TAT GIDA SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH INDEPENDENT AUDITORS REPORT
(ORIGINALLY ISSUED IN TURKISH)

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TAT GIDA SANAYİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2019

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

ASSETS	Notes	Audited 31 December 2019	Audited 31 December 2018
Current Assets		**779.850.592**	**641.100.927**
Cash and cash equivalents	4	10.476.743	27.697.717
Trade receivables		383.880.332	323.463.202
-Trade receivables from related parties	7,28	*376.303.231*	*301.504.094*
-Trade receivables from third parties	7	*7.577.101*	*21.959.108*
Other receivables		1.336.347	57.495
-Other receivables from third parties	8	*1.336.347*	*57.495*
Inventories	9	338.435.975	237.813.206
Current tax asset	26	--	807.523
Prepaid expenses	10	6.539.667	2.802.504
Other current assets	19	36.850.078	48.459.280
Assets as held for sale	15	2.331.450	--
Non-Current Assets		**246.512.801**	**223.209.193**
Other receivables		68.085	68.085
-Other receivables from third parties	8	*68.085*	*68.085*
Financial investments	5	2.517.599	1.815.749
Property, plant and equipment	11	188.140.338	189.547.315
Right of use assets	2	21.415.501	--
Intangible assets	12	8.125.580	7.474.977
Prepaid expenses	10	--	51.874
Deferred tax assets	26	1.034.826	994.868
Other non-current assets	19	25.210.872	23.256.325
TOTAL ASSETS		**1.026.363.393**	**864.310.120**

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

TAT GIDA SANAYİ A.Ş.

BALANCE SHEETS AS OF 31 DECEMBER 2019

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

LIABILITIES	Notes	Audited 31 December 2019	Audited 31 December 2018
Short Term Liabilities		**274.590.344**	**246.759.458**
Short-term financial borrowings	6	--	48.338.499
Short-term leasing borrowings	6	6.587.202	--
-Leasing borrowings to related parties		*3.094.456*	--
-Leasing borrowings to third parties		*3.492.746*	--
Short-term portion of long-term borrowings	6	54.400.884	6.153.846
Trade payables		180.768.851	166.845.335
- Trade payables to related parties	7,28	*36.101.953*	*39.726.677*
- Trade payables to third parties	7	*144.666.898*	*127.118.658*
Employee benefit obligations	18	7.193.554	7.088.508
Derivative financial instruments	16	115.844	--
Other payables		11.075.393	9.090.481
- Other payables from related parties	28	*6.434.748*	*4.977.767*
- Other payables from third parties	8	*4.640.645*	*4.112.714*
Deferred income	10	4.594.277	4.609.695
Current tax liabilities	26	4.273.421	--
Short-term provisions		5.580.918	4.633.094
- Short-term provisions for employment benefits	18	*2.200.000*	*900.000*
- Other short-term provisions	14	*3.380.918*	*3.733.094*
Long Term Liabilities		**191.188.136**	**116.675.236**
Long-term financial borrowings	6	150.000.000	101.538.462
Long-term leasing borrowings	6	16.610.370	--
-Long-term leasing borrowings to related parties		*8.186.960*	--
-Long-term leasing borrowings to third parties		*8.423.410*	--
Derivative financial instruments	16	7.758.072	--
Long-term provisions		16.819.694	15.136.774
- Long-term provisions for employment benefits	18	*16.819.694*	*15.136.774*
EQUITY		**560.584.913**	**500.875.426**
Equity attributable to equity holders of the parent company		**560.584.913**	**500.875.426**
Share capital	20	136.000.000	136.000.000
Inflation adjustment to share capital	20	21.601.088	21.601.088
Share premiums	20	10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss	20	(5.116.980)	232.466
- Financial assets revaluation reserve		*934.316*	*232.466*
- Losses related to hedging from cash flow risk		*(6.051.296)*	--
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	20	(691.572)	404.935
-Actuarial gains / (losses) in defined benefit plan		*(691.572)*	*404.935*
Restricted reserves	20	95.621.022	94.838.483
Prior years' profit		236.908.106	199.113.868
Profit for the period		66.155.440	38.576.777
TOTAL LIABILITIES		**1.026.363.393**	**864.310.120**

TAT GIDA SANAYİ A.Ş.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

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

		Audited	Audited
Profit or loss	**Notes**	**1 January-31 December 2019**	**1 January-31 December 2018**
Continuing operations			
Sales	21	1.142.115.946	1.042.444.319
Cost of sales (-)	21	(896.799.923)	(865.193.025)
Gross profit from continuing operations		**245.316.023**	**177.251.294**
Marketing expenses (-)	22	(96.495.125)	(83.832.573)
General administrative expenses (-)	22	(62.886.745)	(54.303.284)
Research and development expenses (-)	22	(1.678.146)	(1.469.147)
Other income from operating activities	23	49.277.814	59.136.393
Other expenses from operating activities (-)	23	(26.993.444)	(35.515.197)
Operating profit from continuing operations		**106.540.377**	**61.267.486**
Income from investing activities	24	1.565.055	3.237.213
Expenses from investing activities (-)	24	(182.765)	(16.656)
Operating profit before finance expense		**107.922.667**	**64.488.043**
Finance income	25	41.290.756	21.361.537
Finance expense (-)	25	(77.261.306)	(42.933.403)
Finance expense, net		**(35.970.550)**	**(21.571.866)**
Profit before tax		**71.952.117**	**42.916.177**
Tax expense		**(9.909.129)**	**(2.818.176)**
Current tax expense	26	(8.055.745)	(3.854.802)
Deferred tax expense	26	(1.853.384)	1.036.626
Profit for the period from continuing operations		**62.042.988**	**40.098.001**
Profit / (loss) for the period from discontinued operations	15	4.112.452	(1.521.224)
Profit for the period		**66.155.440**	**38.576.777**
Earnings per share	27	**0,49**	**0,28**
Earnings per common and diluted share from continuning operations		0,46	0,29
Earnings / (losses) per common and diluted share from discontinued operations		0,03	(0,01)
Other comprehensive income:			
Gains / (losses) in revaluation reserve		701.850	(1.361.625)
Losses related to hedging from cash flow risk		(6.051.296)	--
Actuarial gains /(losses) on employee benefits		(1.096.507)	684.765
Total other comprehensive income		**(6.445.953)**	**(676.860)**
Total comprehensive income		**59.709.487**	**37.899.917**

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

TAT GIDA SANAYİ A.Ş.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

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

				Accumulated Other Comphrehensive Income Reclassified to Profit or Loss		Accumulated Other Comphrehensive Income Not to Be Reclassified to Profit or Loss				
	Share capital	Inflation adjustments to share capital	Share premium	Financial assets revaulation reserve	Hedging related to cash flow risk	Acturial gain/(losses) in defined benefit plans	Restricted Profit Reserves	Net Profit For the Period	Retained Earnings	Total Equity
Balance as 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 as 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**
Balance as at 1 January 2019	**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**
Transfers	--	--	--	--	--	--	782.539	(38.576.777)	37.794.238	--
Total comprehensive income	--	--	--	701.850	(6.051.296)	(1.096.507)	--	66.155.440	--	59.709.487
Balance as at 31 December 2019	**136.000.000**	**21.601.088**	**10.107.809**	**934.316**	**(6.051.296)**	**(691.572)**	**95.621.022**	**66.155.440**	**236.908.106**	**560.584.913**

