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 2019
(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 2019, 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 2019 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 2019
İstanbul, Turkey

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

		Reviewed	Audited
ASSETS	**Notes**	**30 June 2019**	**31 December 2018**
Current Assets		**767.804.662**	**641.100.927**
Cash and cash equivalents		212.036.017	27.697.717
Trade receivables		351.666.602	323.463.202
-Trade receivables from related parties	16	*322.744.637*	*301.504.094*
-Trade receivables from third parties	5	*28.921.965*	*21.959.108*
Other receivables		55.947	57.495
-Other receivables from third parties		*55.947*	*57.495*
Inventories	6	160.659.427	237.813.206
Derivatives		3.649.976	--
Current tax asset		--	807.523
Prepaid expenses		21.696.441	2.802.504
Other current assets	15	18.040.252	48.459.280
Non-Current Assets		**243.681.157**	**223.209.193**
Other receivables		68.085	68.085
-Other receivables from third parties		*68.085*	*68.085*
Financial investments		1.815.749	1.815.749
Property. plant and equipment	7	190.777.606	189.547.315
Right of use assets	2	21.423.301	--
Intangible assets		7.194.230	7.474.977
Prepaid expenses		919.115	51.874
Deferred tax assets		14.168	994.868
Other non-current assets	15	21.468.903	23.256.325
TOTAL ASSETS		**1.011.485.819**	**864.310.120**

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

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

		Reviewed	Audited
		30 June	**31 December**
LIABILITIES	**Notes**	**2019**	**2018**
Short Term Liabilities		**252.927.608**	**246.759.458**
Short-term financial borrowings	4	20.390.834	48.338.499
Short-term financial lease liabilities	4	5.090.253	--
-Financial lease liabilities due from related parties	16	*2.084.613*	--
-Financial lease liabilities due from other parties		*3.005.640*	--
Short-term portion of long-term borrowings	4	59.090.182	6.153.846
Trade payables		146.074.966	166.845.335
- Trade payables to related parties	16	*18.113.716*	*39.726.677*
- Trade payables to third parties	5	*127.961.250*	*127.118.658*
Employee benefit obligations		6.428.382	7.088.508
Other payables		4.469.279	9.090.481
- Other payables from related parties	16	*2.142.452*	*4.977.767*
- Other payables from third parties		*2.326.827*	*4.112.714*
Deferred income		3.545.253	4.609.695
Current tax liabilities		237.528	--
Short-term provisions		7.600.932	4.633.094
- Short-term provisions for employment benefits		*1.600.000*	*900.000*
- Other short-term provisions		*6.000.932*	*3.733.094*
Long Term Liabilities		**224.444.808**	**116.675.236**
Long-term financial borrowings	4	190.000.000	101.538.462
Long-term financial lease liabilities	4	17.357.782	--
-Financial lease liabilities due from related parties	16	*8.214.112*	--
-Financial lease liabilities due from other parties		*9.143.670*	--
Long-term provisions		17.087.026	15.136.774
- Long-term provisions for employment benefits		*17.087.026*	*15.136.774*
EQUITY		**534.113.403**	**500.875.426**
Equity attributable to equity holders of the parent company		**534.113.403**	**500.875.426**
Share capital	9	136.000.000	136.000.000
Inflation adjustment to share capital	9	21.601.088	21.601.088
Share premiums	9	10.107.809	10.107.809
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		232.466	232.466
- Financial assets revaluation reserve		*232.466*	*232.466*
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		404.935	404.935
-Actuarial losses in defined benefit plan		*404.935*	*404.935*
Restricted reserves	9	95.621.022	94.838.483
Prior years' profit		236.908.106	199.113.868
Profit for the period		33.237.977	38.576.777
TOTAL LIABILITIES		**1.011.485.819**	**864.310.120**

