PAŞABAHÇE CAM SANAYİİ VE TİCARET A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

(ORIGINALLY ISSUED IN TURKISH)

Building a better working world

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Paşabahçe Cam Sanayii ve Ticaret A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Paşabahçe Cam Sanayii ve Ticaret A.Ş. (the Company) and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How key audit matters are addressed in the audit
Revenue Recognition	
The Group recognizes revenue in its financial statements when it fulfills the performance obligation by transferring goods or services to its customers at a point in time (or over time). The majority of the Group's revenue consists of sales of glass products. Due to the nature and magnitude of the Group's operations, there is a risk that revenue is not recognized even products are delivered but not invoiced yet. According to the above mentioned explanations, timing of revenue recognition, whether the revenue of the products is recognized in correct period, is determined as key audit matter. The accounting policy for revenue recognition and revenue amounts are disclosed in Note 2.3.	The following procedures have been applied to ensure the accurate and complete recognition of revenue: The revenue process of the Group, as well as the design and implementation of the controls designed by the management in this process, are examined. Audit procedures and tests are performed for the general controls of both operational and financial information system applications within the process. Contracts with customers are reviewed and impacts of contractual clauses on revenue are evaluated. Within the scope of audit works, product sales data and its accounting records are tested on a sample basis. In addition, by performing substantive tests and data analytics tools, procedures related to analysis and correlation of the accounts are performed. In order to test completeness and accuracy of the data used, data obtained from the accounting systems are compared with the collection information. The compliance of revenue disclosures in the accompanying consolidated financial statements are evaluated under the framework Turkish Financial Reporting Standards ("TFRS") 15.

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Recognition of property, plant and equipment by revaluation method	
The Group has continued to reflect land and buildings at their revaluated amounts according to results of valuation reports that are prepared by independent valuation appraiser in the consolidated financial statements as of December 31, 2018. Since the valuation models and transactions are complex and include significant judgements and estimations, we have considered this as the key audit matter. The detailed explanations of tangible assets are presented in Note 18.	We have evaluated the capabilities, expertise and objectivity of the independent appraisal firm appointed by the management. In our audit, we have evaluated the appropriateness of the valuation methods used by independent valuation appraiser in the valuation of land and buildings for the fair value determination. Real estate valuation experts of EY Network are included in the audit team to evaluate the appropriateness of assumptions compared to market information used by independent valuation appraiser. In this scope, through the review and studies that are conducted by EY Real Estate valuation experts, we have performed the assessment of assumptions and estimations used and assessed whether the fair value determined by independent valuation appraisers are in the acceptable range. The appropriateness of valuation methods and intended use assessment of land and buildings are controlled and square meters used in valuation are compared to the deed registry. The average value per square meter used in market approach by valuation appraiser are compared to market information on a sample. The sensitivity assessment of assumptions like negotiation share and location adjustment on fair value is performed. Besides, the assumptions and estimations used for cost approach used by the valuation appraiser firm are evaluated. In addition, with respect to such accounting treatment, the compliance of the information in the consolidated financial statements and explanatory disclosures in accordance with TAS 16 have been assessed.

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Impairment of inventories	
Inventories are valued at the lower of cost or net realizable value by the Group. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. In addition, slow moving, redundant and residual items are subject to impairment. Since the Group's inventory level and inventory impairment provisions are include significant judgements and estimations, we have considered this as the key audit matter. The Group has TL 1.083.503 thousand inventory and total provision amounting to TL 30.474 thousand on its inventories as of December 31, 2018. The detailed explanations of inventories are presented in Note 2.7 and Note 13.	The following procedures have been applied to ensure the accurate and complete impairment of inventories: Accounting policy and its appropriateness of inventory impariment provision has been assesed. Impairment assesment is performed on slow moving items. The adequacy of provision assesed with comparison between impairment in the current period and the previous year's impairment. Discounted sales prices used in the net realizable value calculation are tested by sampling. Distribution of marketing expenses on products is evaluated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with law and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
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Altıntaş

Mehmet Can Altıntaş, SMMM
Associate Partner

22 February 2019
İstanbul, Türkiye

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Paşabahçe Cam Sanayii ve Ticaret A.Ş.

