2019, but early application is permitted. The Company is in the process of assessing the potential impact of the application of TFRS 23 on the financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 New and Revised Financial Reporting Standards (Continued)

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

Amendments to TFRS 9 - Early Payments Causing Negative Compensation

It has amended the requirements of TFRS 9 to clarify the recognition of financial instruments in December 2017 by the POA. Financial assets that cause negative compensation when they are paid early can be measured at amortized cost if they meet other relevant requirements of TFRS 9 or by reflecting fair value differences on other comprehensive income. In accordance with TFRS 9, when the contract is prematurely terminated, financial assets that include an early payment option that requires the payment of a 'reasonable additional cost' that substantially reflects the amount of the outstanding principal and interest amount meets the criteria.

The implementation of this amendment to TFRS 9 is not expected to have a significant impact on the financial statements of the Company.

Amendments to TAS 28 - Long-term Investments in Associates and Joint Ventures

Amendments to TAS 28 were also made by the POA in December 2017 to clarify the need to apply TFRS 9 to the measurement of other financial instruments in which investments in associates and joint ventures are not applied. These investments are, in essence, the long-term retained shares of the entity, which form part of the net investment in subsidiaries or joint ventures. An entity applies TFRS 9 to the measurement of such long-term investments before applying the relevant paragraphs of TAS 28. When TFRS 9 is applied, no adjustment is made to the carrying amount of long-term investments resulting from the application of TAS 28. This amendment is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The implementation of this amendment to TAS 28 is not expected to have a significant impact on the Company's financial statements.

Conceptual Framework (updated)

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors.

The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TFRS 4 - Amendments to TFRS 4 Insurance Contracts and the application of TFRS 9

TFRS 4 has been amended by the POA to reduce the impact of the new insurance contracts standard and the different effective dates of TFRS 9. Amendments to TFRS 4 offer two optional solutions to mitigate concerns for insurance companies: (i) when applying TFRS 9 Insurers' financial assets are recognized in profit or loss in accordance with TFRS 9, with respect to the profit or loss and other comprehensive income of the insurer; it will be allowed to reclassify the difference between those reported; or (ii) an optional temporary exemption for the application of TFRS 9 for companies whose operations are predominantly linked to the insurance before 1 January 2021. These companies will be allowed to continue to apply the existing requirements for financial instruments in TAS 39.

The application of this amendment to TFRS 4 is not expected to have a significant impact on the Company's financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 New and Revised Financial Reporting Standards (Continued)

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

The new standards, interpretations and amendments to the existing International Financial Reporting Standards ("TFRS") listed below have been published by the IASB, but have not yet entered into force for the current reporting period. The standards issued by the IASB but not yet published by the POA are referred to as TFRS or IAS The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS

Annual Improvements to TFRSs 2015-2017 Cycle

Improvements to TFRSs

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

TFRS 3 Business Combinations and TFRS 11 Joint Arrangements

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

IAS 12 Income Taxes

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

Amendments to IAS 19 - Amendment to the Plan, Reduction or Execution of Liabilities

Amendment to the Plan, Amendment to the Plan or Amendment to Liabilities (Amendments to IAS 19) was issued by the IASB on 7 February 2018. The amendment clarifies the recognition of the fulfillment of the obligations as well as a change in the plan or downsizing. A company will then use the updated current actuarial assumptions to determine the cost of service and the net interest cost of the period, and will not take into account the impact of the asset ceiling in the calculation of any gain or loss arising from the fulfillment of any obligation in relation to the plan. It will be taken. This amendment is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The Company is assessing the potential impact of the adoption of IAS 19 on financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 New and Revised Financial Reporting Standards (Continued)

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

Conceptual Framework (updated)

The updated conceptual framework was published by the IASB on 28 March 2018. Conceptual Framework; It introduces the basic framework that will provide guidance to financial reporting when developing new TFRSs to the IASB. Conceptual Framework; it helps ensure that standards are conceptually consistent and that similar transactions are handled in the same way, providing useful information for investors, lenders and lenders. The Conceptual Framework helps companies to develop accounting policies where a TFRS is not applicable for a particular transaction and, more broadly, to understand and interpret stakeholders. The updated Conceptual Framework is more comprehensive than its predecessor and aims to provide all the necessary tools for the establishment of standards to the IASB. The updated Conceptual Framework covers all aspects of establishing a standard starting from the purpose of financial reporting to presentation and disclosure. The updated Conceptual Framework will be effective for companies using the Conceptual Framework to develop accounting policies when a TFRS is not applicable for a particular transaction, even though early implementation is permitted, starting from January 1, 2020 and onwards.

TFRS 17 Insurance Contracts

On May 18, 2017, IAS 17 issued the TFRS 17 Insurance Contracts standard. TFRS 17, the first internationally recognized standard for insurance contracts, will facilitate investors and other interested parties to better understand the risks, profitability and financial position of insurers. TFRS 17 replaces TFRS 4, which was adopted as a provisional standard in 2004. TFRS 4 allows a wide variety of accounting approaches to be used in applications as it allows companies to recognize insurance contracts using local accounting standards. As a result, investors have made it difficult to compare the financial performance of similar companies. TFRS 17 resolves the consistency of all insurance contracts and the comparability of TFRS 4 for both investors and insurance companies. According to the new standard, insurance obligations will be accounted for using current values instead of historical cost. This information will be updated regularly and will provide more useful information to users of financial statements. TFRS 17 is effective from 1 January 2021 onwards and thereafter, but it is permitted to apply early.

The Company is assessing the potential impact of the adoption of TFRS 17 on its financial statements.

2.5 Accounting Policies, Changes in Accounting Estimates and Errors

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to the future periods, they are applied prospectively both in the period of change and in the future period.

The Company has applied the new standards, amendments and interpretations effective from January 1, 2018, in accordance with the transitional provisions of the relevant standards.

The effects of these standards-based accounting policy changes and the first time implementation of the relevant standards are as follows:

2.5.1 TFRS 15 “Revenue from Customer Contracts” Standard

Revenue recognition

In accordance with TFRS 15 ”Revenue Standard from Customer Contracts l, effective from 1 January 2018, the Company recognizes revenue in the financial statements as per the five-stage model below.

• Identification of contracts with customers

• Identification of performance obligations in contracts

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

2.5.1 TFRS 15 "Revenue from Customer Contracts" Standard (Continued)

Revenue recognition (Continued)

• Determining the transaction price in contracts

• Distribution of transaction fee to performance obligations

• Revenue recognition

The Company evaluates the goods or services that it has committed in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation.

For each performance obligation, it is determined at the beginning of the contract that the performance of the performance obligation will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

The Company, as it fulfills or fulfills its performance obligation by transferring a committed product or service to its customer, records the transaction price corresponding to this performance obligation as revenue in its financial statements. The goods or services are transferred when the goods or services are checked (or passed) by the customers.

The Company evaluates the transfer of control of the goods or services sold to the customer,

a) The ownership of the Company's right to collect goods or services,

b) The ownership of the property of the customer,

c) Transfer of the possession of the goods or services,

d) Ownership of significant risks and rewards arising from the ownership of the goods or services,

e) It takes into account the conditions for the customer to accept the goods or services.

At the beginning of the contract, the Company does not correct the effect of an important financing component at the commitment price if the customer foresees that the period between the date of transfer of the goods or services to which the customer commits is one year or less. On the other hand, in the event that there is an important financing element within the proceeds, the revenue value is determined by discounting the future collections with the interest rate within the financing element. The difference is recognized as other income from operating activities on an accrual basis.

The Company has assessed the transition effects of TFRS 15 and has determined that it has no material impact on the financial statements.

2.5.2 TFRS 9 "Financial Instruments" Standard

Classification and Measurement

The Company classifies its financial assets in three classes of financial assets at fair value through profit or loss, whose fair value changes are accounted for at amortized cost. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Company makes the classification of its financial assets on the date of purchase.

"Financial assets measured at amortized cost are financial assets" that are held within the scope of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments from principal and principal balances on certain dates at contract dates, that are not traded in an active market and that are not derivatives. . Financial assets that are recognized at amortized cost include cash and cash equivalents and trade receivables. The related assets, with their fair values in the initial recognition of financial statements; effective interest rate for subsequent recognition method.

Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

2.5.2 TFRS 9 "Financial Instruments" Standard (Continued)

Classification and Measurement (Continued)

Financial assets at fair value through profit or loss are financial assets held for the purpose of collecting the contractual cash flows and selling the financial asset. Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified in retained earnings.