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 2019

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

	Notes	Reviewed 1 January- 30 June 2019	Not Reviewed 1 April- 30 June 2019	Reviewed 1 January - 30 June 2018	Not Reviewed 1 April- 30 June 2018
Profit or loss					
Sales	10	571.233.340	292.589.514	519.719.715	268.393.082
Cost of sales (-)	10	(452.915.869)	(234.842.296)	(426.115.908)	(221.848.439)
Gross profit		**118.317.471**	**57.747.218**	**93.603.807**	**46.544.643**
Marketing expenses (-)		(48.793.891)	(23.847.080)	(47.913.684)	(24.417.133)
General administrative expenses (-)		(31.747.555)	(14.528.226)	(26.557.683)	(12.008.502)
Research and development expenses (-)		(848.209)	(428.906)	(716.522)	(453.365)
Other income from operating activities	11	27.036.908	13.866.960	20.158.035	12.575.766
Other expenses from operating activities (-)	11	(12.060.852)	(6.027.661)	(8.345.924)	(4.388.050)
Operating profit		**51.903.872**	**26.782.305**	**30.228.029**	**17.853.359**
Income from investing activities	12	989.630	858.442	3.222.609	1.533.142
Operating profit before finance expense		**52.890.327**	**27.640.747**	**33.450.638**	**19.386.501**
Finance income	13	24.485.011	19.756.866	4.333.312	3.011.359
Finance expense (-)	13	(39.324.737)	(25.535.397)	(12.361.449)	(7.711.673)
Finance income/(expense), net		**(14.839.726)**	**(5.778.531)**	**(8.028.137)**	**(4.700.314)**
Profit before tax		**38.050.601**	**21.862.216**	**25.422.501**	**14.686.187**
Tax income / (expense)		**(4.812.624)**	**(2.335.844)**	**(1.239.502)**	**(781.450)**
Current period tax expense	14	(3.831.924)	(2.068.774)	(2.127.817)	(1.336.833)
Deferred tax income / (expense)	14	(980.700)	(267.070)	888.315	555.383
Profit for the period		**33.237.977**	**19.526.372**	**24.182.999**	**13.904.737**
Allocation of profit for the period					
Owners of the company		33.237.977	19.526.372	24.182.999	13.904.737
Net profit for the period		**33.237.977**	**19.526.372**	**24.182.999**	**13.904.737**
Earnings per share		0,24	0,14	0,18	0,10
Diluted earnings per share		0,24	0,14	0,18	0,10
Total comprehensive income		**33.237.977**	**19.526.372**	**24.182.999**	**13.904.737**
Total comprehensive income attributable to					
Owners of the company		33.237.977	19.526.372	24.182.999	13.904.737
Total comprehensive income		**33.237.977**	**19.526.372**	**24.182.999**	**13.904.737**

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

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

(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 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**
Balance 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	--	--	--	--	--	--	33.237.977	--	33.237.977
Balance at 30 June 2019	**136.000.000**	**21.601.088**	**10.107.809**	**232.466**	**404.935**	**95.621.022**	**33.237.977**	**236.908.106**	**534.113.403**

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

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

TAT GIDA SANAYİ A.Ş.

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January- 30 June 2019	Reviewed 1 January- 30 June 2018
Net profit for the priod		33.237.977	24.182.999
Adjustments to reconcile profit for the period:			
Adjustments related to depreciation and amortization expenses	3	9.227.370	6.079.916
Adjustments related to provision for inventories	6	1.042.607	1.502.666
Adjustments related to provision for employee termination benefit		4.629.872	4.388.709
Adjustments related to provision for vacation		700.000	--
Profit from sale of subsidiary		--	(1.344.214)
Profit / (loss) from sale of property, plant and equipment and intangible assets	12	(721.878)	1.147
Adjustments related to other provisions		2.267.838	3.391.729
Adjustments related to income accruals	15	1.125.189	3.498.604
Adjustments related to increase in fair value of derivatives		(3.649.976)	(1.257.337)
Unrealized foreign exchange loss		586.956	2.314.643
Deferred financial expense due to purchases with maturity		746.759	96.336
Unearned financial income due to sales with maturity		(1.548.888)	(2.597.989)
Interest income	13	(4.763.078)	(366.917)
Interest expense		25.363.276	7.830.741
Dividend income		--	(1.657.918)
Changes in working capital		**68.244.024**	**46.063.115**
Changes in trade receivables and other receivables		(7.708.068)	(31.910.579)
Changes in due from related parties		(21.240.543)	(50.589.674)
Changes in inventories		76.111.172	64.927.677
Changes in prepaid expenses		(18.842.063)	(14.717.812)
Changes in other current and non-current assets		33.643.931	16.916.884
Changes in right of use assets		(23.925.413)	--
Changes in trade payables		2.391.480	283.314
Changes due to related parties		(24.448.276)	12.707.875
Changes in deferred income		(1.064.442)	4.369.922
Changes in employee benefit payables		(660.126)	(971.896)
Changes in financial lease liabilities		23.925.413	--
Changes in other current liabilities		(1.785.887)	(4.295.406)
Cash flows from operating activities		**104.641.202**	**42.783.420**
Employee termination benefits paid		(2.679.620)	(2.699.295)
Taxes paid		2.025.751	(612.227)
Net cash flows from operating activities		**103.987.333**	**39.471.898**
Investing activities:			
Property, plant and equipment and intangible asset acquisitions	3	(10.481.499)	(8.275.093)
Cash generated from sale of property, plant and equipment and intangible assets		729.903	1.626
Cash generated from sale of subsidiary		--	1.344.214
Interest received		4.079.965	366.917
Dividend received		--	1.657.918
Net cash used in investing activities		**(5.671.631)**	**(4.904.418)**
Financing activities:			
Cash outflows due to leasing payments		(3.504.080)	--
Cash inflows due to borrowing received		174.575.351	83.449.142
Cash outflows due to borrowing payments		(62.652.274)	(82.030.988)
Interest paid		(22.396.399)	(9.055.122)
Dividend payment		--	(30.000.125)
Net cash used in financing activities		**86.022.598**	**(37.637.093)**
Net change in cash and cash equivalents		**184.338.300**	**(3.069.613)**
Cash and cash equivalents at the beginning of the period		**27.697.717**	**13.025.751**
Cash and cash equivalents at the end of the period		**212.036.017**	**9.956.138**