Consolidated Statement of Financial Position
at 31 December 2018 and 31 December 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	**Notes**	**31 December 2018**	**31 December 2017**
Current Assets		**1.934.781**	**1.419.060**
Cash and Cash Equivalents	6	88.106	40.024
Trade Receivables	10,37	658.130	522.120
- *Due From Related Parties*	*37*	5.322	*2.669*
- *Trade Receivables From Third Parties*	*10*	652.808	*519.451*
Other Receivables	11,37	33.405	8.780
- *Due From Related Parties*	*37*	29.382	*7.258*
- *Other Receivables From Third Parties*	*11*	4.023	*1.522*
Inventories	13	1.083.503	817.041
Prepaid Expenses	14	23.664	17.954
Current Income Tax Assets	35	8.494	10
Other Current Assets	26	39.479	13.131
Non-Current Assets		**2.005.401**	**1.627.847**
Financial Assets	7	164	276
Other Receivables	11	474	894
- *Other Trade Receivables From Third Parties*		474	*894*
Investment Properties	16	8.201	-
Property, Plant and Equipment	18	1.901.839	1.536.478
Intangible Assets	19	3.842	4.745
Prepaid Expenses	14	3.048	1.220
Other Non-Current Assets		-	374
Deferred Tax Assets	35	87.833	83.860
TOTAL ASSETS		**3.940.182**	**3.046.907**

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

Paşabahçe Cam Sanayii ve Ticaret A.Ş.

Consolidated Statement of Financial Position
at 31 December 2018 and 31 December 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	**Notes**	**31 December 2018**	**31 December 2017**
Current Liabilities		**1.561.394**	**1.074.598**
Short Term Borrowings	8	545.550	318.558
Short Term Portion of Long Term Borrowings	8	292.033	108.301
Trade Payables	10,37	271.659	204.027
- *Due to Related Parties*	37	67.636	*38.400*
- *Trade Payables to Third Parties*	10	204.023	*165.627*
Liabilities for Employee Benefits	24	25.254	25.919
Other Payables	11,37	354.024	359.650
- *Due to Related Parties*	37	353.708	*303.107*
- *Other Payables to Third Parties*	11	316	*56.543*
Deferred Income	14	7.824	14.384
Current Income Tax Liabilities	35	1.418	3.290
Short Term Provisions	22,24	29.778	20.369
- *Provisions for Employee Benefits*	24	8.620	*10.695*
- *Other Short Term Benefits*	22	21.158	*9.674*
Other Current Liabilities	26	33.854	20.100
Non-Current Liabilities		**237.372**	**445.447**
Long Term Borrowings	8	84.325	323.262
Provisions for Employment Benefits	24	132.705	112.132
Deferred Income	14	1.907	2.803
Deferred Tax Liabilities	35	18.435	7.250
EQUITY	**27**	**2.141.416**	**1.526.862**
Equity Holders of the Parent	**27**	**2.119.312**	**1.511.039**
Paid-in Share Capital	27	224.117	215.536
Adjustment to Share Capital	27	70.158	70.158
Impact of Transactions Including Entities Under Common Control		(11.529)	(11.529)
Share Premiums		166.419	-
Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss	27	314.484	197.508
- *Currency Translation Differences*	27	16.344	6.488
- *Fixed Asset Revaluation Fund*	27	308.162	206.549
- *Funds for Actuarial Gain (Loss) on Employee Termination Benefits*	27	(10.022)	*(15.529)*
Other Comprehensive Income/Expense to be Reclassified to Profit or Loss	27	350.061	199.634
- *Currency Translation Differences*	27	350.061	*199.634*
Restricted Reserves	27	341.654	270.663
Retained Earnings	27	518.902	561.148
Net Profit (Loss) for the Period		145.046	7.921
Non-Controlling Interests	**27**	**22.104**	**15.823**
TOTAL LIABILITIES AND EQUITY		**3.940.182**	**3.046.907**

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January-31 December 2018	Reclassified (*) 1 January-31 December 2017
Revenue	28	2.474.621	1.986.729
Cost of Sales	28	(1.570.295)	(1.284.458)
Gross Profit (Loss) from Trading Activities		**904.326**	**702.271**
General Administrative Expenses	29,30	(175.103)	(196.014)
Marketing Expenses	29,30	(539.367)	(445.039)
Research and Development Expenses	29,30	(10.326)	(8.280)
Other Income from Operating Activities	31	185.315	93.093
Other Expense from Operating Activities	31	(67.917)	(53.890)
Operating Profit (Loss)		**296.928**	**92.141**
Income from Investing Activities	32	19.402	7.338
Expenses from Investing Activities	32	(9.925)	(1.529)
Operating Profit (Loss) Before Financial Income (Expense)		**306.405**	**97.950**
Financial Income	33	48.419	74.667
Financial Expenses	33	(199.623)	(200.667)
Profit (Loss) Before Tax from Continued Operations		**155.201**	**(28.050)**
Tax Income (Expense) from Continued Operations		**(10.177)**	**30.319**
- Current Tax Expense for the Period	35	(17.091)	(4.301)
- Deferred Tax Income (Expense)	35	6.914	34.620
Profit (Loss) for the Period		**145.024**	**2.269**
Attributable to			
- Non-controlling Interests	27	(22)	(5.652)
- Equity Holders of the Parent	**27**	**145.046**	**7.921**
Earnings per Share	**36**	**0,647**	**0,037**

(*) Effect of reclassification explained in Note 2.