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

TAT GIDA SANAYİ A.Ş.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
Profit for the period		66.155.440	38.576.777
Adjustments to reconcile profit for the period:			
Adjustments related to depreciation and amortization expenses	11,12,2	22.844.814	15.881.926
Adjustments related to impairment			
Adjustments related to impairment of receivables	7	(72.198)	118.211
Adjustments related to provisions			
Adjustments related to provision for employee termination benefit	18	10.982.287	7.293.930
Adjustments related to other provisions	14	(352.176)	(86.835)
Adjustments related to gain or loss on sales of property, plant and equipment	24	(906.957)	48.498
Adjustments related to income accruals	19	245.471	352.958
Adjustments related to increase in fair value of derivatives	16	7.873.916	(453.194)
Adjustments related to tax expense	26	9.909.129	2.818.176
Unrealized foreign exchange loss	2	737.052	2.120.750
Discount expense		1.162.293	6.097.355
Discount income		(2.682.917)	(1.769.476)
Interest income	25	(8.302.906)	(3.140.380)
Interest expense	25	48.380.581	24.433.802
Dividend income		--	(1.657.918)
Changes in working capital		**155.973.829**	**90.634.580**
Adjustments related to changes in trade receivables and other receivables		17.137.122	6.250.235
Adjustments related to changes in due from related parties		(74.799.137)	(55.009.488)
Adjustments related to changes in inventories		(100.622.769)	(6.136.405)
Adjustments related to changes in prepaid expenses		(3.685.289)	1.839.554
Adjustments related to changes in other current and non-current assets		(26.778.387)	1.722.504
Adjustments related to changes in trade payables		16.385.947	(1.160.567)
Adjusttments related to changes due to related parties		(2.167.743)	20.180.549
Adjustments related to changes in deferred income		(15.418)	(905.940)
Adjustments related to changes in employee benefit payables		105.046	1.106.766
Adjustments related to changes in other current liabilities		27.967.936	(1.768.879)
Cash flows from operating activities		**9.501.137**	**56.752.910**
Employee termination benefits paid	18	(9.405.145)	(5.724.209)
Taxes refund / (paid)	26	(3.508.138)	(4.793.163)
Net cash flows (used in)/from operating activities		**(3.412.146)**	**46.235.538**
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	11,12	(21.353.668)	(26.220.694)
Cash generated from sale of property, plant and equipment and intangible assets	11,12,24	3.544.002	15.844
Dividend received		--	1.657.918
Net cash used in investing activities		**(17.809.666)**	**(24.546.932)**
Financing activities:			
Interest gained	25	8.302.906	3.140.380
Cash outflow due to leasing	2	(8.010.832)	--
Cash inflows due to loan received	6	309.091.218	258.314.196
Cash outflows due to loan received	6	(260.360.908)	(216.448.292)
Interest paid	25	(45.021.546)	(22.022.798)
Dividend paid	20	--	(30.000.126)
Net cash (used in)/from financing activities		**4.000.838**	**(7.016.640)**
Net change in cash and cash equivalents		**(17.220.974)**	**14.671.966**
Cash and cash equivalents at the beginning of the period	4	**27.697.717**	**13.025.751**
Cash and cash equivalents at the ending of the period	4	**10.476.743**	**27.697.717**

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 and Söke / Aydın.

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:

	2019		2018	
	End of Period	Average	End of Period	Average
Total	**823**	**1.061**	**898**	**1.114**
Permanent Personnel	741	796	843	894
Temporary Personnel	82	265	55	220

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 2019	31 December 2018
Euro / TL	6,6506	6,0280
US Dollar / TL	5,9402	5,2609

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

The attached financial statements prepared based on the Capital Markets Board Notification No II-14.1 published in the Official Gazette dated 13 June 2013 and numbered 28676, the Public Oversight, Accounting and Auditing Standards Authority (“KGK”), which was enacted by Turkey Financial Reporting Standards ("TFRSs") as appropriate. TFRS; includes standards and comments published by the ups under the names of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, TAS comments and TFRS comments.

The Financial statements are presented in accordance with Turkish Accounting Standards (“TAS”) Taxonomy published by the POA and the formats specified in the Financial Statements Examples and User Guidelines published by the POA dated 7 June 2019 and published in the Official Gazette numbered 30794.

Approval of financial statements:

The financial statements prepared as of and for the year ended 31 December 2019 is approved by the management on 12 February 2020. General Assembly and other regulatory authorities have the right to restate the legal financial statements, base of the accompanying financial statements, after the financial statements is published.

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

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 2018 statement of financial position of the Company, "Action, sales and incentive participation fees" TL 50.774.722 presented in the "Marketing expenses" have been reclassified to "Sales" as at 31 December 2019 in the comparative financial statements.

As at 31 December 2018 and 2019 statement of profit or loss and other comprehensive income of the Company, regarding the sales of Pastavilla brand in 2019, all of the income and expenses from Pastavilla are presented in the "discontinued operations period profit / (loss)".

2.4 Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2018.

TFRS 16 Leases

The Company initially applied IFRS 16 Leases from 1 January 2019. As a result, the Company has changed its accounting policy for lease agreements as follows.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

a. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under TFRS 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to TFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRSI 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

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

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

2.4 Changes in significant accounting policies (Continued)

TFRS 16 Leases (Continued)

b. As a lessee

The Company leases properties and production equipment. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below:

	Right of use assets				
TL	**Building**	**Machinery and equipments**	**Vehicles**	**Furnitures and fixtures**	**Total**
Balance at 1 January 2019	7.364.534	5.530.352	3.166.836	746.357	16.808.079
Balance at 31 December 2019	8.187.159	4.477.123	3.739.679	5.011.540	21.415.501

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under TAS 17. These include warehouse and factory facilities.The leases typically run for a period of 5 years. Some leases include an option to renew the lease for an additional 2 years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices. At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

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

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

2.4 Changes in significant accounting policies (Continued)

TFRS 16 Leases (Continued)

ii. Transition (Continued)

The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.

- Applied a single discount rate to a lease portfolio with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company leases a number of items of production equipment. These leases were classified as finance leases under TAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under TAS 17 immediately before that date.

c. As a lessor

The company leases its investment properties, including right-of-use assets. The company has classified these leases as operating leases.

The company's accounting policies as a lessor are no different from those implemented in accordance with TAS 17. However, when the company is the Dec lease holder, the sub-lease amount is classified according to the underlying assets.