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.

As of 30 June 2019 and 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	**1.137**	**939**	**1.135**	**1.059**
Permanent Personnel	821	822	909	907
Temporary Personnel	316	117	226	152

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 Basic Principles of Presentation

Principles of measurement

The 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.

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.

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

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

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

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

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

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.

For the period between 1 January- 30 June 2018, financial statements of the Company, Action, sale, incentives amounting to TL 25.763.642 presented in the "Marketing expenses", have been reclassified to the "Sales discount" under the "Sales" in the comparative financial statements.

2.4 Change in accounting policy

Except for the changes below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Company's last annual financial statements.

IFRS 16 Leases

The Company has initially adopted TFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company adopted TFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. 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 is or contains a lease under TFRS Interpretation 4 "*Determining Whether an Arrangement contains a Lease"*. Under TFRS 16, the Company assesses whether a contract is or contains a lease based on the 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 TFRS Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under TFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

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

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

2.4 Change in accounting policy (continued)

b) As a lessee

The Company has lease contracts for various items of buildings, machinery and equipment, vehicles and furnishings and fixtures.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. 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 Company has presented the right-of-use assets in a separate line in the interim condensed statement of financial position as “right of use assets”.

The carrying amounts of right-of-use assets as of 1 January 2019 and 30 June 2019 are as below:

TL	Buildings	Machinery and equipment	Vehicles	Furnishings and fixtures	Total
Balance at 1 January 2019	7.364.534	5.530.352	3.166.836	746.357	16.808.079
Balance at 30 June 2019	7.683.650	5.170.425	3.664.396	4.904.828	21.423.301

The Company presents lease liabilities in “financial liabilities” in the interim condensed financial statement of financial position

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.

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, and 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 recognized.

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

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

2.4 Change in accounting policy (continued)

IFRS 16 Leases (continued)

ii. Transition

At transition, 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. The right-of-use assets for most leases were recognised based on the based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

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 portfolio of leases with similar characteristics.
- 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.

For leases that were classified as finance leases under TAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are 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, classifies each lease as operational lease or finance lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease.

The Company is not required to make any adjustments on transition to TFRS 16 for leases in which it acts as a lessor. The Company applied TFRS 15 "*Revenue from Contracts with Customers"* to allocate consideration in the contract to each lease and non-lease component.

d) Impacts on the interim condensed financial statements

On transition to TFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

TL	**1 January 2019**
Right-of-use asset	16.808.079
Lease liabilities	(16.808.079)

As of January 1, 2019, the weighted average borrowing rates used by the Company for TL and EUR are 24.8% and 4.5%, respectively.

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 21.423.301 of right of use assets and TL 22.448.035 of lease liabilities as at 30 June 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 three month ended 30 June 2019, the Company recognised TL 2.502.112 of depreciation charges, TL 1.439.746 of financial expense from these leases and TL 586.956 of exchange difference expense from these leases.