For investments in equity-based financial assets, the Company may irrevocably choose the method of reflecting subsequent changes in the fair value of other comprehensive income to the financial statements for the first time. In case of such preference, dividends received from related investments are recognized in profit or loss.

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss other than financial assets at fair value through profit or loss. Gains or losses arising from the valuation of such assets are recognized as profit or loss.

Changes in the classification of financial assets and liabilities under TFRS 9 are summarized below. These classifications do not have any effect on the measurement of financial assets other than the financial investments account group.

Financial assets	**Prior classification according to TAS 39**	**Current classification according to TFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivatives	Fair value through profit or loss	Fair value through profit or loss
Financial investments	Available for sale	Fair value trough other comprehensive income

Financial liabilities	**Prior classification according to TAS 39**	**Current classification according to TFRS 9**
Derivatives	Fair value through profit or loss	Fair value trough profit or loss
Borrowings	Other financial liabilities	Amortized cost
Trade payables	Other financial liabilities	Amortized cost

Improvements

In accordance with TAS 39 Financial Instruments: Recognition and Measurement, effective from 1 January 2018, a credit losses model has been defined instead of TFRS 9 Financial Instruments standard. The expected credit losses are a weighted estimate of the probability of loan losses over the expected life of a financial instrument. In the calculation of the expected loan losses, the Company's future forecasts are taken into consideration along with the past loan loss experiences.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Accounting Policies, Changes in Accounting Estimates and Errors (Continued)

2.5.2 TFRS 9 "Financial Instruments" Standard (Continued)

Trade Receivables

The Company has preferred to apply the simplified approach defined in TFRS 9 within the scope of the impairment calculations of trade receivables that are accounted for at amortized cost in the financial statements and that do not include a significant financing component (less than a year). With this approach, the Company measures the loss provisions related to trade receivables at an amount equal to the expected loan losses, unless the carrying amounts of the trade receivables are impaired due to certain reasons.

The Company uses a response matrix to measure expected credit losses for trade receivables.

Certain provisions are calculated based on the number of days in which maturities of trade receivables are exceeded and such rates are reviewed and revised whenever necessary, in each reporting period. The change in expected loan loss provisions is accounted under other income / expenses from main operations in profit or loss.

The Company has assessed the impact of TFRS 9 and has determined that it has no material impact on its financial statements.

2.6 Summary of Significant Accounting Policies

The accounting policies considered during the preparation of the financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 4).

Related parties

For the purpose of these financial statements, Koç Holding A.Ş., shareholders, key management personnel and Board members, in each case together with their families and companies, associates and joint ventures controlled by or affiliated with them are considered and referred to as related parties (Note 25).

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down (Note 9).

The cost of inventories is based on weighted average method and includes expenditure incurred in acquiring inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity.

Tangible fixed assets

Property, plant and equipment are carried at cost less accumulated depreciation in the financial statements. Depreciation is provided on property, plant and equipment on a straight-line basis.

Tangible assets acquired before 1 January 2005 are measured at cost of restated for the effects of inflation as at 31 December 2004 less accumulated depreciation and impairment losses.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Tangible fixed assets (Continued)

Depreciation is not calculated for land due to indefinite useful life estimation.

Property, plant and equipment are reviewed for impairment losses 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 carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Intangible fixed assets

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (4-8 years).

Corporate income taxes

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 used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Corresponding tax bases 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 which those 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 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.

These types of investments and interest associated with the taxable temporary differences arising from the deferred tax asset in the near future taxable sufficient to obtain profit in the above mentioned differences can be utilized is probable and the future of the differences on the disappearance is probable that the conditions are calculated.

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.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Taxes on corporate income (Continued)

Deferred tax (Continued)

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.

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.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in 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 acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Financial instruments

Financial assets

Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets at fair value through profit or loss are classified as financial assets at fair value through profit or loss, as they are measured at amortized cost.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. Effective interest rate; is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period. Financial assets at fair value through profit or loss and other financial assets at fair value through profit or loss are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss

Financial assets that are not designated as an effective hedging instrument against financial risk are classified as financial assets at fair value through profit or loss. Assets in this category are classified as current assets.

Financial assets whose fair value is reflected in other comprehensive income

Financial statement includes financial investments items. The Group measures such assets at fair value. Gains or losses arising from the related financial assets are recognized in other comprehensive income unless they are impaired. In the event that the assets recorded in other comprehensive income are sold in the fair value difference, the valuation difference classified in other comprehensive income is classified into prior year profits.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Capital

The ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Business Mergers

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. Control occurs when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

The Company measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus

- The recognized amount of any non-controlling interests in the acquire; plus

- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Business Mergers (Continued)

- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Provision for employee termination benefits

Employment termination benefits, represents the present value of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law, employment termination without due cause, call up for military service and death of the employees after at least one year work (Note 16).

Classified assets held for sale and discontinued operations

A disposal group is a separate part of the Company in terms of its operations and cash flows, which is classified as held for sale or disposed of by the Company. A disposal group can be a separate operational or geographical segment, a part of a separate plan for the purpose of sale or disposal, or a subsidiary acquired for purpose of sale. The Company measures a non-current asset or a disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

Provisions, contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities.

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue recognition

In accordance with TFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

Stage 1: Identification of the Contract

When a contract is only legally enforceable, collectible, rights and payment terms for goods and services can be defined, the contract is deemed to be in accordance with TFRS 15 if the terms of the contract are commercially acceptable, the contract is endorsed by the parties and all the conditions of commitment are fulfilled.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Stage 1: Identification of the Contract (Continued)

When contracts are negotiated as a single commercial package, or in a contract with other contractual goods or services (or a portion of goods or services), there is a single obligation under the contracts, the Company considers the contracts as a single contract.

Stage 2: Definition of performance obligations

The Company defines the performance obligations as a unit of account for the recognition of revenue. The Company evaluates the goods or services it has committed in a contract with the customer and determines each commitment to the customer as one of the performance obligations as a performance obligation:

(a) a different goods or service (or a package of goods or services) or

(b) a series of different goods or services that are substantially similar and which have the same transfer type as the customer.

The company may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A contract may include a commitment to provide a range of different goods or services that are essentially the same. At the start of the contract, an enterprise determines whether a series of goods or services has a single performance obligation.

Stage 3: Determination of transaction price

To determine the transaction price, the Company evaluates the amount of money it expects to achieve after fulfilling its obligation under the contract. When assessing, it considers whether the contract contains elements of variable amounts and an important financing component.

Important financing component

The Company reviews the amount that reflects the cash sales price of the contracted goods or services with the amount committed to pay for the impact of an important financing component. As a practical application, the Company does not adjust the transaction price for the effects of a significant financing component if it expects the period between the customer payment and the transfer of goods or services to be one year or less at the start of the contract. In the event that the Company's obligations and the payment schedule are broadly in line with the obligations of the Company, the Company considers that the period between fulfillment of the obligation and the payment shall never be more than 12 months.

Variable cost

The Company determines whether there are items in the customer contract that may cause price concessions, incentives, performance premiums, early completion premiums, price adjustment items, penalties, discounts or similar variable costs.

Stage 4: Distribution of transaction fee to performance obligations

In the event that different goods or services are delivered in accordance with a single contract, the contract price shall be distributed on the basis of the individual sales prices of the individual goods or services (different performance obligations). If no direct observable sales prices are available, the total price in contracts is distributed on the basis of the expected cost plus profit margin.

Stage 5: Revenue recognition

The Company recognizes revenue when the following conditions are met:
- If the customer is simultaneously using the benefits of the business and consuming these benefits;
- In the event that the entity has passed the control of the asset that has been created or developed at the same time as the entity creates or develops it, or
- In the event that the entity has passed the control of the asset that has been created or developed at the same time as the entity creates or develops it, or

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Stage 5: Revenue recognition (Continued)

- If the Company fulfills its obligation, the Company does not create an asset with alternative use for the Company and the Company has the right to a legally enforceable payment on the payment to be made against the obligation completed until that date.

For each performance obligation fulfilled over time, the Company selects a single measure of progress indicating the transfer of control of goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses the costs incurred to measure progress on completion of the project using the input method and uses the units transferred to measure progress towards completion of the project using the output method.

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In case the Company exceeds the economic benefit expected to be incurred in the scope of the contract in accordance with the TMS 37 Provisions, Contingent Liabilities and Contingent Assets standard, the cost to be incurred by the Company to fulfill the obligations under the contract is set aside.