Company is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor. The Company sub-leases some of its properties. For a contract involving a rental component and one or more additional rental components or non-rental components, the company distributed the contract price by applying the TFRS 15 “revenue from customer contracts” standard.

d. Impacts on financial statements

i. Impacts on transition

The impact on transition is summarised below:

TL	**1 January 2019**
Right-of-use assets presented in property, plant and equipment	16.808.079
Lease liabilities	(16.808.079)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rates are applied as follows; 24,8 percent in TL, 4,5 percent in EUR.

ii. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 21.415.501 of right-of-use assets (including investment property) and TL 23.197.572 of lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Company recognised TL 5.703.267 of depreciation charges, TL 3.359.035 of interest costs, TL 737.052 foreign exchange loss and TL 8.010.832 payment from these leases.

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

TFRS 16 Leases (Continued)

2.4 Changes in significant accounting policies (Continued)

d. Impacts on financial statements (Continued)

ii. Impacts for the period (Continued)

For the year ended 31 December 2019, depreciation expenses amounting to TL 1.707.500 (31 December 2018: None) has been recognized under cost of sales and TL 3.995.767 (31 December 2018: None) has been recognized under general administrative expensenses.

2.5 Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the [Group/Company] has not early adopted are as follows.

The revised Conceptual Framework

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 TFRSs. 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.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

Amendments to TFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs.. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Company does not expect that application of these amendments to TFRS 3 will have significant impact on its financial statements.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2019 added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

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

2.5 Standards issued but not yet effective and not early adopted (Continued)

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7) (Continued)

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

(a) The highly probable requirement;

(b) Prospective assessments;

(c) IAS 39 retrospective assessment; and

(d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.6 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 28).

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.

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.

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

2.6 Significant accounting policies (Continued)

Tangible fixed assets (Continued)

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.

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.

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

2.6 Significant accounting policies (Continued)

Corporate income taxes (Continued)

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 acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Discontinued operations

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Government grants

The Company recognises an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.6 Significant accounting policies (Continued)

Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 32(A)). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio levela because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see (v) for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

See Note (v) for financial liabilities designated as hedging instruments.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

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

2.6 Significant accounting policies (Continued)

Financial liabilities (Continued)

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

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

2.6 Significant accounting policies (Continued)

Cash flow hedges (Continued)

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item’s cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

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.

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 18).

Classified assets held for sale and discontinued operations

The group of assets to be disposed of, consisting primarily of assets and liabilities that are likely to be disposed of instead of continuing to be used, is classified for sale or distribution.

Such assets, or group of assets to be disposed of, are measured at their carrying value and at less than their fair value deducted from sales costs. Impairment in the group of assets to be disposed is first allocated to goodwill afterwards, the remaining assets and liabilities are proportionally allocated to the inventories, financial assets, deferred tax assets, employee benefit assets, investment properties or living assets that are valued in accordance with the Company's accounting policies. Impairments at the time of the first classification as gains held for sale or distribution purposes, and gains and losses in subsequent measurements are recognized in profit or loss.

Intangible assets and intangible assets are not subject to depreciation or amortization after being classified as held for sale or distribution. In addition, equity accounting is terminated for investments valued by the equity method.

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.

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

2.6 Significant accounting policies (Continued)

TFRS 15 Revenue from Contracts with Customers

General model for revenue recognition

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contracts were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct;

(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Company assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

Significant financing component

The Company revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less. In cases where advance for the services are received and the payment scheme is broadly aligned with the Company's performance throughout the period, the Company concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

Variable consideration

The Company identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

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

2.6 Significant accounting policies (Continued)

TFRS 15 Revenue from Contracts with Customers (Continued)

General model for revenue recognition (Continued)

Step 5: Recognition of revenue

The Company recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Company's performance does not create an asset for which the entity has an use; and alternative there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Company recognize revenue at the point in time at which it transfers control of the good or service to the customer.

The Company recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

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.

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

2.6 Summary of Significant Accounting Policies (Continued)

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.

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.

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

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

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 977.569.693 (31 December 2018: 956.274.321 TL).

a) Revenue segmental analysis for the year ended 1 January - 31 December 2019 and 2018

	2019	**2018**
Tomato paste and canned products	553.221.806	464.000.196
Milk and dairy products	588.894.140	578.444.123
	1.142.115.946	**1.042.444.319**

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:

	2019	**2018**
Tomato paste and canned products	78.220.396	70.190.536
Milk and dairy products	109.123.130	114.121.704
Discontinued operations (*)	2.331.449	6.625.463
Assets that cannot be allocated to segments	8.922.394	6.084.589
	198.597.369	**197.022.292**

(*) Based on the sale of the Pastavilla brand in 2019, all of the income and expenses from Pastavilla are classified under "Discontinued operations period profit / (loss)".

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.

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

NOTE 3 – SEGMENT REPORTING (Continued)

Primary reporting format - business segment (Continued)

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:

	2019	**2018**
Tomato paste and canned products	6.571.590	5.992.581
Milk and milk products	9.085.930	8.360.284
Discontinued operations	477.583	705.015
Depreciation and amortization charges that cannot be allocated to segments	1.006.444	824.046
	17.141.547	**15.881.926**

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

	2019	**2018**
Tomato paste and canned products	13.390.727	6.731.270
Milk and dairy products	4.889.451	15.033.308
Discontinued operations	77.114	581.345
Investment expenditures that cannot be allocated to segments	2.996.376	3.874.772
	21.353.668	**26.220.695**

NOTE 4 – CASH AND CASH EQUIVALENTS

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

	2019	**2018**
Banks	10.476.743	27.697.717
- Time deposit – TL	*5.530.000*	*19.790.203*
- Time deposit – foreign currency	*4.602.972*	*7.880.061*
- Demand deposit – TL	*45.055*	*27.453*
- Demand deposits – foreign currency	*298.716*	--
	10.476.743	**27.697.717**

The maturity of time deposits is 2 January 2020 with interest rates of TL 10,25%, USD 1,25% and 0,20%, Euro 0,10%. (31 December 2018: Maturity of time deposits is 2 January 2019 with interest rate TL 20%, USD 2% and 0,35% and Euro 0,10%).

As of 31 December 2019, there is no blockage on cash and cash equivalents. (2018: None)

Explanations on the nature and level of risks in cash and cash equivalents are disclosed in Note 29.

NOTE 5 – FINANCIAL ASSETS

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

	%	**2019**	**%**	**2018**
<u>Fair value change reflected in other comprehensive income - equity instruments</u>				
Ram	7,5	1.965.225	7,5	1.263.375
Düzey	1,1	544.641	1,1	544.641
Others		7.733		7.733
		2.517.599		**1.815.749**

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

NOTE 6 –BORROWINGS

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

	2019	2018
Short-term loans	--	48.338.499
Short term portions of long-term loans	54.244.208	6.153.846
Short-term portions of long-term issued bonds	156.676	--
Short-term leasing liabilities	6.587.202	--
Total short-term borrowings	**60.988.086**	**54.492.345**
Long-term loans	80.000.000	101.538.462
Long-term issued bonds	70.000.000	--
Long-term leasing liabilities	16.610.370	--
Total long-term financial borrowings	**166.610.370**	**101.538.462**
	227.598.456	**156.030.807**

The Company does not have any pledges or mortgages given for its financial liabilities (31 December 2018: None).