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

2.5 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 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.

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 Company has not early adopted are as follows.

Conceptual Framework (updated)

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing 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.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has been amended by POA, to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Company does not expect that application of these amendments to TFRS 4 will have significant impact on its financial statements.

TFRS 17 – Insurance Contracts

On 16 February 2019, POA 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. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 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. TFRS 17 solves the comparison problems created by TFRS 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. TFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Company does not expect that application of TFRS 17 will have significant impact on its financial statements.

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

2.5 New and Revised International Financial Reporting Standards (continued)

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual 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.

2.6 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 2019 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 2018. The results of interim financial statements cannot be solely considered as the results of the entire financial period.

Accounting policies and accounting estimates disclosed in the 31 December 2018 financial statements are applied in the current period.

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

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

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 463.919.902 (30 June 2018: TL 461.201.931)

a) Revenue segmental analysis for the period ended 1 January - 30 June 2019 and 2018

	1 January-30 June 2019	1 April-30 June 2019	1 January-30 June 2018	1 April-30 June 2018
Tomato paste and canned products	254.761.019	131.200.432	199.741.505	108.035.946
Milk and dairy products	278.574.115	140.136.017	290.484.063	144.635.281
Pasta and bakery products	37.898.206	21.253.065	29.494.147	15.721.855
	571.233.340	**292.589.514**	**519.719.715**	**268.393.082**

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 2019 and 31 December 2018, the recorded amounts of the segment assets according to industrial segments are as follows:

	30 June 2019	31 December 2018
Tomato paste and canned products	76.764.850	70.190.536
Milk and dairy products	119.179.646	114.121.704
Pasta and bakery products	6.380.712	6.625.463
Assets that cannot be allocated to segments	17.069.929	6.084.589
	219.395.137	**197.022.292**

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 2019 and 30 June 2018 are as follows:

Amortization and depreciation costs	1 January -30 June 2019	1 April -30 June 2019	1 January -30 June 2018	1 April -30 June 2018
Tomato paste and canned products	1.742.227	1.060.322	1.310.330	715.590
Milk and dairy products	5.598.199	2.983.904	4.083.369	2.076.451
Pasta and bakery products	391.352	207.628	351.159	180.676
Assets that cannot be allocated to segments	1.495.592	585.570	335.058	137.211
	9.227.370	**4.837.424**	**6.079.916**	**3.109.928**

For the periods ended 30 June 2019 and 2018, investment expenditures for the industrial segment assets are as follows:

Investment expenditures	1 January -30 June 2019	1 April -30 June 2019	1 January -30 June 2018	1 April -30 June 2018
Tomato paste and canned products	8.047.360	6.167.218	2.706.294	1.288.104
Milk and dairy products	1.468.567	1.352.738	4.099.171	1.856.285
Pasta and bakery products	37.698	19.898	276.171	79.827
Assets that cannot be allocated to segments	927.874	760.189	1.193.457	182.993
	10.481.499	**8.300.043**	**8.275.093**	**3.407.209**

NOTE 4 – FINANCIAL BORROWINGS

The financial liabilities at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Short term borrowings	20.390.834	48.338.499
Short term portion of long term borrowings	58.847.423	6.153.846
Bonds issued	242.759	--
Short term financial leasing	5.090.253	--
Total short term financial liabilities	**84.571.268**	**54.492.345**
Long term borrowings	190.000.000	101.538.462
Long term financial leasing	17.357.782	--
Total long term financial liabilities	**207.357.782**	**101.538.462**
	291.929.050	**156.030.807**

There are no pledges and mortgages given related to the Company's financial liabilities (31 December 2018: 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 2019 Book Value (TL)
Short term financial borrowings			
TL borrowings	20,68%	79.238.256	79.238.256
Bonds Issued	25,32%	242.759	242.759
			79.481.015
Long term financial borrowings			
TL borrowings	28,42%	120.000.000	120.000.000
Bonds Issued	25,32%	70.000.000	70.000.000
			193.588.156

The details of financial borrowings as of 31 December 2018 are as follows:

	The weighted average interest rate	Original amount	31 December 2018 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

Repayment schedule of the long-term borrowings issued at 30 June 2019 and 31 December 2018 of are as follows:

	30 June 2019	31 December 2018
2020	50.978.542	101.538.462
2021	142.609.614	--
	193.588.156	**101.538.462**

Repayment schedule of the long-term leasing issued at 30 June 2019 and 31 December 2018 of are as follows:

	30 June 2019	31 December2018
Less than one year	5.090.253	--
Between one and two years	10.994.009	--
Between two and three years	3.768.080	--
Between three and four years	2.572.195	--
Between four and five years	23.498	--
	22.448.035	**--**

(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 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Due from related parties (note 14)	322.744.637	301.504.094
Notes and cheques receivables	13.493.826	18.229.661
Trade receivables	18.362.208	6.663.516
Provisions for doubtful receivables	(2.934.069)	(2.934.069)
	351.666.602	**323.463.202**

Movement of allowance for doubtful receivables of the Company for the period ended 30 June 2019 and 30 June 2018 is as follows:

	1 January-30 June 2019	1 January-30 June 2018
Opening balance	(2.934.069)	(2.815.858)
	(2.934.069)	**(2.815.858)**

The explanations related to quality and level of risks at trade receivables are explained at note 17.

Trade Payables

As of 30 June 2019 and 31 December 2018, the details of trade payables are as follows:

	30 June 2019	31 December 2018
Trade Payables		
Domestic suppliers	127.961.250	127.118.658
Due to related parties (Note 16)	18.113.716	39.726.677
	146.074.966	**166.845.335**

NOTE 6 - INVENTORIES

As of 30 June 2019 and 31 December 2018, the details of inventories are as follows:

	30 June 2019	31 December 2018
Raw materials	50.514.561	55.342.881
Semi-finished goods	11.555.917	11.840.830
Finished goods	99.624.483	170.533.196
- Tomato paste and canned products	*81.038.921*	*144.881.884*
- Milk and dairy products	*15.774.942*	*20.988.124*
- Pasta and bakery products	*2.810.620*	*4.663.188*
Other inventory	307.742	396.968
Inventory impairment	(1.343.276)	(300.669)
	160.659.427	**237.813.206**

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

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

For the periods ended 30 June 2019 and 30 June 2018, property, plant and equipment movement are as follows:

	1 January – 30 June 2019	**1 January – 30 June 2018**
Net book value as of 1 January	189.547.315	185.506.697
Additions	9.278.636	9.088.026
Disposals	(174.211)	(4.549)
Transfers	--	(6.743.960)
Current period depreciation	(7.874.134)	(7.218.270)
	190.777.606	**180.627.944**

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 2019	**31 December 2018**
A. On the behalf of legal entity	60.520.000	62.215.611
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	--	--
	60.520.000	**62.215.611**

Company has miscellaneous guarantee letters given to tax office (for VAT receivable), T.Ihracat Kredi Bankası A.Ş. and customs amounting to TL 60.520.000 (31 December 2018: TL 62.215.611).

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 2019 is 0% (31 December 2018: 0%).

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

NOTE 9 – SHAREHOLDER'S 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 of 30 June 2019 and 31 December 2018, the shareholders and paid-in capital with the historical values are as follows:

	%	30 June 2019	%	31 December 2018
Koç Holding A.Ş.	43,7	59.364.947	43.7	59.364.947
Halka açık	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**

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 30 June 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 30 June 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 30 June 2019 and 2018, the Company's details of restricted reserves are as follows:

	30 June 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**

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

NOTE 9 – SHAREHOLDER'S EQUITY (CONTINUED)

Legal Reserves

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

Special Reserves

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

d) Dividend distribution

The Company's 2018 net profit for the year 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 782.539 after leaving the first general legal reserve fund. The remaining profit amounting to TL 37.794.238 has been transferred to retained earnings.

NOTE 10 – SALES AND COST OF SALES

For the periods 1 January – 30 June 2019 and 2018, gross profit as a result of revenues and cost of sales related operating are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Domestic Sales	544.620.955	281.457.042	534.039.858	275.368.344
Foreign Sales	50.455.675	21.117.567	40.953.402	22.777.797
Rebates and sales discounts	(23.843.290)	(9.985.095)	(55.273.545)	(29.753.059)
Total Operating Revenue	**571.233.340**	**292.589.514**	**519.719.715**	**268.393.082**
Cost of sales	**(452.915.869)**	**(234.842.296)**	**(426.115.908)**	**(221.848.439)**
Gross Profit	**118.317.471**	**57.747.218**	**93.603.807**	**46.544.643**

