TAT GIDA SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2018
(ORIGINALLY ISSUED IN TURKISH)

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(CONVENIENCE TRANSLATION INTO ENGLISH OF REVIEW REPORT ON CONDENSED INTERIM FINANCAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Tat Gıda Sanayi Anonim Şirketi

Introduction

We have reviewed the accompanying balance sheet of Tat Gıda Sanayi Anonim Şirketi ("the Company") as at 30 June 2018, and the interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2018 is not prepared, in all material respects, in accordance with TAS 34, 'Interim Financial Reporting'.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Hatice Nesrin Tuncer, SMMM
Partner
3 August 2018
İstanbul, Turkey

TAT GIDA SANAYİ A.Ş.

INTERIM BALANCE SHEET AS AT 30 JUNE 2018

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

ASSETS	Notes	Reviewed 30 June 2018	Audited 31 December 2017
Current Assets		**588.646.052**	**563.452.240**
Cash and cash equivalents		9.956.138	13.025.751
Trade receivables		364.278.435	281.425.149
-Trade receivables from related parties	14	*297.912.793*	*244.725.130*
-Trade receivables from third parties	5	*66.365.642*	*36.700.019*
Other receivables		642.878	619.041
-Other receivables from third parties		*642.878*	*619.041*
Inventories	6	165.246.458	231.676.801
Prepaid expenses		18.342.695	2.760.369
Other current assets	11	30.179.448	33.945.129
Non-Current Assets		**211.581.857**	**222.537.003**
Other receivables		68.085	88.233
-Other receivables from third parties		*68.085*	*88.233*
Financial investments		3.177.374	3.177.374
Property. plant and equipment	7	180.627.944	185.506.697
Intangible assets		7.535.583	1.241.169
Prepaid expenses		1.069.049	1.933.563
Deferred tax assets		1.039.696	151.381
Other non-current assets	11	18.064.126	30.438.586
TOTAL ASSETS		**800.227.909**	**785.989.243**

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

TAT GIDA SANAYİ A.Ş.

INTERIM BALANCE SHEET AS AT 30 JUNE 2018 (CONTINUED)

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

		Reviewed	Audited
		30 June	31 December
LIABILITIES	**Notes**	**2018**	**2017**
Short Term Liabilities		**242.319.645**	**270.876.344**
Short-term financial borrowings	4	810.245	45.140.855
Short-term portion of long-term borrowings	4	56.715.934	56.799.986
Trade payables		155.066.202	141.140.183
- Trade payables to related parties	14	*32.504.680*	*18.958.312*
- Trade payables to third parties	5	*122.561.522*	*122.181.871*
Employee benefit obligations		5.009.846	5.981.742
Other payables		6.313.277	11.447.176
- Other payables from related parties	14	*4.727.090*	*5.565.583*
- Other payables from third parties		*1.586.187*	*5.881.593*
Deferred income		9.885.557	5.515.635
Current tax liabilities		406.926	130.838
Short-term provisions		8.111.658	4.719.929
- Short-term provisions for employment benefits		*900.000*	*900.000*
- Other short-term provisions		*7.211.658*	*3.819.929*
Long Term Liabilities		**70.749.755**	**22.137.264**
Long-term financial borrowings	4	54.615.385	7.692.308
Long-term provisions		16.134.370	14.444.956
- Long-term provisions for employment benefits		*16.134.370*	*14.444.956*
EQUITY		**487.158.509**	**492.975.635**
Equity attributable to equity holders of the parent company	9	**487.158.509**	**492.975.635**
Share capital		136.000.000	136.000.000
Inflation adjustment to share capital		21.601.088	21.601.088
Share premiums		10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		1.594.091	1.594.091
- Financial assets revaluation reserve		*1.594.091*	*1.594.091*
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		279.830	279.830
-Actuarial losses in defined benefit plan		*(279.830)*	*(279.830)*
Restricted reserves		94.838.483	89.949.523
Prior years' profit		199.113.869	172.819.429
Profit for the period		24.182.999	61.183.525
TOTAL LIABILITIES		**800.227.909**	**785.989.243**