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 2019 Net Book Value (TL)**
Short term financial borrowings			
TL borrowings	16.32%	54.244.208	54.244.208
Bond issued	11.67%	156.676	156.676
			54.400.884
Long term financial borrowings			
TL borrowings	14.34%	80.000.000	80.000.000
Bond issued	11.67%	70.000.000	70.000.000
			150.000.000

The company issued bonds worth TL 70.000.000 on June 25, 2019.

	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

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

NOTE 6–BORROWINGS (Continued)

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

	2019	2018
2020	54.400.884	101.538.462
2021	150.000.000	--
	204.400.884	**101.538.462**

As at 31 December, long-term leasing liabilities payment plan is as follows:

	2019	2018
To be paid on demand or within 1 year	6.587.202	--
1-2 years	6.948.287	--
2-3 years	5.434.536	--
3-4 years	4.227.547	--
	23.197.572	**--**

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

	2019	2018
Opening balance on January 1	**156.030.807**	**109.633.149**
Cash transactions		
Cash inflows from credit debts used	309.091.218	258.314.196
Cash outflow related to loan debt repayments	(260.360.908)	(216.448.292)
Non-cash transactions		
The cost of the redeemed value	(360.233)	4.531.754
31 December closing balance	**204.400.884**	**156.030.807**

(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:

	2019	2018
Trade receivables from related parties (Note 28)	376.303.231	301.504.094
Notes and cheques receivable	1.603.019	18.229.661
Trade receivables	8.835.953	6.663.516
Provisions for doubtful receivables	(2.861.871)	(2.934.069)
	383.880.332	**323.463.202**

Movement of provision for doubtful receivables as of 31 December 2019 and 31 December 2018 are as follows: The nature and level of risk in trade receivables are given in Note 28.

	2019	2018
Opening balance	(2.934.069)	(2.815.858)
Provisions made during the year	72.198	(118.211)
	(2.861.871)	**(2.934.069)**

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

	2019	2018
Suppliers	144.666.898	127.118.658
Trade payables to related parties (Note 28)	36.101.953	39.726.677
	180.768.851	**166.845.335**

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

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

	2019	2018
Short term other receivables		
Other receivables	1.336.347	57.495
	1.336.347	**57.495**

	2019	2018
Long term other receivables		
Deposits and guarantees given	68.085	68.085
	68.085	**68.085**

	2019	2018
Payables to third parties:		
Taxes and funds payable	4.552.739	3.676.583
Accrual for selling expenses	--	59.063
Others	87.906	377.068
	4.640.645	**4.112.714**

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

NOTE 9 – INVENTORIES

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

	2019	**2018**
Raw material	45.565.139	55.342.881
Semi-finished goods	7.599.789	11.840.830
Finished goods	284.849.190	170.533.196
-Tomato paste and canned products	*264.933.651*	*144.881.884*
-Milk and dairy products	*19.915.539*	*20.988.124*
-Pasta and bakery products	--	*4.663.188*
Other inventory	421.857	396.968
Inventory impairment	--	(300.669)
	338.435.975	**237.813.206**

As at 31 December 2019 and 2018, there are no assets pledged as collateral.

As at 31 December 2019, inventories are insured amounting to TL 325.992.887 (2018: TL 232.850.417).

NOTE 10 – PREPAID EXPENSES AND DEFERRED INCOME

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

	2019	**2018**
Short-term prepaid expenses		
Expenses related to future months	5.688.150	2.279.973
Advances given for the purchase of inventory	851.517	522.531
	6.539.667	**2.802.504**

	2019	**2018**
Long-term prepaid expenses		
Expenses related to future years	--	51.874
	--	**51.874**

	2019	**2018**
Short-term deferred income		
Advances received	4.594.277	4.529.788
Income related to future months	--	79.907
	4.594.277	**4.609.695**

(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 2019 and 31 December 2018 are as follows:

	1 January 2019	Additions	Disposals	Transfers(*)	Classifications(**)	31 December 2019
Cost:						
Land	16.850.999	31.886	--	--	(414.862)	16.468.023
Land improvements	7.572.953	132.882	--	6.480	(68.818)	7.643.497
Buildings	63.338.391	371.081	--	--	(4.799.130)	58.910.342
Machinery and equipment	369.029.350	13.454.238	(18.296.148)	20.368	(44.806.276)	319.401.532
Vehicles	869.577	5.300	--	--	(41.886)	832.991
Furniture and fixtures	37.341.087	4.180.740	(805.663)	--	(308.598)	40.407.566
Leasehold improvements	9.486.365	617.190	--	--	--	10.103.555
Construction in progress	51.848	852.258	--	(51.848)	--	852.258
	504.540.570	**19.645.575**	**(19.101.811)**	**(25.000)**	**(50.439.570)**	**454.619.764**

Accumulated depreciation:	**1 January 2019**	**Current Year Charge**	**Disposals**	**Transfers(*)**	**Classifications(**)**	**31 December 2019**
Land improvements	3.163.719	195.517	--	--	(31.374)	3.327.862
Buildings	34.230.570	1.582.743	--	--	(4.256.974)	31.556.339
Machinery and equipment	245.670.231	11.945.789	(15.840.599)	--	(43.622.030)	198.153.391
Vehicles	586.751	48.882	--	--	(41.886)	593.747
Furniture and fixtures	22.698.548	2.030.457	(624.167)	--	(155.856)	23.948.982
Leasehold improvements	8.643.436	255.669	--	--	--	8.899.105
	314.993.255	**16.059.057**	**(16.464.766)**	**--**	**(48.108.120)**	**266.479.426**
Net book value	**189.547.315**					**188.140.338**

(*) There is a transfer from construction in progress to intangible assets.

(**)As at 31 December 2018 and 2019 statement of profit or loss and other comprehensive income of the Company, regarding the sales of Pastavilla brand in 2019, all of the income and expenses from Pastavilla are presented in the “discontinued operations period profit / (loss)”.

As at 31 December 2019, tangible assets are insured amounting to TL 1.024.720.000 (2018: TL 530.521.422).