Contract changes

If the Company commits to offer additional goods or services, it accepts the contract change as a separate contract. In case of the termination of the existing contract and the creation of a new contract, if the goods or services offered are different, they shall recognize the related changes. If the amendment to the contract does not create separate goods or services, the entity shall, with the first contract, recognize by combining additional goods or services as if it were a part of the initial contract.

Dividend and interest income

Dividend income from equity investments is recognized when the shareholders' right to receive dividends is established (as long as it is possible for the Company to obtain economic benefits and to reliably measure revenue).

Interest income from financial assets is recognized when the Company is expected to obtain economic benefits and that the revenue can be measured reliably.

Finance income and cost

Finance income is comprised of interest income and foreign exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs are comprised of interest expense on borrowings, transaction costs, coupon payments of bond, impairment losses recognized on financial assets (except for trade receivables). Borrowing costs that cannot be matched with acquisition, construction or production of an asset are recognized in profit or loss by using effective interest rate.

Discount, late payment and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Earnings per share / (loss)

The basic earnings/ (loss) per share is calculated by dividing the profit/ (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Cash flow statement

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Summary of Significant Accounting Policies (Continued)

Cash flow statement (Continued)

Cash flows from operating activities reflect cash flows generated from the sales of goods and commodities of the Company.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Company.

Netting / offset

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

2.7 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of tangible assets

The depreciation on property, plant and equipment is provided using the useful lives discussed in Note 11 to the financial statements.

(b) Deferred tax asset

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. The Company has recognized provision for a certain portion of loss carry-forwards of Moova, the subsidiary purchased in 2014 and merged with in the current year, in accordance with its profitability projections.

NOTE 3 – SEGMENT REPORTING

Primary reporting format - business segment

The products of the Company have different risks and returns, then the below segments have been accepted by the Company. The Company have identified relevant operating segments based on internal reports about the components of the Company that are regularly reviewed by the chief operating decision maker of the Company.

- Tomato paste and canned foods
- Milk and dairy products
- Pasta and mealy products

The Company also evaluated disclosure of geographical distribution of revenues for the period in addition to industrial segments. However, the Company's concluded that there is no geographical reporting segments since the big chain groceries and Düzey is the main customer of the Company. The Company Management evaluates financial results and performance based of TAS financial statements. Therefore, TAS financial statements are the basis of segmental reporting.

Domestic selling and marketing activities are operated by the Düzey which is a member of Koç Group. Sales amount to the Düzey is TL 956.274.321 (31 December 2017: TL 942.968.424).

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 3 – SEGMENT REPORTING (Continued)

a) Revenue segmental analysis for the year ended 1 January - 31 December 2018 and 2017

	2018	2017
Tomato paste and canned products	481.236.200	373.939.588
Milk and dairy products	611.786.498	635.311.535
Pasta and bakery products	62.355.502	64.783.587
	1.155.378.200	**1.074.034.710**

b) Segment assets

The assets of the entity that are directly employed in the operating activities of the segment can be allocated to the segment on a reasonable basis are defined as segment assets.

Sales network and property, plant and equipment and intangibles in terms of the organizational structure of Tat Gıda Sanayi A.Ş. is described as segment assets.

As at 31 December, the recorded amounts of the segment assets according to industrial segments are as follows:

	2018	2017
Tomato paste and canned products	70.190.536	67.438.722
Milk and dairy products	114.121.704	102.720.548
Pasta and bakery products	6.625.463	6.497.576
Assets that cannot be allocated to segments	6.084.589	10.091.020
	197.022.292	**186.747.866**

c) Segment liabilities

Described as liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

In the general framework of the organizational structure of the Company and its internal financial reporting system, trade and other payables are analyzed in the basis of industrial segments. As a result, reporting of segment liabilities are not required.

d) Depreciation and amortization and capital expenditures

The depreciation and amortization of the industrial segment assets for the years ended 31 December are as follows:

Depreciation and amortization	2018	2017
Tomato paste and canned products	5.992.581	4.725.292
Milk and milk products	8.360.284	7.046.050
Pasta and bakery products	705.015	625.939
Depreciation and amortization charges that cannot be allocated to segments	824.046	460.155
	15.881.926	**12.857.436**

As at 31 December, investment expenditures for the industrial segment assets are as follows:

Investment expenditures	2018	2017
Tomato paste and canned products	6.731.270	21.550.177
Milk and dairy products	15.033.308	16.909.952
Pasta and bakery products	581.345	941.736
Investment expenditures that cannot be allocated to segments	3.874.771	5.855.344
	26.220.694	**45.257.209**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 4 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December are as follows:

	2018	**2017**
Banks	27.697.717	13.025.751
- Time deposit - TL	*19.790.203*	*780.000*
- Time deposit - foreign currency	*7.880.061*	*11.949.742*
- Demand deposit - TL	*27.453*	*11.684*
- Demand deposits - foreign currency	--	*284.325*
	27.697.717	**13.025.751**

The maturity of time deposits is 2 January 2019 with interest rates of TL 20%, USD 2% and 0,35%, Euro 0,10%. (31 December 2017: Maturity of time deposits is 2 January 2018, 15 January 2018 and 26 January 2018 with interest rate TL 13.2% and USD 4%).

As of 31 December 2018, there is no blockage on cash and cash equivalents. (2017: None)

Explanations on the nature and level of risks in cash and cash equivalents are disclosed in Note 26.

NOTE 5 – FINANCIAL ASSETS

As of 31 December, the details of financial investments are as follows:

	%	**2018**	**%**	**2017**
Available for sale financial investments				
Ram	7,5	1.263.375	7,5	2.625.000
Düzey	1,1	544.641	1,1	544.641
Others		7.733		7.733
		1.815.749		**3.177.374**

NOTE 6 –BORROWINGS

The details of financial borrowings as at 31 December are as follows:

	2018	**2017**
Short-term loans	48.338.499	45.140.855
Short term portions of long-term loans	6.153.846	6.220.865
Short-term portions of long-term issued bonds	--	50.579.121
Total short-term borrowings	**54.492.345**	**101.940.841**
Long-term loans	101.538.462	7.692.308
Total long-term financial borrowings	**101.538.462**	**7.692.308**
	156.030.807	**109.633.149**

The Company does not have any pledges or mortgages given for its financial liabilities (31 December 2017: None).

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 6–BORROWINGS (Continued)

The Company has local currency unsecured loans with fixed interest rates. The details of financial liabilities as at 31 December are as follows:

	The weighted average interest rate	Original Amount	31 December 2018 Net Book Value (TL)
Short term financial borrowings			
TL borrowings	29,33%	54.492.345	54.492.345
			54.492.345
Long term financial borrowings			
TL borrowings	23,61%	101.538.462	101.538.462
			101.538.462

	The weighted average interest rate	Original Amount	31 December 2018 Net Book Value (TL)
Short term financial borrowings			
TL borrowings	13,83%	32.502.220	32.502.220
USD borrowings	2,13%	5.000.000	18.859.500
Bonds issued	12,43%	50.579.121	50.579.121
			101.940.841
Long term financial borrowings			
TL borrowings	10,25%	7.692.308	7.692.308
			7.692.308

As at 31 December, long-term loans denominated in TL currency payment plan is as follows:

	2018	2017
2019	--	6.153.846
2020	101.538.462	1.538.462
	101.538.462	**7.692.308**

The cash flow statement of the Company's financing activities is as follows:

	2018	2017
Opening balance on January 1	**109.633.149**	**73.692.176**
Cash transactions		
Cash inflows from credit debts used	258.314.196	134.437.733
Cash outflow related to loan debt repayments	(216.448.292)	(98.832.765)
Non-cash transactions		
The cost of the redeemed value	4.531.754	336.005
31 December closing balance	**156.030.807**	**109.633.149**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Trade receivables

The details of trade receivables are as follows as at 31 December:

	2018	2017
Trade receivables from related parties (Note 25)	301.504.094	244.725.130
Notes and cheques receivable	18.229.661	18.894.685
Trade receivables	6.663.516	11.566.798
Provisions for doubtful receivables	(2.934.069)	(2.815.858)
	323.463.202	**272.370.755**

As at 31 December 2017 statement of financial position of the Company, "Income Accruals" TL 9.054.394 presented in the "Trade Receivables" have been reclassified to "Other Current Assets" as at 31 December 2018 in the comparative financial statements. "Income Accruals" are related to export incentives received from the government.