NOTE 11 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

For the periods 1 January – 30 June 2019 and 2018, other income and profits from operating activities are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Other Operating Income				
Income from maturity differences	24.637.426	10.998.568	14.045.182	9.255.931
Exchange differences from commercial activities	1.416.959	1.995.406	2.263.421	395.196
Provisions released	120.942	120.942	--	--
Others	861.581	752.044	3.849.432	2.924.639
	27.036.908	**13.866.960**	**20.158.035**	**12.575.766**

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

NOTE 11 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (CONTINUED)

For the periods 1 January – 30 June 2019 and 2018, other expenses from operating activities are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Other Operating Expense				
Expense from maturity differences	(6.508.957)	(3.697.203)	(4.761.703)	(3.110.042)
Law süit expenses	(2.935.120)	(1.616.530)	(399.468)	(399.468)
Exchange differences from commercial activities	(791.728)	--	(1.368.137)	--
Other	(1.825.047)	(713.928)	(1.816.616)	(878.540)
	(12.060.852)	**(6.027.661)**	**(8.345.924)**	**(4.388.050)**

NOTE 12 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

For the periods 1 January – 30 June 2019 and 2018, investment income and profits are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Income from Investing Activities				
Gain on sale of property, plant and equipment	721.878	721.878	--	--
Dividend income	--	--	1.657.918	--
Subsidiary sales income	--	--	1.344.214	1.344.214
Other	264.577	135.101	220.477	188.928
	986.455	**856.979**	**3.222.609**	**1.533.142**

NOTE 13 – FINANCIAL INCOME AND EXPENSES

For the periods 1 January – 30 June 2019 and 2018, financial income and profits are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Financial income and profits				
Foreign exchange gains	19.673.832	15.793.140	3.966.395	2.903.884
Interest income on bank loans	4.763.078	3.915.625	366.917	107.475
Other	48.101	48.101	--	--
	24.485.011	**19.756.866**	**4.333.312**	**3.011.359**

For the periods 1 January – 30 June 2019 and 2018, financial expenses are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Financial expenses				
Bank loans interest expenses	(23.923.530)	(13.425.551)	(7.830.741)	(4.376.178)
Foreign exchange expenses	(13.570.621)	(10.769.675)	(4.412.249)	(3.217.036)
Financial lease interest expenses	(1.439.746)	(949.331)	--	--
Other	(390.840)	(390.840)	(118.459)	(118.459)
	(39.324.737)	**(25.535.397)**	**(12.361.449)**	**(7.711.673)**

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

NOTE 14 – INCOME TAX

Total income tax benefit/ (expense) recognized in profit or loss for the year ended 30 June 2019 and 2018 are as follows:

	1 January -30 June 2019	1 April-30 June 2019	1 January -30 June 2018	1 April-30 June 2018
Current tax expense	(3.831.924)	(2.068.774)	(2.127.817)	(1.336.833)
Deferred tax (expense)/ income	(980.700)	(267.070)	888.315	555.383
Toplam vergi gideri	**(4.812.624)**	**(2.335.844)**	**(1.239.502)**	**(781.450)**

NOTE 15 – OTHER ASSETS

As of 30 June 2019 and 31 December 2018, the details of other assets are as follows:

	30 June 2019	31 December 2018
Other current assets:		
Income Accruals	7.576.247	8.701.436
Deferred value added tax “VAT”	6.380.204	31.261.792
VAT receivables arising from exports	3.446.717	7.896.604
Other	637.084	599.448
	18.040.252	**48.459.280**

	30 June 2019	31 December 2018
Other non-current assets:		
Deferred VAT	21.468.903	23.256.325
	21.468.903	**23.256.325**

NOTE 16 – RELATED PARTY TRANSACTIONS

i) As of 30 June 2019 and 31 December 2018, the details of related party balances are as follows:

a) Deposits at banks:

Yapı ve Kredi Bankası A.Ş.	30 June 2019	31 December 2018
Time Deposits	2.950.217	5.362.562
Current Deposits	10.091	24.789
	2.960.308	**5.387.351**

b) Financial lease liabilities:

Short-term financial lease liabilities	30 June 2019	31 December 2018
Otokoç	1.132.003	--
Temel Ticaret	809.843	--
Zer Merkezi Hizmetler ve Ticaret A.Ş.	142.767	--
	2.084.613	**--**