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2018	Additions	Disposals	Transfers	31 December2018
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**

	1 January 2018	Current year charge	Disposals	Transfers	31 December 2018
Accumulated depreciation:					
Buildings	2.982.578	181.141	--	--	3.163.719
Machinery and equipment	32.623.693	1.606.877	--	--	34.230.570
Vehicles	234.915.874	11.026.682	(272.325)	--	245.670.231
Furniture and fixtures	547.394	39.357	--	--	586.751
Leasehold improvements	21.158.467	1.745.214	(205.133)	--	22.698.548
	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**

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

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31 December 2019, depreciation expenses amounting to TL 13.947.236 (31 December 2018: TL 13.310.014) has been recognized under cost of sales, TL 1.530.824 (31 December 2018: TL 316.126) has been recognized under general administrative expensenses, TL 112.707 (31 December 2018: TL 108.210) has been recognized under research and development expenses and TL 468.290 (31 December 2018: TL 764.281) has been recognized under selling, marketing and distribution expenses.

The estimated useful lives of tangible assets are as follows:

Land and land improvements	30 years
Buildings	30 years
Machinery and equipment	15 years
Furniture and fixtures	4-12 years
Vehicles	10 years
Leasehold improvements	5 years

NOTE 12 – INTANGIBLE ASSETS

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

Cost:	**1 January 2019**	**Additions**	**Transfers**	**31 December 2019**
Rights	11.368.486	1.322.364	25.000	12.715.850
Other intangible assets	738.500	385.729	--	1.124.229
	12.106.986	**1.708.093**	**25.000**	**13.840.079**

Accumulated Amortization:	**1 January 2019**	**Additions**	**Transfers**	**31 December 2019**
Rights	4.546.397	1.000.718	--	5.547.115
Other intangible assest	85.612	81.772	--	167.384
	4.632.009	**1.082.490**	**--**	**5.714.499**
Net Book Value	**7.474.977**			**8.125.580**

Cost:	**1 January 2018**	**Additions**	**Transfers**	**31 December 2018**
Rights	4.638.706	206.330	6.812.000	11.657.036
Other intangible assets	395.129	343.371	--	738.500
	5.033.835	**549.701**	**6.812.000**	**12.395.536**

Accumulated Amortization:	**1 January 2018**	**Additions**	**Transfers**	**31 December 2018**
Rights	3.786.080	1.048.867	--	4.834.947
Other intangible assest	6.586	79.026	--	85.612
	3.792.666	**1.127.893**	**--**	**4.920.559**
Net Book Value	**1.241.169**			**7.474.977**

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

NOTE 12 – INTANGIBLE ASSETS (Continued)

As of 31 December 2019, all of the amortization expenses amounting to TL 1.082.490 (2018: TL 1.127.893) have been included in general administrative expenses.

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, 2019, there is no arrears were capitalized in intangible assets (2018: None).

Rights	5 years
Computer software	5-10 years
Other intangible assets	5-10 years

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 2019, the ITC amount to be reduced from future income tax payments is TL 26.295.903 (31 December 2018: TL 21.941.638). 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	**2019**	**2018**
Provisions for lawsuits	2.341.000	1.041.000
Provision for sales expenses	1.003.221	2.507.173
Other provisions	36.697	184.921
	3.380.918	**3.733.094**

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

<u>Provisions for lawsuits</u>	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Opening balance	1.041.000	3.570.304
Additions during the period	1.300.000	--
Provisions no longer required	--	(2.529.304)
	2.341.000	**1.041.000**

<u>Provisions for sales expenses</u>

	1 January - 31 December 2019	**1 January - 31 December 2018**
Opening balance	2.507.173	--
Additions during the period	1.003.221	2.507.173
Provisions no longer required	(2.507.173)	--
	1.003.221	**2.507.173**

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

NOTE 15 – ASSETS CLASSIFIED AS HELD FOR SALE

Tat Gıda Sanayi A.Ş. within the framework of long-term business plans, the board of directors decided to remove pasta and bakery products from its business line, and to focus on the main business lines, tomato paste, canned goods, and dairy products. The production activities of Pastavilla, operating in the "pasta and bakery products" business line in Bornova district of İzmir province, were decided to be terminated as of September 2, 2019, and after the completion of the brand handover; in this line of business, it was decided to transfer Pastavilla, Kartal, Lunch & Dinner brands owned by the company to Durum Gıda Sanayi ve Ticaret A.Ş, which is not among the related parties of the company, with a total of 8.000.000 TL + VAT in advance; in case of suitable conditions in the future, the sale of the factory land, production materials and equipment was decided by the board of directors with the decision number 2019/20 of August 2, 2019, after the approval of the Competition Board dated 26 September 2019, the sales process was completed on 2 October 2019.

As of 31 December, the details of the Company's assets held for sale are as follows:

	31 Aralık 2019
Cost	50.439.570
Amortization	(48.108.120)
Net book value	**2.331.450**

Details of period profit / (loss) from discontinued operations as of 31 December are as follows:

	31 Aralık 2019	**31 Aralık 2018**
Income from discontinued operations	70.308.609	64.221.944
Expense from discontinued operations (-)	(65.540.115)	(65.743.168)
Profit / (loss) before tax in discontinued operations	**4.768.494**	**(1.521.224)**
Tax expenses related to discontinued operations	(656.042)	--
Discontinued operations period profit / (loss)	**4.112.452**	**(1.521.224)**

NOTE 16 – DERIVATIVE INSTRUMENTS

As at 31 December, derivative liabilities due from interest rate swap are as follows:

	31 December 2019	**31 December 2018**
Short-term liabilities	115.844	--
Long-term liabilities	7.758.072	--
	7.873.916	**--**

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

NOTE 17 – 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 2019	31 December 2018
A. Total amount of TPM given on behalf of own legal entity	40.593.866	62.215.611
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.	--	--
	40.593.866	**62.215.611**

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 40.593.866 (31 December 2018: TL 62.215.611). The ratio of other TPM given to the shareholders' equity is 0% as of 31 December 2019 (31 December 2018: 0%)

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

NOTE 18 – EMPLOYEE BENEFITS

Short term employee benefits

Employee benefit payables	**31 December 2019**	**31 December 2018**
Due to personnel	5.242.437	5.419.298
Social security withholdings payable	1.951.117	1.669.210
	7.193.554	**7.088.508**

Short-term provisions for employment benefits:	**31 December 2019**	**31 December 2018**
Provision for unused vacation	2.200.000	900.000
	2.200.000	**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 6.379,86 for each period of service at 31 December 2019 (31 December 2018: TL 5.434,42).

NOTE 18 – EMPLOYEE BENEFITS (Continued)

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

Severance pay liability (Continued)

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 2019, 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 %7 and interest rate of %12 and a discount rate of %4,69 resulting in a real discount rate of approximately (31 December 2018: %5,45).

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 6.379,86 TL effective from 31 December 2019 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:

	1 January – 31 December 2019	**1 January – 31 December 2018**
Opening balance	15.136.774	14.444.956
Service cost	7.416.684	5.689.363
Interest cost	2.265.603	1.604.567
Paid in the period	(9.405.145)	(5.724.209)
Actuarial gains / (losses)	1.405.778	(877.903)
	16.819.694	**15.136.774**

NOTE 19 – OTHER ASSETS AND LIABILITIES

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

	2019	**2018**
Other current assets:		
VAT transferred	26.441.934	31.261.792
Income Accruals	8.946.907	8.701.436
VAT receivables arising from exports	1.409.478	7.896.604
Others	51.759	599.448
	36.850.078	**48.459.280**

	2019	**2018**
Other non-current assets:		
Deductible VAT	25.210.872	23.256.325
	25.210.872	**23.256.325**

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

NOTE 20 – SHAREHOLDERS' EQUITY

a) Share Capital

The Company's share capital of year 2019 consists of 13.600.000.000 number of shares and there is no preferred stock (2018: 13.600.000.000 number of shares).