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

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed 1 January- 30 June 2018	Not Reviewed 1 April- 30 June 2018	Reviewed 1 January - 30 June 2017	Not Reviewed 1 April- 30 June 2017
Profit or loss					
Sales	10	545.483.357	281.525.100	515.863.508	250.731.448
Cost of sales (-)	10	(426.115.908)	(221.848.439)	(404.668.310)	(197.074.193)
Gross profit		**119.367.449**	**59.676.661**	**111.195.198**	**53.657.255**
Marketing expenses (-)		(73.677.326)	(37.549.151)	(68.033.626)	(32.961.252)
General administrative expenses (-)		(26.557.683)	(12.008.502)	(24.470.163)	(12.204.919)
Research and development expenses (-)		(716.522)	(453.365)	(44.231)	(26.959)
Other income from operating activities		20.158.035	12.279.458	15.964.121	8.555.209
Other expenses from operating activities (-)		(8.345.924)	(4.091.742)	(5.864.752)	(3.275.399)
Operating profit		**30.228.029**	**17.853.359**	**28.746.547**	**13.743.935**
Income from investing activities		3.222.609	1.533.142	1.054.404	86.070
Expenses from investing activities (-)		--	--	(5.215)	316
Operating profit before finance expense		**33.450.638**	**19.386.501**	**29.795.736**	**13.830.321**
Finance income		4.333.312	3.011.359	3.209.263	306.992
Finance expense (-)		(12.361.449)	(7.711.673)	(6.568.776)	(2.598.148)
Finance income/(expense), net		**(8.028.137)**	**(4.700.314)**	**(3.359.513)**	**(2.291.156)**
Profit before tax		**25.422.501**	**14.686.187**	**26.436.223**	**11.539.165**
Tax income / (expense)		**(1.239.502)**	**(781.450)**	**(5.618.825)**	**(2.370.338)**
Current period tax expense	12	(2.127.817)	(1.336.833)	(4.341.713)	(2.392.289)
Deferred tax income / (expense)	12	888.315	555.383	(1.277.112)	21.951
Profit for the period		**24.182.999**	**13.904.737**	**20.817.398**	**9.168.827**
Allocation of profit for the period					
Owners of the company		24.182.999	13.904.737	20.817.398	9.168.827
Net profit for the period		**24.182.999**	**13.904.737**	**20.817.398**	**9.168.827**
Earnings per share	13	0,18	0,10	0,15	0,07
Other comprehensive income:					
Actuarial gain on employee benefits		--	--	--	--
Total other comprehensive income		**--**	**--**	**--**	**--**
Total comprehensive income		**24.182.999**	**13.904.737**	**20.817.398**	**9.168.827**
Total comprehensive income attributable to					
Owners of the company		24.182.999	13.904.737	20.817.398	9.168.827
Total comprehensive income		**24.182.999**	**13.904.737**	**20.817.398**	**9.168.827**

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

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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

				Items that may be reclassified subsequently to profit or loss	Items that will not be reclassified subsequently to profit or loss				
	Share capital	Inflation adjustment to share capital	Share premium	Financial assets revaluation reserve	Actuarial gain/losses in defined benefit plans	Restricted reserves	Net profit for the period	Prior year's profit	Total equity
Balance at 1 January 2017	**136.000.000**	**21.601.088**	**10.107.809**	**1.294.091**	**(812.136)**	**84.592.445**	**64.700.560**	**143.476.510**	**460.960.367**
Transfers	--	--	--	--	--	5.357.078	(64.700.560)	59.343.482	--
Dividend payment	--	--	--	--	--	--	--	(30.000.563)	(30.000.563)
Total comprehensive income	--	--	--	--	--	--	20.817.398	--	20.817.398
Balance at 30 June 2017	**136.000.000**	**21.601.088**	**10.107.809**	**1.294.091**	**(812.136)**	**89.949.523**	**20.817.398**	**172.819.429**	**451.777.202**
Balance at 1 January 2018	**136.000.000**	**21.601.088**	**10.107.809**	**1.594.091**	**(279.830)**	**89.949.523**	**61.183.525**	**172.819.429**	**492.975.635**
Transfers	--	--	--	--	--	4.888.960	(61.183.525)	56.294.565	--
Dividend payment	--	--	--	--	--	--	--	(30.000.125)	(30.000.125)
Total comprehensive income	--	--	--	--	--	--	24.182.999	-	24.182.999
Balance at 30 June 2018	**136.000.000**	**21.601.088**	**10.107.809**	**1.594.091**	**(279.830)**	**94.838.483**	**24.182.999**	**199.113.869**	**487.158.509**

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017
Net profit for the priod		24.182.999	20.817.398
Adjustments to reconcile profit for the period:			
Adjustments related to provision for inventories	6	1.502.666	--
Adjustments related to depreciation and amortization expenses	3	6.079.916	4.741.253
Adjustments related to provision for employee termination benefit		4.388.709	5.024.246
Profit from sale of subsidiary		(1.344.214)	--
Profit / (loss) from sale of property, plant and equipment and intangible assets		1.147	(60.918)
Adjustments related to other provisions		3.391.729	3.318.938
Adjustments related to income accruals		3.498.604	(1.648.953)
Adjustments related to increase in fair value of derivatives		(1.257.337)	--
Unrealized foreign exchange loss		2.314.643	--
Deferred financial expense due to purchases with maturity		96.336	974.190
Unearned financial income due to sales with maturity		(2.597.989)	(1.133.466)
Interest income		(366.917)	(3.209.263)
Interest expense		7.830.741	6.568.776
Dividend income		(1.657.918)	(937.378)
Changes in working capital		**46.063.115**	**34.454.823**
Changes in trade receivables and other receivables		(31.910.579)	18.329.846
Changes in due from related parties		(50.589.674)	(57.333.208)
Changes in inventories		64.927.677	55.719.879
Changes in prepaid expenses		(14.717.812)	(26.144.709)
Changes in other current and non-current assets		16.916.884	(5.230.928)
Changes in trade payables		283.314	27.218.181
Changes due to related parties		12.707.875	(11.019.147)
Changes in deferred income		4.369.922	(15.054)
Changes in employee benefit payables		(971.896)	981.645
Changes in other current liabilities		(4.295.406)	2.515.739
Changes in provisions for employee benefit		--	1.800.000
Cash flows from operating activities		**42.783.420**	**41.277.067**
Employee termination benefits paid		(2.699.295)	(4.119.523)
Taxes paid		(612.227)	1.277.112
Net cash flows from operating activities		**39.471.898**	**38.434.656**
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	3	(8.275.093)	(19.907.774)
Cash generated from sale of property, plant and equipment and intangible assets		1.626	75.343
Cash generated from sale of subsidiary		1.344.214	--
Interest received		366.917	3.209.263
Dividend received		1.657.918	937.378
Net cash used in investing activities		**(4.904.418)**	**(15.685.790)**
Financing activities:			
Cash inflows due to loan received		83.449.142	34.420.607
Cash outflows due to loan payments		(82.030.988)	(37.899.029)
Interest paid		(9.055.122)	(7.214.114)
Dividend payment		(30.000.125)	(30.000.563)
Net cash used in financing activities		**(37.637.093)**	**(40.693.099)**
Net change in cash and cash equivalents		**(3.069.613)**	**(17.944.233)**
Cash and cash equivalents at the beginning of the period		**13.025.751**	**43.117.818**
Cash and cash equivalents at the end of the period		**9.956.138**	**25.173.585**