The Company has decreased TL 15.000.000 from trade receivables has been collected from the factoring company within the scope of irrevocable factoring.

Movement of provision for doubtful receivables as of 31 December 2018 and 31 December 2017 are as follows: The nature and level of risk in trade receivables are given in Note 26.

	2018	2017
Opening balance	(2.815.858)	(2.649.254)
Provisions made during the year	(118.211)	(166.604)
	(2.934.069)	**(2.815.858)**

Trade Payables

As at 31 December, details of trade payables are as follows:

	2018	2017
Suppliers	127.118.658	122.181.871
Trade payables to related parties (Note 25)	39.726.677	18.958.312
	166.845.335	**141.140.183**

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

As at 31 December, other receivables and payables are as follows:

	2018	2017
Short term other receivables		
Other receivables	57.495	165.847
	57.495	**165.847**

	2018	2017
Long term other receivables		
Deposits and guarantees given	68.085	88.233
	68.085	**88.233**

	2018	2017
Payables to third parties:		
Taxes and funds payable	3.676.583	2.762.203
Accrual for selling expenses	59.063	2.930.747
Others	377.068	188.643
	4.112.714	**5.881.593**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 9 – INVENTORIES

As at 31 December, details of inventories are as follows:

	2018	2017
Raw material	55.342.881	55.936.159
Semi-finished goods	11.840.830	325.587
Finished goods	170.533.196	175.221.730
-Tomato paste and canned products	*144.881.884*	*150.364.482*
-Milk and dairy products	*20.988.124*	*20.405.178*
-Pasta and bakery products	*4.663.188*	*4.452.070*
Other inventory	396.968	443.325
Inventory impairment	(300.669)	(250.000)
	237.813.206	**231.676.801**

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

As at 31 December, details of prepaid expense and deferred income is as follows:

	2018	2017
Short-term prepaid expenses		
Expenses related to future months	2.279.973	1.296.800
Advances given for the purchase of inventory	522.531	1.463.569
	2.802.504	**2.760.369**

	2018	2017
Long-term prepaid expenses		
Expenses related to future years	51.874	--
Advances given for fixed asset purchases	--	1.933.563
	51.874	**1.933.563**

	2018	2017
Short-term deferred income		
Advances received	4.529.788	5.238.464
Income related to future months	79.907	277.171
	4.609.695	**5.515.635**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and depreciation as of 31 December 2018 and 31 December 2017 are as follows:

	1 January 2018	**Additions**	**Disposals**	**Transfers(*)**	**31 December 2018**
Cost:					
Land	16.850.999	--	--	--	16.850.999
Land improvements	7.020.178	73.399	--	479.376	7.572.953
Buildings	62.016.863	1.022.097	--	299.431	63.338.391
Machinery and equipment	350.528.289	7.367.551	(319.561)	11.453.071	369.029.350
Vehicles	660.926	208.651	--	--	869.577
Furniture and fixtures	34.591.377	2.181.590	(222.240)	790.360	37.341.087
Leasehold improvements	8.859.136	179.120	--	448.109	9.486.365
Construction in progress	5.695.609	14.638.586	--	(20.282.347)	51.848
	486.223.377	**25.670.994**	**(541.801)**	**(6.812.000)**	**504.540.570**

Accumulated depreciation:	**1 January 2018**	**Current Year Charge**	**Disposals**	**Transfers(*)**	**31 December 2018**
Land improvements	2.982.578	181.141	--	--	3.163.719
Buildings	32.623.693	1.606.877	--	--	34.230.570
Machinery and equipment	234.915.874	11.026.682	(272.325)	--	245.670.231
Vehicles	547.394	39.357	--	--	586.751
Furniture and fixtures	21.158.467	1.745.214	(205.133)	--	22.698.548
Leasehold improvements	8.488.674	154.762	--	--	8.643.436
	300.716.680	**14.754.033**	**(477.458)**	--	**314.993.255**
Net book value	**185.506.697**				**189.547.315**

(*)In 2018, TL 6.812.000 was transferred to other intangible assets. (2017: 136.233 TL).

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2017	Additions	Disposals	Transfers	Corrections (*)	31 December 2017
Cost:						
Land	16.850.999	--	--	--	--	16.850.999
Land improvements	6.881.093	139.085	--	--	--	7.020.178
Buildings	58.571.524	2.265.578	--	1.179.761	--	62.016.863
Machinery and equipment	370.098.697	11.536.108	(1.135.267)	22.264.430	(52.235.679)	350.528.289
Vehicles	1.037.602	32.895	--	--	(409.571)	660.926
Furniture and fixtures	42.040.064	3.614.485	(702.170)	502.789	(10.863.791)	34.591.377
Leasehold improvements	8.678.063	181.073	--	--	--	8.859.136
Construction in progress	2.888.957	26.889.865	--	(24.083.213)	--	5.695.609
	507.046.999	**44.659.089**	**(1.837.437)**	**(136.233)**	**(63.509.041)**	**486.223.377**

Accumulated depreciation:	1 January 2017	Additions	Disposals	Transfers	Corrections (*)	31 December 2017
Land improvements	2.729.927	252.651	--	--	--	2.982.578
Buildings	31.068.652	1.555.041	--	--	--	32.623.693
Machinery and equipment	279.183.417	9.103.403	(1.135.267)	--	(52.235.679)	234.915.874
Vehicles	937.511	19.454	--	--	(409.571)	547.394
Furniture and fixtures	31.222.163	1.490.706	(690.611)	--	(10.863.791)	21.158.467
Leasehold improvements	8.387.263	101.411	--	--	--	8.488.674
	353.528.933	**12.522.666**	**(1.825.878)**	**--**	**(63.509.041)**	**300.716.680**
Net book value	**153.518.066**					**185.506.697**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense amounting to TL 13.310.014 (2017: TL 11.173.305) is recognized in the cost of goods sold, amounting to TL 1.444.019 is recognized in general and administrative expenses (2017: TL 1.684.131).

The estimated useful lives of tangible assets are as follows:

Land and land improvements	30 years
Buildings	30 years
Machinery and equipment	15-30 years
Furniture and fixtures	10-12 years
Vehicles	9 years
Leasehold improvements	5-8 years

(*) As of 31 December 2017, the Company has eliminated the effects of the fixed assets that it has completed the useful life and has not continued to use. The total cost of fixed assets that the Company has completed the useful life and does not continue to use is TL 63.509.041.

NOTE 12 – INTANGIBLE ASSETS

For the years ended December 31, the movements of intangible assets and related accumulated amortization are as follows:

	1 January 2018	Additions	Transfers	Corrections (*)	31 December 2018
Costs	5.033.835	549.701	6.812.000	--	12.395.536
Accumulated Amortization	(3.792.666)	(1.127.893)	--	--	(4.920.559)
Net Book Value	**1.241.169**	**(578.192)**	**6.812.000**		**7.474.977**

	1 January 2017	Additions	Transfers	Corrections (*)	31 December 2017
Costs	25.043.374	598.120	136.233	(20.743.892)	5.033.835
Accumulated Amortization	(24.201.788)	(334.770)	--	20.743.892	(3.792.666)
Net Book Value	**841.586**	**263.350**	**136.233**	**--**	**1.241.169**

As of 31 December 2018, all of the amortization expenses amounting to TL 1.127.893 (2017: TL 334.770) have been included in general administrative expenses.

(*) As of 31 December 2017, the Company has eliminated the effects of intangible assets that it has completed the useful life and cannot continue to use. The total cost of fixed assets that the Company has completed the useful life and does not continue to use is 20.743.892 TL

With the approval granted by the Ministry of Science, Industry and Technology as of October 6, 2017, the Company's R & D Center started its activities to benefit from incentives and exemptions under the scope of No. 5746. As of 31 December, 2017, TL 632.050 arrears were capitalized in intangible assets.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 13 – GOVERNMENT INCENTIVES AND GRANTS

The Company has been granted with investment tax credits (ITC) with respect to the certain investment expenditures. Such ITCs are evaluated within the scope of TAS 12 Income Taxes standard and are recognized as deferred tax asset by the qualified tax advantage amount, to the extent it is highly probable that future taxable profits will be available against which the unused ITCs can be utilized.

As at 31 December 2017, the ITC amount to be reduced from future income tax payments is TL 21.941.638 (31 December 2017: TL 18.887.669). The Company has not recognized a deferred tax asset with respect to ITCs since the proportion of investment with ITC is very low (approximately 2% to 3%) and there is unused tax losses.