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

	%	2019	%	2018
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 2019, 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 2018: 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 2019, the share of the Company's share in the financial statements is TL 10.107.809 (31 December 2018: TL 10.107.809).

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 2019 and 2018, the Company's details of restricted reserves are as follows:

	31 December 2019	31 December 2018
Legal reserves	25.705.319	24.922.780
Special reserves	69.915.703	69.915.703
Total	**95.621.022**	**94.838.483**

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.

NOTE 18 – SHAREHOLDERS' EQUITY (Continued)

Legal Reserves (Continued)

Such reserves can be used to take measures suitable for continuing the business or preventing unemployment and mitigating the results only when the losses are not going well, unless the Company's capital exceeds half of the paid 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 2019, actuarial loss amounting to TL 691.572 is recognized as other comprehensive income (31 December 2018: actuarial gain amounting to TL 404.935).

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

Financial asset revaluation and classification gains:

As of 31 December 2019, it consists of revaluation and reclassification gains on financial assets amounting to TL 934.316 (31 December 2018: TL 232.466).

Nakit akış riskinden korunmaya ilişkin kayıplar:

As of 31 December 2019, it consist pf losses related to hedging from cash flow risk amounting to TL 6.051.296 (31 December 2018: None).

f) Dividend distribution

The transfer of the Company's net profit for the year 2018 to retained earnings was discussed at the Ordinary General Assembly Meeting held on March 11, 2019 and the vote was unanimously approved. According to the decision taken, net profit of TL 38.576.777 from the net profit of TL 782.538,65 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.

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

NOTE 21 – SALES AND COST OF SALES

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

	2019	**2018**
Domestic sales	1.097.202.542	975.243.666
Foreign sales	95.963.908	111.457.054
Sales returns and discounts	(51.050.504)	(44.256.401)
	1.142.115.946	**1.042.444.319**
Raw material costs	(837.937.562)	(737.394.230)
General production expenses	(96.569.272)	(83.448.614)
Labor costs	(46.629.267)	(38.098.718)
Depreciation costs	(15.654.736)	(12.757.493)
Change in inventory	99.990.914	6.506.030
Cost of sales	**(896.799.923)**	**(865.193.025)**
Gross profit	**245.316.023**	**177.251.294**

NOTE 22 – EXPENSES BY NATURE

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

	2019	**2018**
Research and development expenses:		
Personnel expenses	(1.255.376)	(1.043.191)
Depreciation expenses	(112.707)	(108.210)
Other	(310.063)	(317.746)
	(1.678.146)	**(1.469.147)**

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

	2019	**2018**
Marketing, Sales and Distribution Expenses:		
Shipping and insurance expenses	(36.959.772)	(36.743.667)
Advertising expenses	(29.637.671)	(20.611.547)
Personnel expenses	(11.453.263)	(8.022.571)
Sales support expenses	(8.486.889)	(7.824.549)
Subcontracting expenses	(3.923.804)	(3.514.075)
Export expenses	(2.404.910)	(2.347.779)
Action, sale, incentive and gondola participation costs	(1.042.508)	(310.820)
Other	(2.586.308)	(4.457.565)
	(96.495.125)	**(83.832.573)**

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

NOTE 22 – EXPENSES BY NATURE (Continued)

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

General and administrative expenses:	**2019**	**2018**
Personnel expenses	(25.140.107)	(21.624.913)
Severance pay	(9.710.443)	(7.999.029)
Depreciation and amortization expenses	(6.609.081)	(2.251.942)
Consultancy and lawsuit expenses	(6.237.759)	(7.672.917)
Administrative expenses	(5.567.424)	(4.097.711)
Information technology expenses	(2.690.685)	(4.556.425)
Transportation, travel expenses	(1.517.071)	(2.107.019)
Taxes and duties expenses	(1.244.700)	(157.535)
Repair and maintenance costs	(629.508)	(406.354)
Other	(3.539.967)	(3.429.439)
	(62.886.745)	**(54.303.284)**

NOTE 23 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

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

	2019	**2018**
Other Operating Income		
Term differences interest income from trading activities	42.788.719	47.539.133
Foreign exchange gain on trading activities	3.140.440	4.145.102
Others	3.348.655	7.452.158
	49.277.814	**59.136.393**

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

	2019	**2018**
Other Operating Expense		
Term differences interest expense of trading activities	(15.552.426)	(19.491.896)
Expenses due from provisions of lawsuit and others	(3.755.100)	--
Foreign exchange loss on trading activities	(2.925.818)	(12.883.264)
Others	(4.760.100)	(3.140.037)
	(26.993.444)	**(35.515.197)**

NOTE 24 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

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

Income from Investing Activities	**2019**	**2018**
Gain on sale of property, plant and equipment	1.089.722	34.832
Rent income	475.333	200.249
Dividend income	--	1.657.918
Subsidiary sales income	--	1.344.214
	1.565.055	**3.237.213**

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

NOTE 24 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES (Continued)

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

Expenses from investing activities	**2019**	**2018**
Loss on sale of property, plant and equipment	(182.765)	(16.656)
	(182.765)	**(16.656)**

NOTE 25 – FINANCIAL INCOME AND EXPENSES

As at 31 December, financial incomes are as follows:

	2019	**2018**
Foreign exchange gains	32.112.403	18.221.157
Interest income on bank deposits	8.302.906	3.140.380
Other	875.447	--
	41.290.756	**21.361.537**

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

	2019	**2018**
Bank loans interest expenses	(37.612.380)	(18.812.923)
Foreign exchange expenses	(22.704.665)	(18.192.478)
Bond interest expense	(7.409.166)	(5.620.879)
Early loan closing commission expense	(4.464.122)	--
Leasing liabilities interest expenses	(3.359.035)	--
Other	(1.711.938)	(307.123)
	(77.261.306)	**(42.933.403)**

NOTE 26 – TAX ASSESTS AND LIABILITIES

	1 January - 31 December 2019	**1 January - 31 December 2018**
Current tax expense	(8.589.082)	(3.854.802)
Discontinued operations tax expense	533.337	--
Deferred tax expense	(1.976.089)	1.036.626
Discontinued operations deferred tax expense	122.705	--
Total tax expense	**(9.909.129)**	**(2.818.176)**

	31 December 2019	**31 December 2018**
<u>Current tax (asset) / liability</u>		
Prepaid taxes and funds (-)	(4.315.661)	(4.662.325)
Current corporate tax provision	8.589.082	3.854.802
	4.273.421	**(807.523)**

NOTE 26 – 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 2019 is 22% (2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2019 (2018: 22%). 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 26 – 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):	**2019**	**2018**
Severance pay liability	3.363.939	2.847.355
Difference between tax base and carry value of property, plant and equipment	(6.406.229)	(5.212.860)
Difference between tax base and carrying value of inventories	1.172.447	1.331.176
Doubtful receivables provisions	52.598	52.598
Provision for unused vacation	484.000	180.000
Sales expense provisions	269.240	650.159
Provision for premiums	--	1.146.440
Right of use assets and liabilities, net	392.055	--
Derivative instruments	1.706.776	--
	1.034.826	**994.868**

There is no carry forward tax losses has been recognized as of 31 December 2019 (31 December 2018: None).