The accompanying notes form an integral part of these condensed interim 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 had 1.135 employees as at 30 June 2018. (31 December 2017: 1.056). The average number of employees of company is 1.059 (31 December 2017: 1.243)

The domestic marketing and sales activities of the Company are performed by Düzey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzey"), a Koç Group company.

Koç Holding A.Ş. is the main shareholder and the ultimate owner of the Company.

The shares of the Company are quoted to Istanbul Stock Exchange Market since 1993.

The registered office address of the Company is as follows:

Taşdelen Çamlık Mah. Sırrı Çelik Bulvarı No: 7 34788
Çekmeköy / İstanbul / Turkey

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation.

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

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

The interim condensed financial statements are prepared on historical cost basis except for the financial assets and liabilities measured at fair value of considerations paid for the assets is considered in determining the historical cost.

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

2.1 Statement of Compliance (continued)

Approval of financial statements:

Interim condensed financial statements are authorized for issue by Board of Directors meeting on 3 August 2018.

Reporting and Functional Currency

The condensed interim 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.

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.

2.2 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.

2.3 New and Revised International Financial Reporting Standards:

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

(a) Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 *Leases*, TFRS Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, TAS Interpretation 15 *Operating Leases – Incentives*, and TAS Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and consequently changes to TAS 40 *Investment Properties*. TFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 *Revenue from Contracts with Customers*. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

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

2.3 New and Revised International Financial Reporting Standards (continued)

(a) Standards issued but not yet effective and not early adopted (continued)

TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments

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

Amendments to TFRS 9 - Prepayment features with negative compensation

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

The Company does not expect that application of these amendments to TFRS 9 will have significant impact on its financial statements.

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

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

The Company does not expect that application of these amendments to TAS 28 will have significant impact on its financial statements

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements to IFRSs 2015-2017 Cycle
Improvements to IFRSs

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

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

2.3 New and Revised International Financial Reporting Standards (continued)

(a) Standards issued but not yet effective and not early adopted (continued)

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

Improvements to IFRSs (continued)

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

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

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -

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

The Company does not expect that application of these amendments to IAS 19 will have significant impact on its financial statements.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS 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 Board 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 IFRS 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.

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

2.3 New and Revised International Financial Reporting Standards (continued)

(a) Standards issued but not yet effective and not early adopted (continued)

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

Improvements to IFRSs (continued)

IFRS 17 – Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Company does not expect that application of these amendments to IFRS 17 will have significant impact on its financial statements.

2.4 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The Company has applied the new standards, amendments and interpretations effective from 1 January 2018 in accordance with the transitional provisions of the relevant standards for the accounting policy changes resulting from the first application of the "Revenue from TFRS 15 Customer Contracts" and "TFRS 9 Financial Instruments" standards.
The effects of the first-time adoption of these standards-based accounting policy changes and related standards are as follows:

Transition to TFRS 15 "Revenue from contracts with customers"

Company has applied TFRS 15 "Revenue from contracts with customers", which has replaced TMS 18, by using cumulative effect method on the transition date, 1 January 2018.Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Company recognizes revenue based on the following main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

The Company assesses the goods or services undertaken by each contract made with the customer and specifies each commitment to transfer such goods or services as a separate performance obligation.

For each performance obligation, at the beginning of the contract, the obligation to fulfill the obligation is to be delivered in time or at a certain time. If the control of a good or service over time is carried out by the Company and the fulfillment of the performance obligations related to the related sales over time, the Company shall take the financial statements as spread out at the time of completion measuring the progress towards fulfillment of such performance obligations.

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

2.4 Restatement and Errors in the Accounting Policies and Estimates (continued)

Transition to TFRS 15 "Revenue from contracts with customers" (continued)

When the Company fulfills its obligation to transfer the obligation by transferring a promised good or service to its customers, it records the transaction value corresponding to that obligation as revenue in its financial statements. When the control of the goods or services is overtaken by the customers (or as they pass) the goods or services are transferred.