NOTE 14 – COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

As at 31 December, the details of the provisions are as follows:

Provisions	**2018**	**2017**
Provision for sales expenses	2.507.173	--
Provisions for lawsuits	1.041.000	3.570.304
Other provisions	184.921	249.625
	3.733.094	**3.819.929**

The movements of provisions as of years ended 31 December are as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Opening balance	3.819.929	5.894.234
Additions during the period	2.442.469	144.464
Provisions no longer required	(2.529.304)	(2.218.769)
	3.733.094	**3.819.929**

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The details of the guarantees, pledges and mortgages (“TPM” given by the Company on behalf of the related parties, main shareholder or third parties in the scope of commercial activities or for other purposes are as follows:

	31 December 2018	**31 December 2017**
A. Total amount of TPM given on behalf of own legal entity	62.215.611	80.256.938
B. Total amount of TPMs given in favor of joint ventures	--	--
C. Total amount of TPM's given to third parties for the purpose of carrying out ordinary commercial activities	--	--
D. Total amount of other TPMs given	--	--
i) Total amount of TPM given on behalf of main partner	--	--
ii) Total amount of TPMs given in favor of other group companies not in the scope of clauses B and C.	--	--
iii) Total amount of TPM's given in favor of third parties not covered by clause C.	--	--
	62.215.611	**80.256.938**

The Company has miscellaneous guarantee letters given to tax authorities (related to VAT return receivables), T. İhracat Kredi Bankası A.Ş. and customs which are amounting to TL 62.215.611 (31 December 2017: TL 80.256.938). The ratio of other TPM given to the shareholders' equity is 0% as of 31 December 2018 (31 December 2017: 0%)

All guarantees are given by the company are in local currency and there is no any pledges and mortgages given.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 16 – EMPLOYEE BENEFITS

Short term employee benefits

Employee benefit payables	**31 December 2018**	**31 December 2017**
Due to personnel	5.419.298	4.234.280
Social security withholdings payable	1.669.210	1.747.462
	7.088.508	**5.981.742**

Short-term provisions for employment benefits:	**31 December 2018**	**31 December 2017**
Provision for unused vacation	900.000	900.000
	900.000	**900.000**

Long-term employee benefits

Severance pay liability:

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 5.434,42 for each period of service at 31 December 2018 (31 December 2017: TL 4.732,48).

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of %10 and interest rate of %16 and a discount rate of %5,45 resulting in a real discount rate of approximately (31 December 2017: %4,95).

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

As the maximum liability is revised semiannually, the maximum amount of 5.434,42 TL effective from 31 December 2018 is taken into consideration in the calculation of provision from employment termination benefits.

The movement of employment termination provision as of 31 December is presented below:

	2018	**2017**
Opening balance	14.444.956	13.326.867
Service cost	5.689.363	7.062.234
Interest cost	1.604.567	599.709
Paid in the period	(5.724.209)	(5.878.471)
Actuarial gains / (losses)	(877.903)	(665.383)
	15.136.774	**14.444.956**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 17 – OTHER ASSETS AND LIABILITIES

As at 31 December, other current / non-current assets and short / long-term liabilities are as follows:

	2018	2017
Other current assets:		
Deferred value added tax "VAT"	31.261.792	28.381.332
Income Accruals	8.701.436	9.054.394
VAT receivables arising from exports	7.896.604	4.306.342
Others	599.448	1.257.455
	48.459.280	**42.999.523**

	2018	2017
Other non-current assets:		
Deferred VAT	23.256.325	30.438.586
	23.256.325	**30.438.586**

NOTE 18 – SHAREHOLDERS' EQUITY

a) Share Capital

The Company's share capital of year 2018 consists of 13.600.000.000 number of shares and there is no preferred stock (2017: 13.600.000.000 number of shares).

As at 31 December, the shareholders and paid-in capital with the historical values are as follows:

	%	2018	%	2017
Koç Holding A.Ş.	43.7	59.364.947	43.7	59.364.947
Shares publicly open in stock exchange	41.4	56.312.844	41.4	56.312.844
Kagome Co. Ltd.	3.7	5.071.168	3.7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3.3	4.427.889	3.3	4.427.889
Sumitomo Corporation	1.5	2.077.983	1.5	2.077.983
Others	6.4	8.745.169	6.4	8.745.169
Total Share Capital	**100**	**136.000.000**	**100**	**136.000.000**
Capital Correction Differences		21.601.088		21.601.088
Adjusted Capital		**157.601.088**		**157.601.088**

There are no privileges, rights or limitations between the shares representing the capital of the Company.

The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law ("CMB") No: 6362 and passed to this system with the permission of the Capital Markets Board ("CMB") dated 20 August 1992 and numbered 454. The registered capital ceiling of the Company is TL 250.000.000 and each Kuruş consists of 25.000.000.000 shares with a nominal value.

As of 31 December 2018, capital adjustment differences amounting to TL 21.601.088 consist of capital adjustment differences resulting from the restatement of the Company's paid-in capital amount and that are not offset to the previous years' losses or added to the share capital (31 December 2017: TL 21.601.088).

b) Share premium

These premiums related to the shares that have been canceled by not participating in the capital increase are positive differences on the shares sold above the nominal value. As at 31 December 2018, the share of the Company's share in the financial statements is TL 10.107.809 (31 December 2017: TL 10.107.809).

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 18 – SHAREHOLDERS' EQUITY (Continued)

c) Restricted reserves

Reserves reserved for specific purposes other than profit from previous periods, due to law or contractual obligations or other profit distribution.

These reserves are presented in the Company's statutory records and the differences in preparing the financial statements in accordance with TFRS are associated with prior years' profits.

As of 31 December 2018 and 2017, the Company's details of restricted reserves are as follows:

	31 December 2018	31 December 2017
Legal reserves	24.922.780	20.033.820
Special reserves	69.915.703	69.915.703
Total	**94.838.483**	**89.949.523**

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. 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 historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Special Reserves

According to the article 5/1-e of Corporate Tax Law No: 5520, 75% of the earnings from the sale of the properties and participation shares that corporations have kept among their assets for at least two full years, and from the sales of founders’ shares, preference shares and preferred rights they have kept for same duration are exempted from corporate tax. This exception shall apply in the term the sale is made, and the part of the proceeds of the sale that benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale. However, the sale price must be collected until the end of the second calendar year following the year the sale is made.

d) Other comprehensive income or expenses not recognized in profit or loss

Defined benefit plans re-measurement gains / (losses):

As of 31 December 2018, actuarial gain amounting to TL 404.935 is recognized as other comprehensive income (31 December 2017: actuarial loss amounting to TL 279.830).

e) Accumulated other comprehensive income or expenses to be reclassified to profit or loss

Financial asset revaluation and classification gains:

As of 31 December 2018, it consists of revaluation and reclassification gains on financial assets amounting to TL 232.466 (31 December 2017: TL 1.594.091).

f) Dividend distribution

The Company's 2017 net profit for the year was discussed at the Ordinary General Assembly Meeting held on February 14, 2018 and the vote was unanimously approved. According to the decision taken, net profit of TL 61.183.525 from the net profit of TL 4.888.960 after leaving the first general legal reserve fund, the first and second profit share to the shareholders of the Company over the net distributable period, gross profit share amounting to TL 30.000.126 20 March 2018 paid on. The general legal reserve is appropriated amounting to TL 2.320.012 over the profit share amount and the remaining profit amounting to TL 56.294.565 has been transferred to retained earnings.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 19 – SALES AND COST OF SALES

As at 31 December, details of revenue and sales cost are as follows:

	2018	**2017**
Domestic sales	1.138.249.779	1.060.016.417
Foreign sales	128.965.798	95.008.384
Rebates and sales discounts	(111.837.377)	(80.990.091)
	1.155.378.200	**1.074.034.710**
Raw material costs	(778.534.966)	(716.769.114)
Labor costs	(92.119.349)	(83.695.686)
General production expenses	(42.014.805)	(40.132.811)
Depreciation costs	(13.310.014)	(11.173.305)
Change in inventory	6.439.196	16.369.045
Cost of sales	**(919.539.938)**	**(835.401.871)**
Gross profit	**235.838.262**	**238.632.839**

NOTE 20 – EXPENSES BY NATURE

As at 31 December, details of research and development expenses are as follows:

	2018	**2017**
Research and development expenses:		
Personnel expenses	(1.043.191)	(622.635)
Depreciation expenses	(116.102)	(11.859)
Other	(309.854)	(268.694)
	(1.469.147)	**(903.188)**

As at 31 December, details of marketing, selling and distribution expenses are as follows:

	2018	**2017**
Marketing, Sales and Distribution Expenses:		
Action, sale, incentive and gondola participation costs	(53.568.168)	(50.943.960)
Shipping and insurance expenses	(38.734.962)	(42.978.611)
Advertising expenses	(21.126.278)	(21.034.842)
Personnel expenses	(8.205.568)	(8.913.081)
Sales support expenses	(8.132.619)	(8.434.217)
Subcontracting expenses	(4.249.559)	(2.985.258)
Export expenses	(3.432.659)	(2.235.350)
Other	(4.662.714)	(2.561.558)
	(142.112.527)	**(140.086.877)**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 20 – EXPENSES BY NATURE (Continued)

As at 31 December, the details of general and administrative expenses are as follows:

General and administrative expenses:	**2018**	**2017**
Personnel expenses	(22.438.069)	(19.510.474)
Severance pay	(9.368.748)	(7.256.785)
Consultancy and lawsuit expenses	(7.877.555)	(7.755.555)
Information technology expenses	(4.929.653)	(2.325.367)
Administrative expenses	(4.182.138)	(4.262.749)
Depreciation and amortization expenses	(2.412.251)	(1.684.131)
Repair and maintenance costs	(2.183.059)	(298.616)
Taxes and duties expenses	(168.844)	(949.303)
Transportation, travel expenses	(398.670)	(945.643)
Other	(3.477.658)	(2.533.231)
	(57.436.645)	**(47.521.854)**

NOTE 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

As at 31 December, details of other income and profits are as follows:

	2018	**2017**
Other Operating Income		
Income from maturity differences	50.129.927	30.185.000
Exchange differences from commercial activities	5.536.617	1.693.188
Provisions released	--	3.868
Others	5.508.635	5.012.400
	61.175.179	**36.894.456**

As at 31 December, details of other expenses are as follows:

	2018	**2017**
Other Operating Expense		
Expense from maturity differences	(18.752.974)	(11.598.490)
Exchange differences from commercial activities	(14.265.848)	(1.906.485)
Others	(3.208.931)	(2.856.347)
	(36.227.753)	**(16.361.322)**

NOTE 22 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

As at 31 December, investment income and profits from operations is as follows:

Income from Investing Activities	**2018**	**2017**
Dividend income	1.657.918	937.378
Subsidiary sales income	1.366.992	--
Gain on sale of property, plant and equipment	12.053	112.309
Other	224.250	129.143
	3.261.213	**1.178.830**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 22 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)

As at 31 December, investment loss and expense from operations is as follows:

Expenses from investing activities	**2018**	**2017**
Loss on sale of property, plant and equipment	(60.552)	(120.364)
	(60.552)	**(120.364)**

NOTE 23 – FINANCIAL INCOME AND EXPENSES

As at 31 December, financial incomes are as follows:

	2018	**2017**
Foreign exchange gains	18.221.157	6.007.014
Interest income on bank loans	3.140.380	1.822.966
	21.361.537	**7.829.980**

The financial expenses for the years ended 31 December are as follows:

	2018	**2017**
Bank loans interest expenses	(18.812.923)	(3.085.960)
Foreign exchange expenses	(18.192.478)	(5.276.344)
Bond interest expense	(5.620.879)	(6.217.217)
Other	(308.334)	(237.536)
	(42.934.614)	**(14.817.057)**

NOTE 24 – TAX ASSESTS AND LIABILITIES

	1 January - 31 December 2018	**1 January - 31 December 2017**
Current tax expense	(3.854.802)	(1.338.341)
Deferred tax expense	1.036.626	(2.203.577)
Total tax expense	**(2.818.176)**	**(3.541.918)**

	31 December 2018	**31 December 2017**
<u>Current tax (asset) / liability</u>		
Prepaid taxes and funds (-)	(807.523)	--
Current corporate tax provision	--	130.838
	(807.523)	**130.838**

NOTE 24 – TAX ASSESTS AND LIABILITIES (Continued)

Corporate Tax

The Company is subject to corporate tax applicable in Turkey.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2018 is 22% (2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2018 (2017: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Bursa Mustafakemalpaşa Sek Süt Investment Incentive Certificate dated 05.06.2015 and numbered 119435 was received for the modernization investment of our enterprise. 50% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer Share support is applied for the investments made within the scope of the document.

Investment Incentive Certificate dated 03.05.2018 and numbered 136922 has been obtained for the modernization investment of İzmir Torbalı Canned Plant. 50% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer Share support is applied for the investments made within the scope of the document.

Investment Incentive Certificate dated 24.04.2018 and numbered 136771 has been obtained for the modernization investment of our Bursa Karacabey Canned Plant. VAT and Customs Duty Exemption are applied for investments made under the document.

Aydın Söke Sek Süt Investment Incentive Certificate dated 25.06.2015 and numbered 118929 was received for the modernization investment of our company. In the investments made within the scope of the document, 55% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer Share support is applied.

Investment Incentive Certificate No. 129499 dated 28.04.2017 has been obtained for the modernization investment of Bursa Mustafakemalpaşa Canned Plant. 50% Tax Reduction, VAT and Customs Duty Exemption and Insurance Premium Employer's Share support is applied for the investments made under the document.

Deferred Tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 24 – TAX ASSESTS AND LIABILITIES (Continued)

Deferred Tax (continued):

The corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22% within the scope of the Law Amending Some Tax Laws and Other Certain Laws numbered 7061, which came into force after being published in the Official Gazette on 5 December 2017. In accordance with the said law, deferred tax assets and liabilities are calculated with a tax rate of 22% for temporary differences in tax incurred in 2018, 2019 and 2020, and a temporary tax rate of 2021% and 20% in the next period.

The breakdown of total temporary differences and deferred tax assets and liabilities using current tax rates as of 31 December is as follows:

Deferred tax assets / (liabilities):	**2018**	**2017**
Severance pay liability	2.847.355	2.888.991
Difference between tax base and carry value of Property, plant and equipment	(5.212.860)	(4.584.607)
Difference between tax base and carrying value of inventories	1.331.176	709.340
Doubtful receivables provisions	52.598	53.312
Provision for unused vacation	180.000	180.000
Provision for scraps	--	49.925
Sales expense accruals	650.159	586.149
Provision for premiums	1.146.440	225.388
Others pay liability	--	42.883
	994.868	**151.381**

There is no carry forward tax losses has been recognized as of 31 December 2018 (31 December 2017: None).

Movement of the deferred tax for the years ended 31 December 2018 and 31 December 2017 is as follows:

Deferred tax movements:	**2018**	**2017**
Opening balance as of January 1	151.381	2.488.034
Recognized directly in equity	(193.139)	(133.077)
Deferred tax income	1.036.626	(2.203.576)
	994.868	**151.381**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 24 – TAX ASSESTS AND LIABILITIES (Continued)

Total charge for the year can be reconciled to the accounting profit as follows:

The reconciliation of tax:	**%**	**31 December 2018**	**%**	**31 December 2017**
Profit for the period from continuing operations		41.394.953		64.725.443
Income tax rate 22 % (2017: 20%)	22	(9.106.890)	20	(12.945.089)
Tax effect of:				
- Nondeductible expenses	1	(255.535)	1<	(261.966)
- Tax - exempt income	(2)	785.709	(2)	1.037.858
- Effect of deferred tax assets and carry forward losses for which provision had been recognized in the previous periods		--	(3)	1.721.784
- Tax effect of government incentives and grants	(14)	5.797.512	(11)	6.849.119
- Additional corporate tax charge for prior period	1<	(38.972)	1<	56.376
- Permanent differences		**(2.818.176)**		**(3.541.918)**

NOTE 25 – RELATED PARTY TRANSACTIONS

i) As at 31 December, the details of receivables and payables from related parties are as follows:

a) Bank deposits:

Yapı ve Kredi Bankası A.Ş.	**2018**	**2017**
Time Deposits	5.362.562	4.690.268
Current Deposits	24.789	7.804
	5.387.351	**4.698.072**

b) Financial borrowings:

	2018	**2017**
Yapı ve Kredi Bankası A.Ş.		
Financial liabilities	--	25.262.500
Long-term financial liabilities	--	--
	--	**25.262.500**

c) Receivables from related parties:

	2018	**2017**
Düzey (*)	286.657.689	240.938.220
Ram (**)	14.820.919	3.767.865
Others	25.486	19.045
	301.504.094	**244.725.130**

(*) Domestic sales and marketing activities of the Company are operated by Düzey which is a member of Koç Group.