Movement of the deferred tax for the years ended 31 December 2019 and 31 December 2018 is as follows:

Deferred tax assets movements:	**2019**	**2018**
Opening balance as of January 1	994.868	151.381
Recognized directly in equity	1.893.342	(193.139)
Deferred tax income	(1.976.089)	1.036.626
Discontinued operations deferred tax expense	122.705	--
	1.034.826	**994.868**

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

NOTE 26 – 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 2019**	**%**	**31 December 2018**
Profit before tax from continuing operations		71.952.117		42.916.177
Income tax rate 22 %	22	(15.829.466)	22	(9.441.559)
Tax effect of:				
- Nondeductible expenses	1	(332.161)	1	(255.535)
- Exception income		--	(2)	785.709
- Tax effect of government incentives and grants	(10)	6.163.949	(14)	5.797.512
- Tax effect of discontinued operations	1<	(122.705)		--
- Other	1<	211.254	1<	295.697
Tax provision expense on income statement		**(9.909.129)**		**(2.818.176)**

NOTE 27 –EARNINGS PER SHARE

As at 31 December, earnings/ (loss) calculation of per common and diluted share of main companies stakeholders is as follow:

	2019	**2018**
Net profit of the period for continuing operations	62.042.988	40.098.001
Net profit or loss of the period for discontinued operations	4.112.452	(1.521.224)
Averager number of shares available during the period	136.000.000	136.000.000
Earning per common and diluted share due from continuing operations	0,46	0,29
Earnig/ (loss) per common and diluted share due from discontinued operations	0,03	(0,01)
Earning per common and diluted share	0,49	0,28

NOTE 28 – 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.	**2019**	**2018**
Time Deposits	3.106.042	5.362.562
Current Deposits	22.823	24.789
	3.128.865	**5.387.351**

b) Receivables from related parties:

	2019	**2018**
Düzey (*)	369.803.995	286.657.689
Ram (**)	6.499.236	14.820.919
Others	--	25.486
	376.303.231	**301.504.094**

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

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

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

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)

c) Payables to related parties:

Trade Payables	**2019**	**2018**
Zer Merkezi Hizmetler ve Ticaret A.Ş.(*)	17.540.424	26.204.003
Yapı Kredi Bankası A.Ş.(**)	8.004.495	6.709.941
Koç Sistem A.Ş.	2.885.934	2.492.711
Ingage Dijital Pazarlama A.Ş.	2.551.738	520.639
Ram Sigorta Aracılık Hizmetleri A.Ş.	1.997.949	1.544.136
Otokoç Otomotiv Tic.ve San.A.Ş.	927.740	902.145
Eltek Elektrik Enerjisi İthalat İhracat	613.381	--
Düzey	361.743	--
Setur Servis Turistik A.Ş	271.541	346.874
Koç Holding Emekli ve Yardım Sandığı	259.972	308.136
Temel Ticaret Yatırım A.Ş	220.428	257.545
Others	466.608	440.547
	36.101.953	**39.726.677**
Other Payables		
Koç Holding A.Ş.	6.434.748	4.977.767
Total Trade and Payables	**42.536.701**	**44.704.444**

(*) 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:

	2019	**2018**
Düzey (*)	977.569.693	956.274.321
Ram Dış Ticaret A.Ş.	68.898.637	61.721.483
	1.046.468.330	**1.017.995.804**

(*) 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:

	2019	**2018**
Zer Merkezi Hizmetler ve Ticaret A.Ş.(**)	29.803.810	32.199.871
Opet Petrolcülük A.Ş.	1.072.238	1.059.946
Koç Sistem A.Ş.	449.808	745.899
Aygaz A.Ş.	54.193	--
Opet Fuchs Madeni Yağ San. ve Tic.	42.200	--
Otokoç Otomotiv Tic. ve San. A.Ş.	--	208.651
	31.422.249	**34.214.367**

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

NOTE 25 – RELATED PARTY TRANSACTIONS (Continued)

c) Service purchases from related parties:

	2019	2018
Zer Merkezi Hizmetler ve Ticaret A.Ş. (***)	59.138.033	53.868.037
Düzey	10.237.269	11.772.181
Koç Holding A.Ş. (**)	8.994.510	6.563.045
Eltek Elektrik Enerjisi İthalat İhracat	6.389.989	--
Ingage Dijital Pazarlama A.Ş.	5.950.246	1.076.445
Koç Sistem A.Ş.	5.327.599	2.641.635
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	2.736.693	1.442.115
Otokoç Otomotiv Tic. ve San. A.Ş.	2.383.747	2.048.716
Temel Ticaret ve Yatırım A.Ş.	1.822.557	1.123.856
Setur Servis Turistik A.Ş.	1.185.740	1.616.980
Others	2.504.214	1.093.384
	106.670.597	**83.246.394**

(*) 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:

	2019	2018
Yapı ve Kredi Bankası A.Ş.	--	1.304.326
	--	**1.304.326**

b) Interest income:

	2019	2018
Yapı ve Kredi Bankası A.Ş.	589.682	77.725
	589.682	**77.725**

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 2019, the total benefit provided to Tat Gıda's senior executives is TL 10.956.551 (31 December 2018: TL 10.683.139). There is no short term benefits to senior executives (31 December 2018: TL 2.000.000). The cost incurred by Tat Gıda was realized as TL 8.343.782 (31 December 2018: TL 7.953.383) after the costs reflected to the companies served by Tat Gıda.