Company recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Company can identify each party's rights regarding the goods or services to be transferred,
(c) Company can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

The Company does not make any adjustments to the effect of a significant financing component at the commitment price, if the contract at the outset suggests that the period between the date of transfer of the goods or services for which the customer is committed and the date the customer pays the price of such goods or services is one year or less. On the other hand, if there is an important financing element in the revenue, the revenue value is determined by discounting future collections with the interest rate included in the financing element. The difference is recognized in the related periods as other income from the main operations on an accrual basis.

The Company has evaluated the transition effects of TFRS 15 and determined that there is no significant effect on the financial statements.

Transition to TFRS 9 "Financial instruments"

Classification and measurement

The Company classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

"Financial assets carried at amortized cost " , assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. Company's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty

"Financial assets carried at fair value", assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Company make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

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

2.4 Restatement and Errors in the Accounting Policies and Estimates (continued)

Transition to TFRS 9 "Financial instruments" (continued)

***Classification and measurement* (continued)**

"Financial assets carried at fair value through profit or loss", financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Company's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

"Financial assets carried at fair value through other comprehensive income", financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. In addition, trade receivables collected from factoring companies due to without recourse factoring activities are classified as financial assets carried at fair value through other comprehensive income since the collection risk of these receivables are transferred to the factoring companies and management's business plan for them is "hold to sell". When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

The Company has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach. In accordance with this method, The Company recorded the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39.

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:

Financial assets	**Original classification under TMS 39**	**New classification under TFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Financial assets	Available for sale financial assets	Fair value through other comprehensive income

Financial assets	**Original classification under TMS 39**	**New classification under TFRS 9**
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortized cost	Amortized cost
Financial lease liabilities	Amortized cost	Amortized cost
Factoring liabilities	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

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

2.4 Restatement and Errors in the Accounting Policies and Estimates (continued)

Transition to TFRS 9 "Financial instruments" (continued)

Classification and measurement **(continued)**

Impairment

The expected credit loss model "in TFRS 9" Financial Instruments "instead of the" actual credit loss model "in TAS 39" Financial Instruments: Recognition and Measurement "which was in effect prior to 1 January 2018. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument. In calculating the expected credit losses, the Company's future estimates are taken into account along with past credit loss experience.

Trade receivables

The Company has preferred to apply the "simplified approach" defined in TFRS 9 within the scope of accounting for the impairment of trade receivables that are accounted for at amortized cost in the financial statements and which do not include any significant financing component (1 year to short term). With the said approach, the Company measures loss provisions for trade receivables at an amount equal to "expected life-time credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason.

The Company uses a provisioning matrix to measure the expected credit losses on trade receivables.

Depending on the number of days the maturities of trade receivables are exceeded, certain maturity ratios are calculated and these ratios are reviewed at each reporting period and revised where necessary. Expected credit losses are accounted for under "other income / expense from main operations" in the income statement.

The Company has assessed the transition effects of TFRS 9 and determined that there is no significant effect on the financial statements.

2.5 Summary of Significant Accounting Policies

According to CMB, the entities have option to prepare interim financial statements prepared according to IAS 34 "Interim Financial Statements" as condensed or full set. Therefore, the Company decided to prepare its interim financial statements as of 30 June 2018 as condensed.

Some of the disclosures and notes that are required to be included in IFRS financial statements under the CMB are summarized in accordance with IAS 34 or not included in the financial statements. The accompanying condensed financial statements should be presented with the audited financial statements and accompanying notes prepared as of 31 December 2017. The results of interim financial statements cannot be solely considered as the results of the enti re financial period.

Accounting policies and accounting estimates disclosed in the 31 December 2017 financial statements are applied in the current period.

NOTE 3 – SEGMENT REPORTING

Primary Segmental Reporting Method - Industrial Segments

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

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

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

NOTE 3 - SEGMENT REPORTING (CONTINUED)

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 486.4965.573 (30 June 2017: TL 456.416.784)

a) Revenue segmental analysis for the period ended 1 January - 30 June 2017 and 2016

	1 January-30 June 2018	1 April-30 June 2018	1 January-30 June 2017	1 April-30 June 2017
Tomato paste and canned products	207.940.449	112.163.243	178.907.829	85.409.233
Milk and dairy products	306.971.377	153.142.642	301.025.711	149.988.730
Pasta and bakery products	30.571.531	16.219.215	35.929.968	15.733.485
	545.483.357	**281.525.100**	**515.863.508**	**250.731.448**

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 of 30 June 2018 and 31 December 2017, the recorded amounts of the segment assets according to industrial segments are as follows:

	30 June 2018	31 December 2017
Tomato paste and canned products	68.263.759	67.438.722
Milk and dairy products	107.871.436	102.720.548
Pasta and bakery products	6.854.349	6.497.576
Assets that cannot be allocated to segments	5.173.983	10.091.020
	188.163.527	**186.747.866**

c) Segment liabilities

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

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

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

NOTE 3 – SEGMENTAL REPORTING (CONTINUED)

d) Depreciation and amortization and capital expenditures

Depreciation and amortization of the industrial segment assets for the periods ended 30 June 2018 and 30 June 2017 are as follows:

Amortization and depreciation costs	**1 January-30 June 2018**	**1 April-30 June 2018**	**1 January-30 June 2017**	**1 April-30 June 2017**
Tomato paste and canned products	1.310.330	715.590	767.540	456.947
Milk and dairy products	4.083.369	2.076.451	3.408.692	1.726.107
Pasta and bakery products	351.159	180.676	308.220	155.298
Assets that cannot be allocated to segments	335.058	137.211	256.801	133.214
	6.079.916	**3.109.928**	**4.741.253**	**2.471.566**

For the periods ended 30 June 2018 and 2017, investment expenditures for the industrial segment assets are as follows:

Investment expenditures	**1 January-30 June 2018**	**1 April-30 June 2018**	**1 January-30 June 2017**	**1 April-30 June 2017**
Tomato paste and canned products	2.706.294	1,288,104	9.444.134	8.974.780
Milk and dairy products	4.099.171	1,856,285	7.673.809	6.548.514
Pasta and bakery products	276.171	79,827	255.515	156.640
Assets that cannot be allocated to segments	1.193.458	182,994	2.534.316	1.109.316
	8.275.093	**3,407,209**	**19.907.774**	**16.789.250**

NOTE 4 – FINANCIAL BORROWINGS

The financial liabilities at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	**31 December 2017**
Short term borrowings	810.245	45.140.855
Short term portion of long term borrowings	6.153.846	6.220.865
Bonds issued	50.562.088	50.579.121
Total short term financial liabilities	**57.526.179**	**101.940.841**
Long term borrowings	54.615.385	7.692.308
Total long term financial liabilities	**54.615.385**	**7.692.308**
	112.141.564	**109.633.149**

The company issued bonds on 29 November 2016 amounting to TL 50.000.000, with a maturity of 27 November 2018 and 12,43% interest rate.

There are no pledges and mortgages given related to the Company's financial liabilities (31 December 2017: None).

The Company's Turkhis Lira loans are fixed rates.

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

NOTE 4– FINANCIAL BORROWINGS (CONTINUED)

The company's loans have fixed interest rates. The details of financial borrowings as of 30 June 2018 are as follows:

	The weighted average interest rate	Original amount	30 June 2018 Book Value (TL)
Short term financial borrowings			
TL borrowings	10,25%	6.964.091	6.964.091
Bonds Issued	12,43%	50.562.088	50.562.088
			57.526.179
Long term financial borrowings			
TL borrowings	15,83%	54.615.385	54.615.385
			54.615.385

The details of financial borrowings as of 31 December 2017 are as follows:

	The weighted average interest rate	Original amount	31 December 2017 Book Value (TL)
Short term financial borrowings			
TL borrowings	13,83%	32.502.220	32.502.220
USD borrowings	2,13%	5.000.000	18.859.500
Bonds issued	12,43%	50.579.121	50.579.121
			101.940.841
Long term financial borrowings			
TL borrowings	10,25%	7.692.308	7.692.308
			7.692.308

Repayment schedule of the long-term borrowings and bonds issued at 30 June 2018 and 31 December 2017 of are as follows:

	30 June 2018	31 December 2017
2019	3.076.923	6.153.846
2020	51.538.462	1.538.462
	54.615.385	**7.692.308**

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

	2018	2017
1 January opening balance	**109.633.149**	**73.692.176**
Cash transactions		
Cash inflows from loan debts used	83.449.142	34.420.607
Cash outflow on loan debt repayments	(82.030.988)	(37.899.029)
Non-cash transactions		
Cost of amortized value	1.090.262	(645.338)
30 June closing balance	**112.141.564**	**69.568.416**

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

NOTE 5 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables

The analysis of trade receivables and trade payables at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	31 December 2017
Due from related parties (note 14)	297.912.793	244.725.130
Notes and cheques receivables	42.149.607	18.894.685
Trade receivables	21.476.103	11.566.798
Income accruals	5.555.790	9.054.394
Provisions for doubtful receivables	(2.815.858)	(2.815.858)
	364.278.435	**281.425.149**

Movement of allowance for doubtful receivables of the Company for the period ended 30 June 2018 and 30 June 2017 is as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Opening balance	(2.815.858)	(2.649.254)
Provisions made during period	--	(2.988)
	(2.815.858)	**(2.652.242)**

The explanations related to quality and level of risks at trade receivables are explained at note 14.

Trade Payables

As of 30 June 2018 and 31 December 2017, the details of trade payables are as follows:

	30 June 2018	31 December 2017
Domestic suppliers	122.561.522	122.181.871
Due to related parties (Note 14)	32.504.680	18.958.312
	155.066.202	**141.140.183**

NOTE 6 - INVENTORIES

As of 30 June 2018 and 31 December 2017, the details of inventories are as follows:

	30 June 2018	31 December 2017
Raw materials	56.983.667	55.686.159
Semi-finished goods	6.288.980	325.587
Finished goods	103.220.740	175.221.730
- Tomato paste and canned products	*76.050.477*	*150.364.482*
- Milk and dairy products	*25.433.589*	*20.405.178*
- Pasta and bakery products	*1.736.674*	*4.452.070*
Provision for net realizable value	(1.502.666)	--
Other inventory	255.737	443.325
	165.246.458	**231.676.801**

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

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

For the periods ended 30 June 2018 and 30 June 2017, property, plant and equipment movement are as follows:

	2018	2017
Net book value as of 1 January	185.506.697	153.518.066
Additions	9.088.026	13.080.150
Disposals	(4.549)	(14.425)
Transfers	(6.743.960)	--
Current period depreciation	(7.218.270)	(6.055.393)
Net book value as of 30 June	**180.627.944**	**160.528.398**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The detail of the Company's and its subsidiaries' guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	30 June 2018	31 December 2017
A. On the behalf of legal entity	82.053.782	80.256.938
B. On the behalf of associations that included in full consolidation	--	--
C. On the behalf of third parties' liabilities within the context of business operations	--	--
-Given on the behalf of parent company	--	--
-Given on the behalf of other group companies which are not included in B and C clauses	--	--
-Given on the behalf of third parties which are not included in C clause	--	--
D. Others	--	--
	82.053.782	**80.256.938**

Company has miscellaneous guarantee letters given to tax office (for VAT receivable), T.Ihracat Kredi Bankası A.Ş. and customs amounting to TL 82.053.782 (31 December 2017: TL 80.256.938).

Total guarantees given by the Company are in TL currency and neither any pledges nor encumbrances are given by the Company. Ratio of commitments and contingencies given by the Company to the Shareholders Equity on 30 June 2018 is 0% (31 December 2017: 0%).

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

NOTE 9 – SHAREHOLDER'S EQUITY

a) Share Capital

As of 30 June 2018 and 31 December 2017, the shareholders and paid-in capital with the historical values are as follows:

	%	30 June 2018	%	31 December 2017
Koç Holding A.Ş.	43,7	59.364.947	43,7	59.364.947
Shares publicly open in stock exchange	41,4	56.312.844	41,4	56.312.844
Kagome Co. Ltd.	3,7	5.071.168	3,7	5.071.168
Temel Ticaret ve Yatırım A.Ş.	3,3	4.427.889	3,3	4.427.889
Sumitomo Corporation	1,5	2.077.983	1,5	2.077.983
Other	6,4	8.745.169	6,4	8.745.169
Total Share Capital	**100**	**136.000.000**	**100**	**136.000.000**
Inflation adjustments to share capital		21.601.088		21.601.088
Adjusted share capital		**157.601.088**		**157.601.088**

The company's share capital of year 2018 consists of 13.600.000.000 number of shares with a par value TL 0.01 and there is no preferred stock (31 December 2017: 13.600.000.000 number of shares)

b) Defined benefit plans

As a result of the adoption of standards recognized in other comprehensive income is comprised of actuarial gains and losses.

c) Restricted Reserves

Details of restricted reserves are as follows:

	30 June 2018	31 December 2017
Legal Reserves	24.922.780	20.033.820
Special Reserves	69.915.703	69.915.703
	94.838.483	**89.949.523**

Legal Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Special Reserves

The Company has sold Maret assets in 2014. The income from this sale was subjected to tax with exemptions as described in article 5/1-e of Corporate Tax Law No: 5520. 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 have benefited from the exception shall be kept in a special fund account of liabilities, until the end of the fifth year following the sale.

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

NOTE 9 – SHAREHOLDER'S EQUITY (CONTINUED)

c) Restricted Reserves (continued)

Dividend Payment

In General Assemble Meeting of the Company on 14 February 2018;

It has been decided that, TL 27.388.500 as first dividend and TL 2.611.625 as second dividend which amount to TL 30.000.125 in total will be paid in cash.

Dividend payments are completed on 20 March 2018.

NOTE 10 – SALES AND COST OF SALES

For the periods ended between 30 June 2018 and 30 June 2017, the details of operating income and cost of goods sold are as follows:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Domestic sales	559.803.500	288.500.362	515.974.462	247.900.077
Foreign sales	40.953.402	22.777.797	39.185.824	20.427.240
Rebates and sales discounts	(55.273.545)	(29.753.059)	(39.296.778)	(17.595.869)
Total operating revenue	**545.483.357**	**281.525.100**	**515.863.508**	**250.731.448**
Cost of sales	**(426.115.908)**	**(221.848.439)**	**(404.668.310)**	**(197.074.193)**
Gross profit	**119.367.449**	**59.676.661**	**111.195.198**	**53.657.255**

NOTE 11 – OTHER ASSETS

As of 30 June 2018 and 31 December 2017, the details of other assets are as follows:

	30 June 2018	31 December 2017
Other current assets:		
Deferred value added tax ("VAT")	25.151.353	28.381.332
VAT receivables arising from exports	4.910.730	4.306.342
Others	117.365	1.257.455
	30.179.448	**33.945.129**

	30 June 2018	31 December 2017
Other non-current assets:		
Deferred VAT	18.064.126	30.438.586
	18.064.126	**30.438.586**

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

NOTE 12 – TAX ASSETS AND LIABILITIES

	1 January - 30 June 2018	1 January- 30 June 2017
Current period tax expense	(2.127.817)	(4.341.713)
Deferred tax income / (expense)	888.315	(1.277.112)
Total tax (expense)	**(1.239.502)**	**(5.618.825)**

NOTE 13 – EARNINGS PER SHARE

Earnings per share disclosed in the statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding duing the year.

The companies can increase their share capital by making pro-rota distribution of shares ("bonus shares") to existing shareholders from retained earnings. In earnings per share calculation, this bonus share issuance is accepted as share issued. Hence, weighted average stock share, which is used in the calculation of earnings per share, is incuieed by retrospective application of bonus share issue.