Long-term financial lease liabilities	30 June 2019	31 December 2018
Temel Ticaret	5.271.960	--
Otokoç	2.724.162	--
Zer Merkezi Hizmetler ve Ticaret A.Ş.	217.991	--
	8.214.113	**--**

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

NOTE 16 – RELATED PARTY TRANSACTIONS (CONTINUED)

c) Due from related parties:

	30 June 2019	31 December 2018
Düzey (*)	312.825.215	286.657.689
Ram Dış Ticaret A.Ş.	9.878.488	14.820.919
Diğer	40.934	25.486
	322.744.637	**301.504.094**

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

d) Due to related parties:

Trade Payables	30 June 2019	31 December 2018
Zer Merkezi Hizmetler ve Ticaret A.Ş.	12.263.288	26.204.003
Yapı Kredi Bankası A.Ş.	1.460.454	6.709.941
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.142.849	2.492.711
Otokoç Otomotiv Tic.ve San.A.Ş.	762.019	902.145
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	737.666	--
Ingage Dijital Pazarlama A.Ş.	440.499	520.639
Koç Holding Emekli ve Yardım Sandığı	355.317	308.136
Temel Ticaret Yatırım A.Ş	220.428	257.545
Ram Sigorta Aracılık Hizmetleri A.Ş.	184.662	1.544.136
Divan Turizm İşletmeleri A.Ş.	166.157	--
Setur Servis Turistik A.Ş	47.965	346.874
Other	332.412	440.547
	18.113.716	**39.726.677**

Other Payables	**30 June 2019**	**31 December 2018**
Koç Holding A.Ş.	2.142.452	4.977.767
Total Trade and Other Payables	**20.256.168**	**44.704.444**

ii) For the periods ended 30 June 2019 and 2018, 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 2019	1 January-30 June 2018
Düzey (*)	463.919.902	461.201.931
Ram Dış Ticaret A.Ş.	32.804.134	26.493.722
	496.724.036	**487.695.653**

(*) 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 (2019: 90 days).

b) Purchase from related parties:

	1 January-30 June 2019	1 January-30 June 2018
Zer Merkezi Hizmetler ve Ticaret A.Ş.	13.531.146	6.484.110
Opet Petrolcülük A.Ş.	528.422	468.637
Divan Turizm İşletmeleri A.Ş.	117.841	7.833
Arçelik Pazarlama A.Ş.	47.996	--
Other	24.168	1.245
	14.249.573	**6.961.825**

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

NOTE 16 – RELATED PARTY TRANSACTIONS (CONTINUED)

c) Services obtained from related parties:

	1 January-30 June 2019	1 January-30 June 2018
Zer Merkezi Hizmetler ve Ticaret A.Ş.(***)	25.340.741	21.469.021
Koç Holding A.Ş. (**)	3.707.911	3.524.998
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	2.808.056	--
Ingage Dijital Pazarlama A.Ş.	2.506.357	--
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.905.720	1.137.109
Ram Dış Ticaret A.Ş.	1.254.173	210.463
Otokoç Otomotiv Tic. ve San. A.Ş.	1.179.276	864.437
Temel Ticaret ve Yatırım A.Ş.	911.278	561.928
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	680.786	655.500
Setur Servis Turistik A.Ş.	395.688	579.515
Other	199.268	204.343
	40.889.254	**29.207.314**

(*)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 2019 and 2018, the details of financial expenses to related parties are as follows:

a) Interest Expenses:

	1 January-30 June 2019	1 January-30 June 2018
Yapı ve Kredi Bankası A.Ş.	--	770.700
	--	**770.700**

b) Interest Income:

	1 January-30 June 2019	1 January-30 June 2018
Yapı ve Kredi Bankası A.Ş.	45.497	41.756
	45.497	**41.756**

iv) For the periods ended 30 June 2019 and 2018, the details of other income and expenses from / to related parties are as follows:

a) Payments to key management:

	1 January-30 June 2019	1 January-30 June 2018
Payments to key management	2.682.240	2.411.285
	2.682.240	**2.411.285**

NOTE 17 – 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 17 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