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

Consolidated Statements of Comprehensive Income for the Periods between 1 January - 31 December 2018 and 2017

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January- 31 December 2018	1 January- 31 December 2017
Profit (Loss) for the Period	27	**145.024**	**2.269**
Other Comprehensive Income:			
Items not to be Reclassified to Profit or Loss	27	**138.566**	**(18.427)**
-Currency Translation Differences		9.856	3.194
-Gains / (loss) on revaluation of tangible fixed assets		150.054	-
-Funds for Actuarial Gain (Loss) on Employee Termination Benefits	24	7.257	(17.657)
-Taxes relating to Other Comprehensive Income/(Loss) not to be Reclassified to Profit or Loss		(28.601)	(3.964)
Items to be Reclassified to Profit or Loss	27	**150.427**	**82.770**
-Currency Translation Differences		150.427	82.770
Other Comprehensive Income (Loss)		**288.993**	**64.343**
Total Comprehensive Income (Loss)		**434.017**	**66.612**
Attributable to			
- Non-controlling Interests		6.389	(6.675)
- Equity Holders of the Parent		**427.628**	**73.287**
Earnings per Share		**1,9081**	**0,3400**

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

Consolidated Statements of Changes in Equity for the Years Ended 31 December 2018 and 2017

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

					Other Comprehensive Income not to be Reclassified to Profit or Loss			Other Comprehensive Income to be Reclassified to Profit or Loss		Retained Earnings				
	Paid in Share Capital	Adjustment to Share Capital	Restricted Reserves	Share premium/(Discount)	Funds for Actuarial Gain (Loss) on Employee Termination Benefits	Currency Translation Differences	Funds for Gain on Revaluation and Remeasurement	Currency Translation Differences	Impact of Transactions Including Entities Under Common Control	Retained Earnings	Net Profit (Loss) for the Period	Equity Holders of the Parent	Non Controlling Interest	Total
Balance at 1 January 2017	**215.536**	**70.158**	**232.720**	**-**	**(1.684)**	**3.294**	**225.389**	**116.864**	**(11.529)**	**594.459**	**(11.532)**	**1.433.675**	**26.575**	**1.460.250**
Transfer	-	-	37.943	-	-	-	(12.328)	-	-	(37.147)	11.532	-	-	-
Increases/(decreases) due to changes in ownership rate of subsidiaries	-	-	-	-	(5)	-	246	-	-	3.836	-	4.077	(4.077)	-
Total comprehensive income	-	-	-	-	(13.840)	3.194	(6.758)	82.770	-	-	7.921	73.287	(6.675)	66.612
Balance at 31 December 2017	**215.536**	**70.158**	**270.663**	**-**	**(15.529)**	**6.488**	**206.549**	**199.634**	**(11.529)**	**561.148**	**7.921**	**1.511.039**	**15.823**	**1.526.862**
Balance at 1 January 2018	**215.536**	**70.158**	**270.663**	**-**	**(15.529)**	**6.488**	**206.549**	**199.634**	**(11.529)**	**561.148**	**7.921**	**1.511.039**	**15.823**	**1.526.862**
Impact of accounting policy change(**)	-	-	-	-	-	-	-	-	-	(17.735)	-	(17.735)	(108)	(17.843)
Balance at 1 January 2018 (restated)	**215.536**	**70.158**	**270.663**	**-**	**(15.529)**	**6.488**	**206.549**	**199.634**	**(11.529)**	**543.413**	**7.921**	**1.493.304**	**15.715**	**1.509.019**
Transfer	-	-	70.991	-	-	-	(15.179)	-	-	(47.891)	(7.921)	-	-	-
Capital increase	8.581	-	-	166.419	-	-	-	-	-	-	-	175.000	-	175.000
Effect of subsidiaries included in consolidation(*)	-	-	-	-	-	-	-	-	-	23.380	-	23.380	-	23.380
Total comprehensive income	-	-	-	-	5.507	9.856	116.792	150.427	-	-	145.046	427.628	6.389	434.017
Balance at 31 December 2018	**224.117**	**70.158**	**341.654**	**166.419**	**(10.022)**	**16.344**	**308.162**	**350.061**	**(11.529)**	**518.902**	**145.046**	**2.119.312**	**22.104**	**2.141.416**

(*) Paşabahçe Glass GmbH, Paşabahçe USA Inc., and Paşabahçe Spain SL are included in the scope of consolidation as of 1 January 2018 and the amounts present initial impact of these subsidiaries for the consolidated financial statements.