(**) The Company carries out some of its export activities abroad through Ram Dış Ticaret, a Koç Group company.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 25 – RELATED PARTY TRANSACTIONS (Continued)

i) As at 31 December, the details of significant sales to related parties and purchases from related parties are as follows: (Continued)

d) Payables to related parties:

Trade Payables	**2018**	**2017**
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	26.204.003	14.267.889
Yapı Kredi Bankası A.Ş.(**)	6.709.941	--
Koç Sistem A.Ş.	2.492.711	1.435.126
Ram Sigorta Aracılık Hizmetleri A.Ş.	1.544.136	900.757
Otokoç Otomotiv Tic.ve San.A.Ş.	902.145	811.941
Ingage Dijital Pazarlama A.Ş.	520.639	--
Setur Servis Turistik A.Ş	346.874	445.432
Koç Holding Emekli ve Yardım Sandığı	308.136	--
Temel Ticaret Yatırım A.Ş	257.545	193.250
Aygaz Doğalgaz Toptan Satış A.Ş.	--	539.225
Allianz Sigorta A.Ş.	--	82.058
Others	440.547	282.634
	39.726.677	**18.958.312**
Other Payables		
Koç Holding A.Ş.	4.977.767	5.565.583
Total Trade and Payables	**44.704.444**	**24.523.895**

(*) The Company, obtains, media and packaging services from Zer Merkezi Hizmetler ve Ticaret A.Ş

(**) It is the balance formed by the assignment of the receivables with Yapı Kredi Bank.

ii) As at 31 December, the details of significant sales to related parties and purchases from related parties are as follows:

a) Net sales to related parties:

	2018	**2017**
Düzey (*)	956.274.321	942.968.424
Ram Dış Ticaret A.Ş.	61.721.483	30.778.309
	1.017.995.804	**973.746.733**

(*) Domestic sales and marketing activities of the Company are operated by Düzey, which is a member of Koç Group. Average maturity for the sales to Düzey is 90 days.

b) Purchases from related parties:

	2018	**2017**
Zer Merkezi Hizmetler ve Ticaret A.Ş.(**)	32.199.871	26.771.849
Opet Petrolcülük A.Ş.	1.059.946	861.792
Koç Sistem A.Ş.	745.899	4.096.340
Otokoç Otomotiv Tic. ve San. A.Ş.	208.651	261.070
Aygaz A.Ş.	--	13.364.801
Divan Turizm İşletmeleri A.Ş.	--	62.462
	34.214.367	**45.418.314**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 25 – RELATED PARTY TRANSACTIONS (Continued)

c) Service purchases from related parties:

	2018	2017
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	53.868.037	57.695.097
Düzey	11.772.181	8.188.530
Koç Holding A.Ş. (**)	6.563.045	4.628.718
Koç Sistem A.Ş.	2.641.635	1.527.630
Otokoç Otomotiv Tic. ve San. A.Ş.	2.048.716	1.448.049
Setur Servis Turistik A.Ş.	1.616.980	1.505.471
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	1.442.115	2.463.954
Temel Ticaret ve Yatırım A.Ş.	1.123.856	2.283.590
Ingage Dijital Pazarlama A.Ş.	1.076.445	--
Others	1.093.384	607.032
	83.246.394	**80.348.071**

(*) Amount represents accrued premium amount as at 31 December, which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

(**) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by the Company's parent company "Koç Holding A.Ş." regarding their related services according to the distribution described in Regulation No:11 "Intra Group Services" of "General Communiqué No:1 related to Disguised Profit Distribution via Transfer Pricing".

(***) The Company, obtains logistic, media and packaging services from Zer Merkezi Hizmetler ve Ticaret A.Ş

iii) As at 31 December, the details of financial income and expenses from/to related parties are as follows:

a) Interest expense:

	2018	2017
Yapı ve Kredi Bankası A.Ş.	1.304.326	275.625
	1.304.326	**275.625**

b) Interest income:

	2018	2017
Yapı ve Kredi Bankası A.Ş.	77.725	174.884
	77.725	**174.884**

iv) As at 31 December, the details of significant sales to related parties and purchases from related parties are as follows

a) Payments to key management:

The senior executives of Tat Gıda are determined as the Chairman and Members of Board of Directors, General Manager, Assistant General Managers and Direct Directors of the General Manager. Senior executives are paid annual premiums based on monthly fees and performance. In 2018, the total benefit provided to Tat Gıda's senior executives is TL 10.683.139 (31 December 2017: TL 8.801.805). TL 2.000.000 (31 December 2017: TL 0) of this amount is related to payments made due to the separation and the remaining portion is composed of short term benefits. The cost incurred by Tat Gıda was realized as TL 7.953.383 (31 December 2017: TL 7.008.750) after the costs reflected to the companies served by Tat Gıda. 1.360.000 of this amount (31 December 2017: None) is related to payments made due to the separation.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 6, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Company controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As at 31 December the debt to equity ratio is as follows:

	2018	**2017**
Total Liabilities	156.030.807	109.633.149
Negative: Cash and cash equivalents (Note 4)	(27.697.717)	(13.025.751)
Net Debt	128.333.090	96.607.398
Total Equity	500.875.426	492.975.635
Net Liability/Equity	0,2562	0,1960

b) Financial Risk Factors

The risks of the Company, resulted from operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Company. The Company uses derivative financial instruments in order to safeguard itself from different financial risks.

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Company's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity. There are not any changes in financial risk factors and credit risk management of the Company as compared to previous year.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Company according to the customer's credibility is evaluated continuously. Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

	Receivables					
	Trade Receivables		**Trade Receivables**			
31 December 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Others**
Maximum credit risk exposure as of the reporting date	**301.504.094**	**21.959.108**	**--**	**125.580**	**27.697.717**	**--**
(A + B + C + D + E)	--	962.501	--	--	--	
- the portion of the maximum risk guaranteed by collateral.	214.874.417	18.669.219	--	125.580	27.697.717	--
A. Net book value of financial assets not overdue or impaired						
B. Conditions found in re-interviewed. otherwise, the carrying amount of financial assets overdue or impaired.	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	86.629.677	2.327.388	--	--	--	
- Collateral. vs secured part	--	--	--	--	--	
D. Net book value of impaired assets	--	2.934.069	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	
- Impairment (-)	--	(2.934.069)	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off-balances sheet items with credit risk	--	--	--	--	--	--

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

	Receivables					
	Trade Receivables		**Trade Receivables**		**Trade Receivables**	
31 December 2017	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Related Party**	**Third Party**
Maximum credit risk exposure as of the reporting date	**244.725.130**	**36.700.019**	**--**	**254.080**	**13.025.751**	**453.194**
(A + B + C + D + E)	**--**	2.130.744	**--**	**--**	**--**	
- the portion of the maximum risk guaranteed by collateral.						
A. Net book value of financial assets not overdue or impaired	195.089.657	34.368.336	**--**	254.080	13.025.751	453.194
B. Conditions found in re-interviewed. Otherwise, the carrying amount of financial assets overdue or impaired.	--	--	--	--	--	--
C. Carrying value of financial assets that are past due but not impaired	49.635.473	2.331.683	**--**	**--**	**--**	**--**
- Collateral. vs secured part	--	--	--	--	--	--
D. Net book value of impaired assets	--	2.815.858	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	(2.815.858)	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off-balances sheet items with credit risk	--	--	--	--	--	--

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

31 December 2018	Trade Receivables	Other Receivables	Deposits in banks	Others
Past due 1-30 days	88.015.6138	--	--	--
Past due 1-3 months	600.116	--	--	--
Past due 3-12 months	341.311	--	--	--
Total past due receivables	**88.957.065**	**--**	**--**	**--**

31 December 2017	Trade Receivables	Other Receivables	Deposits in banks	Others
Past due 1-30 days	40.865.657	--	--	--
Past due 1-3 months	11.000.102	--	--	--
Past due 3-12 months	101.397	--	--	--
Total past due receivables	**51.967.156**	**--**	**--**	**--**

As of 31 December, letter of guarantees held for the trade receivables that are past due as but not provision booked is as follows:

	2018	**2017**
	Nominal Value	Nominal Value
The part under guarantee with collateral	962.501	2.130.744

b.2) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Company’s non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.2) Liquidity risk Management (Continued)

31 December 2018

Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflows in accordance with contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowings and issued bonds	156.030.807	120.878.778	48.722.737	63.866.693	8.289.348	--
Trade payables	127.118.658	127.118.658	120.229.157	6.889.501	--	--
Trade payables to related parties	39.726.677	39.726.677	38.586.552	1.140.125	--	--
Total liabilities	**322.876.142**	**287.724.113**	**207.538.446**	**71.896.319**	**8.289.348**	**--**

31 December 2017

Contractual Maturity Analysis	**Carrying Value**	**Total Cash Outflows in accordance with contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowings and issued bonds	109.633.149	120.878.778	48.722.737	63.866.693	8.289.348	--
Trade payables	122.181.871	122.181.871	122.181.871	--	--	--
Trade payables to related parties	18.958.312	18.958.312	18.958.312	--	--	--
Total liabilities	**250.773.332**	**262.018.961**	**189.862.920**	**63.866.693**	**8.289.348**	**--**

b.3) Market risk management

The Company's activities expose it to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Company uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. Market risk exposures are also measured by sensitivity analysis and stress scenarios.