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

NOTE 29 – 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 4, 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:

	2019	**2018**
Total Liabilities (Note 6,16)	235.472.372	156.030.807
Less: Cash and cash equivalents (Note 4)	(10.476.743)	(27.697.717)
Net Debt	224.995.629	128.333.090
Total Equity	560.584.913	500.875.426
Net Liability/Equity	0,4014	0,2562

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 29 – 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 2019	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Others**
Maximum credit risk exposure as of the reporting date (A + B + C + D + E)	**376.303.231**	**7.577.101**	**--**	**1.336.347**	**10.476.743**	**--**
- the portion of the maximum risk guaranteed by collateral.	--	4.251.155	--	--	--	--
A. Net book value of financial assets not overdue or impaired	273.372.731	1.252.407	--	1.336.347	10.476.743	--
B. Conditions found in re-interviewed. otherwise, the carrying amount of financial assets overdue or impaired.	102.930.500	2.073.539	--	--	--	--
C. Carrying value of financial assets that are past due	--	--	--	--	--	
but not impaired	--	--		--	--	
- Collateral. vs secured part	--	--	--	--	--	
D. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	2.861.871	--	--	--	
- Impairment (-)	--	(2.861.871)	--	--	--	--
- 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 29 – 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 2018	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party
Maximum credit risk exposure as of the reporting date A + B + C + D + E)	**301.504.094**	**21.959.108**	--	**125.580**	**27.697.717**	--
- the portion of the maximum risk guaranteed by collateral.	--	962.501	--	--	--	--
A. Net book value of financial assets not overdue or impaired	214.874.417	18.669.219	--	125.580	27.697.717	--
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	--	--	--	--	--	--
- Overdue (gross book value)	--	2.934.069	--	--	--	--
- 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 29 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors (Continued)

b.1) Credit risk management (Continued)

31 December 2019	**Trade Receivables**	**Other Receivables**	**Deposits in banks**	**Others**
Past due 1-30 days	104.053.434	--	--	--
Past due 1-3 months	727.791	--	--	--
Past due 3-12 months	222.814	--	--	--
Total past due receivables	**105.004.039**	**--**	**--**	**--**

31 December 2018	**Trade Receivables**	**Other Receivables**	**Deposits in banks**	**Others**
Past due 1-30 days	88.015.638	--	--	--
Past due 1-3 months	600.116	--	--	--
Past due 3-12 months	341.311	--	--	--
Total past due receivables	**88.957.065**	**--**	**--**	**--**

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

	2019	**2018**
	Nominal Value	Nominal Value
The part under guarantee with collateral	4.251.155	962.501

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

b) Financial Risk Factors (Continued)

b.2) Liquidity risk Management (Continued)

31 December 2019

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	204.400.884	237.609.392	54.516.728	--	183.092.664	--
Trade payables	144.666.898	144.666.898	144.666.898	--	--	--
Trade payables to related parties	36.101.953	36.101.953	36.101.953	--	--	--
Derivative financial liabilities						
Derivative instruments	7.873.916	7.989.760	1.597.952	4.793.856	1.597.952	--
Total liabilities	**393.043.651**	**426.368.003**	**236.883.531**	**4.793.856**	**184.690.616**	**--**

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	149.876.961	156.030.807	62.891.503	82.439.381	10.699.923	--
Trade payables	127.118.658	127.118.658	120.229.157	6.889.591	--	--
Trade payables to related parties	39.726.677	39.726.677	38.586.552	1.140.125	--	--
Total liabilities	**316.722.296**	**322.876.142**	**221.707.212**	**90.469.097**	**10.699.923**	**--**

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 29 – 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 2019	**TL Equivalent**	**USD**	**Euro**	**Others**
1. Trade receivables	6.867.429	1.149.542	5.852	--
2.a Monetary financial assets	4.902.178	594.593	206.023	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	**11.769.607**	**1.744.135**	**211.875**	**--**
5. Trade receivables	--	--	--	--
6.a Monetary financial assets	--	--	--	--
6.b Non-monetary financial assets	--	--	--	--
7. Other	--	--		
8. NON-CURRENT ASSETS				
9. TOTAL ASSETS	**11.769.607**	**1.744.135**	**211.875**	**--**
10. Trade payables	(4.511.766)	(617.578)	(125.264)	(1.305)
11. Financial liabilities	--	--	--	--
12.a Other monetary financial liabilities	(2.171.600)	--	(326.527)	--
12.b Other non-monetary financial liabilities	1.582.255	266.364	--	--
13. CURRENT LIABILITIES	**(5.101.111)**	**(351.214)**	**(451.791)**	**(1.305)**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16.a Other monetary liabilities	--	--	--	--
16.b Other non-monetary liabilities	(4.861.615)	--	(731.004)	--
17. NON CURRENT LIABILITIES	**(4.861.615)**	**--**	**(731.004)**	**--**
18. TOTAL LIABILITIES	**(9.962.726)**	**(351.214)**	**(1.182.795)**	**(1.305)**
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	1.806.880	1.392.921	(970.920)	(1.305)
21. Net foreign currency asset / liability position of non-monetary items (1+2a+6a-10-12a-12b-14-15-16b)	**1.806.880**	**1.392.921**	**(970.920)**	**(1.305)**
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 29 – 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 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-10-12a-12b-14-15-16b)	**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 29 – 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 2019	
	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	827.423	(827.423)
2- Part of hedged from US Dollar risk (-)	--	--
3- US Dollar net effect	**827.423**	**(827.423)**
In the case of appreciation of EURO at 10% ratio compared to TL		
4 - Euro net asset / liability	(645.720)	645.720
5 – Part of hedged from EURO risk (-)	--	--
6- Euro net effect	**(645.720)**	**645.720**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 – GBP net asset / liability	(1.015)	1.015
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**(1.015)**	**1.015**
TOTAL	**180.688**	**(180.688)**

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 2019	**31 December 2018**
Fixed Rate Instruments		
Financial Assets	10.132.972	27.670.264
Financial Liabilities	235.472.372	156.030.807

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

NOTE 29 – 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	**1.825.541**	**(1.825.541)**

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

NOTE 30 – FINANCIAL INSTRUMENTS

Financial Instruments' Classification and Fair Value

31 December 2019	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	10.476.743	--	--	10.476.743	4
Trade receivables	7.577.101	--	--	7.577.101	7
Receivables from related parties	376.303.231	--	--	376.303.231	28
Other financial assets	--	2.517.599	--	2.517.599	5
Financial Liabilities					
Loans and borrowings	--	--	235.472.372	235.472.372	6
Trade payables	--	--	144.666.898	144.666.898	7
Payables to related parties	--	--	36.101.953	36.101.953	28
Derivative instruments	--	--	7.873.916	7.873.916	16

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

NOTE 30 – FINANCIAL INSTRUMENTS (Continued)

Financial Instruments' Classification and Fair Value (Continued)

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	28
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	28

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

NOTE 30 – 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 2019	1st Level TL	2nd Level TL	3rd Level TL
Financial assets			
Fair value change reflected in other comprehensive income - equity instruments	--	--	2.517.599
Total	--	--	**2.517.599**
Financial liabilities			
Fair value change reflected in other comprehensive income - equity instruments	--	(7.873.916)	--
Total	**--**	**(7.873.916)**	**--**

	Level of fair value as of reporting date		
31 December 2018	1st Level TL	2nd Level TL	3rd Level TL
Finansal assets			
Fair value change reflected in other comprehensive income - equity instruments	--	--	1.815.749
Total	--	--	**1.815.749**

NOTE 31 – SUBSEQUENT EVENTS

None.