Earnings per share and dividends paids in terms of share groups are as follows:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Net income	24.182.999	13.904.737	20.817.398	9.168.827
Weighted average numberof ordinary shares with nominal value (kurus 1 each one)	13.600.000.000	13.600.000.000	13.600.000.000	13.600.000.000
Earning per share (kurus) (*)	**0,178**	**0,102**	**0,153**	**0,067**
Diluted earning per share (kurus) (*)	**0,178**	**0,102**	**0,153**	**0,067**
Dividend distriburted to the equity holders of the parent	30.000.125	30.000.125	30.000.563	30.000.563
Gross dividend distributed per share (kurus) (*)	**0,221**	**0,221**	**0,221**	**0,221**

(*) The earnings and dividends paid per diluted and basic shares do not differ since shareholders have equal rights on the shares and there is no preffered share.

NOTE 14 – RELATED PARTY TRANSACTIONS

i) As of 30 June 2018 and 31 December 2017, the details of related party balances are as follows:

a) Deposits at Banks:

	30 June 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	9.620.674	4.698.072
	9.620.674	**4.698.072**

b) Due from related parties:

	30 June 2018	31 December 2017
Düzey (*)	291.627.056	240.938.220
Ram Dış Ticaret A.Ş.	6.265.623	3.767.865
Others	20.114	19.045
	297.912.793	**244.725.130**

(*) The Company's domestic selling and marketing operations are carried out by the Koç Group Company, Düzey.

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

NOTE 14 – RELATED PARTY TRANSACTIONS (CONTINUED)

c) Due to related parties: **Trade Payables**	**30 June 2018**	**31 December 2017**
Zer Merkezi Hizmetler ve Ticaret A.Ş.	29.241.021	14.267.889
Koç Sistem A.Ş.	2.029.388	1.435.126
Otokoç Otomotiv Tic.ve San. A.Ş.	526.425	811.941
Temel Ticaret ve Yatırım A.Ş	257.545	193.250
Ram Sigorta Aracılık Hizmetleri A.Ş.	128.222	900.757
Setur Servis Turistik A.Ş	69.733	445.432
Divan Turizm İşletmeleri A.Ş.	66.132	59.637
Opet Petrolcülük A.Ş.	56.872	40.218
Aygaz Doğalgaz Toptan Satış A.Ş	--	539.225
Others	129.342	264.837
	32.504.680	**18.958.312**
Other Payables		
Koç Holding A.Ş.	4.727.090	5.565.583
Total Payables	**25.827.770**	**24.523.895**

ii) For the periods ended 30 June 2018 and 2017, the details of significant sales to related parties and purchases from related parties are as follows:

a) Sales to related parties:

	1 January-30 June 2018	**1 January-30 June 2017**
Düzey (*)	486.965.573	456.416.784
Ram Dış Ticaret A.Ş.	26.493.722	--
Others	--	2.843
	513.459.295	**456.419.627**

(*) The Company's domestic selling and marketing operations are carried out by the Koç Group Company, Düzey. Average maturity date for Düzey is 90 days (2017: 85 days).

b) Purchase from related parties:

	1 January-30 June 2018	**1 January-30 June 2017**
Zer Merkezi Hizmetler ve Ticaret A.Ş.	6.484.110	11.077.681
Diğer	9.078	--
	6.493.188	**11.077.681**

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

NOTE 14 – RELATED PARTY TRANSACTIONS (CONTINUED)

ii) For the periods ended 30 June 2018 and 2017, the details of significant sales to related parties and purchases from related parties are as follows (continued):

c) Services obtained from related parties:

	1 January-30 June 2018	1 January-30 June 2017
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	21.469.021	23.046.631
Koç Holding A.Ş. (**)	3.524.998	3.291.204
Koç Sistem A.Ş.	1.137.109	2.933.024
Otokoç Otomotiv Tic. ve San. A.Ş.	864.437	707.439
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	655.500	567.153
Setur Servis Turistik A.Ş.	579.515	610.956
Temel Ticaret ve Yatırım A.Ş.	561.928	1.141.788
Opet Petrolcülük A.Ş.	468.637	416.837
Ram Dış Ticaret A.Ş.	210.463	
Aygaz Doğal Gaz Toptan Satış A.Ş.	--	2.748.753
Others	204.343	147.646
	29.675.951	**35.611.431**

(*)In the context of insurance policies signed via acting as insurance agent Ram Insurance Brokerage Services A.Ş. and insurance companies, it includes the amount of premium paid accrued in the period ended June 30, 2018, respectively.