There has been no change in the Company's exposure to market risks or the manner which it manages and measures the risk.

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.4) Foreign currency risk management

Transactions in foreign currencies cause foreign currency risk. Currency risk is managing by foreign currency purchase/sale contracts based on the approved policies.

The foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

31 December 2018	**TL Equivalent**	**USD**	**Euro**	**Others**
1. Trade receivables	12.055.316	1.140.129	977.332	24.930
2.a Monetary financial assets	7.880.061	991.371	442.030	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	**19.935.377**	**2.131.500**	**1.419.362**	**24.930**
5. Trade receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--		
8. NON-CURRENT ASSETS				
9. TOTAL ASSETS	**19.935.377**	**2.131.500**	**1.419.362**	**24.930**
10. Trade payables	(1.679.960)	(312.066)	(6.339)	--
11. Financial liabilities	--	--	--	--
12.a Other monetary financial liabilities	--	--	--	--
12.b Other non-monetary financial liabilities	--	--	--	--
13. CURRENT LIABILITIES	(1.679.960)	(312.066)	(6.339)	--
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16.a Other monetary liabilities	--	--	--	--
16.b Other non-monetary liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(1.679.960)**	**(312.066)**	**(6.339)**	**--**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off-balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	18.255.417	1.819.434	1.413.023	24.930
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**18.255.417**	**1.819.434**	**1.413.023**	**24.930**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.4) Foreign currency risk management (Continued)

31 December 2017	**TL Equivalent**	**USD**	**Euro**	**Others**
1. Trade receivables	9.491.770	1.391.276	917.729	19.686
2.a Monetary financial assets	12.234.069	3.168.096	62.967	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	21.725.839	4.559.372	980.696	19.686
5. Trade receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--		
8. NON-CURRENT ASSETS				
9. TOTAL ASSETS	**21.725.839**	**4.559.372**	**980.696**	**19.686**
10. Trade payables	(10.079.284)	(1.166.257)	(1.254.935)	(2.681)
11. Financial liabilities	(18.859.500)	(5.000.000)	--	--
12.a Other monetary financial liabilities	(4.938.824)	(1.309.373)	--	--
12.b Other non-monetary financial liabilities	--	--	--	--
13. CURRENT LIABILITIES	(33.877.608)	(7.475.630)	(1.254.935)	(2.681)
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16.a Other monetary liabilities	--	--	--	--
16.b Other non-monetary liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(33.877.608)**	**(7.475.630)**	**(1.254.935)**	**(2.681)**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off-balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	(12.151.769)	(2.916.258)	(274.239)	17.005
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**(12.151.769)**	**(2.916.258)**	**(274.239)**	**17.005**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Currency risk sensitivity

The Company is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Company's sensitivity to a 10% increase and decrease in the USD, GBP and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit / loss and other equity.

	31 December 2018	
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of Foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	957.186	(957.186)
2- Part of hedged from US Dollar risk (-)	--	--
3- US Dollar net effect	**957.186**	**(957.186)**
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	851.770	(851.770)
5 – Part of hedged from EURO risk (-)	--	--
6- Euro net effect	**851.770**	**(851.770)**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	16.585	(16.585)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**16.585**	**(16.585)**
TOTAL	**1.825.542**	**(1.825.542)**

Interest rate risk management

Borrowing the Company at fixed interest rates exposes the Company to interest rate risk.

Interest-sensitive financial instruments are as follows:

Interest Position Table

	31 December 2018	**31 December 2017**
Fixed Rate Instruments		
Financial Assets	27.670.264	12.729.742
Financial Liabilities	156.030.807	109.633.149

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 26 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

Currency risk sensitivity

The Company is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Company's sensitivity to a 10% increase and decrease in the USD, GBP and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit / loss and other equity.

	31 December 2017	
	Profit / Loss	
	Appreciation of Foreign currency	Devaluation of Foreign currency
In the case of appreciation of US Dollar at 10% ratio compared to TL		
1 - US Dollar net asset / liability	(1.099.983)	1.099.983
2- Part of hedged from US Dollar risk (-)	--	--
3- US Dollar net effect	**(1.099.983)**	**1.099.983**
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	(123.833)	(123.833)
5 – Part of hedged from EURO risk (-)	--	--
6- Euro net effect	**(123.833)**	**123.833**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	8.639	(18.122)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**8.639**	**(18.122)**
TOTAL	**(1.215.177)**	**1.215.177**

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 27 – FINANCIAL INSTRUMENTS

Financial Instruments' Classification and Fair Value

31 December 2018	**Financial assets at amortized cost**	**Fair value changes reflected in other comprehensive income**	**Financial liabilities shown at amortized cost**	**Carrying Value**	**Note**
Financial Assets					
Cash and cash equivalents	27.697.717	--	--	27.697.717	4
Trade receivables	21.959.108	--	--	21.959.108	7
Receivables from related parties	301.504.094	--	--	301.504.094	25
Other financial assets	--	1.851.749	--	1.851.749	5
Financial Liabilities					
Loans and borrowings	--	--	156.030.807	156.030.807	6
Trade payables	--	--	127.118.658	127.118.658	7
Payables to related parties	--	--	39.726.677	39.726.677	25

(Amounts are expressed in Turkish Lira (TL) unless otherwise stated)

NOTE 27 – FINANCIAL INSTRUMENTS (Continued)

Financial Instruments' Classification and Fair Value (Continued)

31 December 2017	Financial assets at amortized cost	Fair value changes reflected in other comprehensive income	Financial liabilities shown at amortized cost	Carrying Value	Note
Financial Assets					
Cash and cash equivalents	13.025.751	--	--	13.025.751	4
Trade receivables	36.700.019	--	--	36.700.019	7
Receivables from related parties	244.725.130	--	--	244.725.130	25
Other financial assets	--	3.177.374	--	3.177.374	5
Financial Liabilities					
Loans and borrowings	--	--	109.633.149	109.633.149	6
Trade payables	--	--	122.181.871	122.181.871	7
Payables to related parties	--	--	18.958.312	18.958.312	25

NOTE 27 – FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

Estimated fair values of financial instruments have been determined by the Company by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

Financial assets

Carrying values of cash and cash equivalents and trade receivables are assumed to reflect their fair values due to their short-term nature.

Financial liabilities

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Bank borrowings are measured at their amortized cost. It is estimated that the borrowings' fair values approximate to their carrying values.

The fair value of financial assets and financial liabilities are determined as follows:

1) First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued at the quoted prices.
2) Second level: Financial assets and liabilities and the related assets or liabilities other than quoted prices in first level directly or indirectly observable market prices are used to determine valuation.
3) Third level: Financial assets and liabilities, assets or liabilities that are used in determining the fair value observed in the market valuation is based on the data.

The fair values of the financial assets and liabilities classification level are as follows:

	Level of fair value As of reporting date		
31 December 2018	1st Level	2nd Level	3rd Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	1.815.749
Total	--	--	**1.815.749**

	Level of fair value As of reporting date		
31 December 2017	1st Level	2nd Level	3rd Level
Financial Assets at fair value through profit or loss	TL	TL	TL
Available for sale financial assets	--	--	3.177.374
Total	--	--	**3.177.374**

NOTE 28 – SUBSEQUENT EVENTS

None.