	Receivables					
	Trade Receivables		**Trade Receivables**			
30 June 2019	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**	**Others**
Maximum credit risk exposure as of the reporting date	**322.744.637**	**28.921.965**	**--**	**1.786.736**	**212.036.017**	**--**
(A + B + C + D + E)	--	--	--	--	--	
- The portion of the maximum risk guaranteed by collateral.	243.632.716	18.495.917	--	1.786.736	212.036.017	--
A. Net book value of financial assets not overdue or impaired						
B. Conditions found in re-interviewed. otherwise, the carrying amount of financial assets overdue or impaired.	--	--	--	--	--	--
C. Carrying value of financial assets that are past due	79.111.921	10.426.048	--	--	--	
but not impaired						
- Collateral. vs secured part	--	--	--	--	--	
D. Net book value of impaired assets	--	2.934.069	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	
- Impairment (-)	--	(2.934.069)	--	--	--	--
- Not overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
E. Off-balances sheet items with credit risk	--	--	--	--	--	--

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

NOTE 17 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.1) Foreign Currency Management

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

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

NOTE 17 – 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 2019	**TL Equivalent**	**USD**	**EUR**	**Other**
1. Trade Receivables	15.407.897	1.634.156	1.000.705	15.529
2.a Monetary financial assets	63.367.268	1.401.887	8.919.161	--
2.b Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	**78.775.165**	**3.036.043**	**9.919.866**	**15.529**
5. Trade Receivables	--	--	--	--
6.a Monetary Financial Assets	--	--	--	--
6.b Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	**78.775.165**	**3.036.043**	**9.919.866**	**15.529**
10. Trade Payables	(2.153.965)	(191.388)	(173.746)	(1.400)
11. Financial Liabilities	(1.981.493)	--	(317.878)	--
12.a Other Monetary Financial Liabilities	(1.675.304)	(302.276)	--	--
12.b Other Non-monetary Financial Liabilities	--	--	--	--
13. CURRENT LIABILITIES	**(5.810.762)**	**(493.664)**	**(491.624)**	**(1.400)**
14. Trade Payables	--	--	--	--
15. Financial Liabilities	(5.604.185)	--	(899.043)	--
16.a Other Monetary Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	**(5.604.185)**	**--**	**(899.043)**	**--**
18. TOTAL LIABILITIES	**(11.414.947)**	**(493.664)**	**(1.390.667)**	**(1.400)**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	(58.316.112)	861.578	(10.121.318)	--
19.a Off-balance sheet foreign currency derivative assets	4.775.124	861.578	--	--
19.b Off balance sheet foreign currency derivative liabilities	63.091.236	--	10.121.318	--
20. Net foreign currency asset/liability position	**9.044.106**	**3.403.957**	**(1.592.119)**	**14.129**
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**67.360.218**	**2.542.379**	**8.529.199**	**14.129**
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 17 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

a.2) Foreign Currency Management

31 December 2018	**TL Equivalent**	**USD**	**EUR**	**Other**
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 Financial Liabilities	--	--	--	--
16.b Other Non-monetary Financial Liabilities	--	--	--	--
17. NON CURRENT LIABILITIES	--	--	--	--
18. TOTAL LIABILITIES	**(1.679.960)**	**(312.066)**	**(6.339)**	**--**
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19.a Off-balance sheet foreign currency derivative assets	--	--	--	--
19.b Off balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position	**18.255.417**	**1.819.434**	**1.413.023**	**24.930**
21. Net foreign currency asset/ liability position of non-monetary items (1+2a+6a-10-11-12a-14-15-16a)	**18.255.417**	**1.819.434**	**1.413.023**	**24.930**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--

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

NOTE 17 – 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 2019	
	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	5.316.676	(5.316.676)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect	**5.316.676**	**(5.316.676)**
In the case of appreciation of EUR at 10% ratio compared to TL		
4 - EUR net asset / liability	1.409.063	(1.409.063)
5 – Part of hedged from EUR risk (-)	--	--
6- EUR net effect	**1.409.063**	**(1.409.063)**
In the case of appreciation of GBP at 10% ratio compared to TL		
7 - GBP net asset / liability	10.283	(10.283)
8 – Part of hedged from GBP risk (-)	--	--
9 – GBP net effect	**10.283**	**(10.283)**
TOTAL	**6.736.022**	**(6.736.022)**

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

NOTE 17 – NATURE AND THE LEVEL OF RISK RESULTED FROM FINANCIAL INSTRUMENTS (CONTINUED)

a) Financial Risk Factors (continued)

Foreign currency sensitivity (continued)

	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)**

NOTE 18 – SUBSEQUENT EVENTS

None.