(**)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) For the periods ended 30 June 2018 and 2017, the details of financial expenses to related parties are as follows:

a) Interest Expenses:

	1 January-30 June 2018	1 January-30 June 2017
Yapı ve Kredi Bankası A.Ş.	770.700	3.083.151
	770.700	**3.083.151**

b) Interest Income:

	1 January-30 June 2018	1 January-30 June 2017
Yapı ve Kredi Bankası A.Ş.	41.756	163.895
	41.756	**163.895**

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

NOTE 14 – RELATED PARTY TRANSACTIONS (CONTINUED)

iv) For the periods ended 30 June 2018 and 2017, the details of other income and expenses from / to related parties are as follows:

a) Rent Expenses:

	1 January- 30 June 2018	1 January- 30 June 2017
Temel Ticaret ve Yatırım A.Ş.	561.928	489.944
	561.928	**489.944**

b) Payments to key management:

	1 January- 30 June 2018	1 January- 30 June 2017
Wages and other short-term benefits	2.411.285	2.355.246
	2.411.285	**2.355.246**

NOTE 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS

a) Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Company's financial risk policies and credit risk management practices has not been a significant change compared to previous periods.

a.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 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

	Receivables					
	Trade receivables		Other receivables			
30 June 2018	Related party	Third party	Related party	Third party	Deposits in bank	Other
Maximum net credit risk as of balance sheet date	297.912.793	66.365.642	--	710.963	9.956.138	--
-The part of maximum risk under guarantee with collateral etc.	--	10.973.930	--	--	--	
A. Net book value of financial assets that are neither past due nor impaired	220.628.363	64.821.701	--	710.963	9.956.138	--
B. Carrying value of financial assets that are past due but not impaired	77.284.430	1.543.941	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--
- Past due (gross carrying amount)	--	2.815.858	--	--	--	--
- Impairment	--	(2.815.858)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--	--

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

NOTE 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

	Receivables					
	Trade receivables		Other receivables			
31 December 2017	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits in bank**	**Other**
Maximum net credit risk as of balance sheet date	244.725.130	36.700.019	--	254.080	13.025.751	453.194
				--	--	--
-The part of maximum risk under guarantee with collateral etc.	--	2.130.744	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	195.089.657	34.368.336	--	254.080	13.025.751	453.194
B. Carrying value of financial assets that are past due but not impaired	49.635.473	2.331.683	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--	--
- Past due (gross carrying amount)	--	2.815.858	--	--	--	--
- Impairment	--	(2.815.858)	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--	--	--
- The part of net value under guarantee with collateral etc.	--	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--	--

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

NOTE 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

Foreign currency transactions lead to Exchange risk for company. Exchange risk is managed with forward foreign exchange purchase/sale contracts based on authorized policies.

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

30 June 2018	**TL Equivalent**	**USD**	**EUR**	**Other**
1. Trade Receivables	14.186.026	1.614.504	1.237.531	42.210
2.a Monetary financial assets	9.536.014	2.083.645	6.241	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	**23.722.040**	**3.698.149**	**1.243.772**	**42.210**
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	**23.722.040**	**3.698.149**	**1.243.772**	**42.210**
10. Trade Payables	(5.103.533)	(226.659)	(766.558)	--
11. Financial Liabilities	--	--	--	--
12.a Other Monetary Financial Liabilities	(3.747.833)	(821.767)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(8.851.366)	(1.048.426)	(766.558)	--
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(8.851.366)**	**(1.048.426)**	**(766.558)**	**--**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	(118.920)	(26.075)	--	--
19.a Off-balance sheet foreign currency derivative assets	(118.920)	(26.075)	--	--
19.b Off balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	14.870.674	2.649.723	477.214	42.210
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**14.751.754**	**2.623.648**	**477.214**	**42.210**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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

NOTE 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

31 December 2017	**TL Equivalent**	**USD**	**EUR**	**Other**
1. Trade Receivables	9.491.770	1.391.276	917.729	19.686
2.a Monetary financial assets	12.234.069	3.168.096	62.967	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	21.725.839	4.559.372	980.696	19.686
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--		
8. NON-CURRENT ASSETS				
9. TOTAL ASSETS	**21.725.839**	**4.559.372**	**980.696**	**19.686**
10. Trade Payables	(10.079.284)	(1.166.257)	(1.254.935)	(2.681)
11. Financial Liabilities	(18.859.500)	(5.000.000)	--	--
12.a Other Monetary Financial Liabilities	(4.938.824)	(1.309.373)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	(33.877.608)	(7.475.630)	(1.254.935)	(2.681)
14. Trade Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(33.877.608)**	**(7.475.630)**	**(1.254.935)**	**(2.681)**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	9.376.563	2.500.000	--	--
19.a Off-balance sheet foreign currency derivative assets	9.376.563	2.500.000	--	--
19.b Off balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	(12.151.769)	(2.916.258)	(274.239)	17.005
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**(2.775.206)**	**(416.258)**	**(274.239)**	**17.005**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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

NOTE 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

Foreign currency sensitivity

The Company is mainly exposed to foreign currency risk in USD, EUR and British Pound ("GBP"). The following table details the Company's sensitivity to a 10% increase and decrease in the USD 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.

	30 June 2018	
	Profit / Loss	
	Appreciation of foreign currency	Devaluation of foreign currency
In the case of appreciation of USD at 10% ratio compared to TL		
1 – USD net asset / liability	1.208.459	(1.208.459)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect	**1.208.459**	**(1.208.459)**
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	253.362	(253.362)
5 – Part of hedged from EUR risk (-)	--	--
6- EUR net effect	**253.362**	**(253.362)**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	25.246	(25.246)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**25.246**	**(25.246)**
TOTAL	**1.487.067**	**(1.487.067)**

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

NOTE 15 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

Foreign currency sensitivity (continued)

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

NOTE 16 – SUBSEQUENT EVENTS

None.