(**) The effects of changes are disclosed in Note 2.

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

Consolidated Statements of Cash Flows for the Periods between 1 January and 31 December 2018 and 2017
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January-31 December 2018	1 January-31 December 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(475)**	**367.599**
Net profit (loss) for the period		**145.024**	**2.269**
Adjustments related to reconciliation of net profit		**402.320**	**323.141**
- Adjustments for depreciation and amortization	18,19	121.026	165.059
- Adjustments for impairments/reversals	6,10,13,19	37.164	18.865
- Adjustments for changes in provisions	3,22,24,27	46.823	40.893
- Adjustments for interest income and expenses	8,31,33,37	153.777	101.633
- Adjustments for unrealized foreign exchange loss (gain)	31,33	42.068	32.525
- Adjustments for tax (income) expense	35	10.177	(30.319)
- Adjustments for gain/loss on sale of tangible assets	32	(7.171)	(5.515)
- Other adjustments related to profit / (loss) reconciliation	3,26,27	(1.544)	-
Changes in net working capital		**(356.755)**	**180.852**
- Adjustments for increase/decrease in trade receivables	3,10,27,31,37	(162.970)	(93.344)
- Adjustments for increase/decrease in other receivables	11,16,27,31,37	(24.625)	22.504
- Adjustments for increase/decrease in inventories	3,13,27	(281.249)	(42.082)
- Adjustments for increase/decrease in trade payables	3,10,27,31	68.679	28.782
- Adjustments for increase/decrease in other payables	11,14,26,27,37	61.682	186.118
- Adjustments for other increase/decrease in net working capital	14,26,27	(18.272)	78.874
Cash flows from operating activities		**190.589**	**506.262**
- Interest paid	8,31,33,37	(152.948)	(102.667)
- Interest received	31,33,37	3.210	934
- Employment termination benefits paid	24	(10.197)	(33.180)
- Taxes received / (paid)	35	(31.129)	(3.750)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(193.858)**	**(145.364)**
- Cash inflows/outflows due to purchase of shares in order to obtain the control of subsidiaries	3,11	-	140
- Acquisition of asset group	7,16	-	(63.937)
- Cash inflows due to sales of tangible and intangible assets	8,18,19	47.241	58.487
- Cash outflows due to purchase of tangible and intangible assets	8,18,19	(239.847)	(143.585)
- Proceeds from advances given	14	(2.724)	1.982
- Dividend income	16,26,32	-	11
- Interest received	6,7,32,33	-	2.497
- Other cash inflows/outflows	10,11,26,27	1.472	(959)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**189.954**	**(252.531)**
- Proceeds from borrowings	8	859.123	642.011
- Repayments of borrowings	8,33	(844.169)	(894.542)
- Cash outflows due to purchase of shares in order to obtain the control of subsidiaries	27	175.000	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**(4.379)**	**(30.296)**
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/(GAIN) ON CASH AND CASH EQUIVALENTS		**52.508**	**40.911**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**48.129**	**10.615**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**6**	**40.024**	**29.407**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**6**	**88.153**	**40.022**

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

1. Group's Organization and Nature of Operations

Paşabahçe Cam Sanayii ve Ticaret A.Ş. Group (the "Group") consists of Paşabahçe Cam Sanayii ve Ticaret A.Ş. (the "Company"), and 14 subsidiaries. The Company was established in 1935 in Turkey. The Company's immediate parent is Türkiye Şişe ve Cam Fabrikaları A.Ş ("Şişecam") and ultimate controlling party is Türkiye İş Bankası A.Ş.

The Group's main area of activity is production and marketing of glassware products and the production of glassware products made of soda-ash through manual production (hand-made) commenced in 1935, and in 1955 machine production (automatic), which is regarded as the initial phase of current automatic production technology, commenced. In 1974, the production of heat resistant glass was included.

The Head Office and Shareholder Structure of the Company

The shareholder structure of the Company is disclosed in Note 27.

The Company is registered in Turkey and the contact information is as presented below:

İçmeler Mahallesi, D-100 Karayolu Caddesi No:44/A 34947 Tuzla/Istanbul/Turkey

Telephone:	+90 (850) 206 50 50
Fax:	+90 (850) 208 40 40
Website:	http://www.pasabahce.com.tr

Trade Register Information of the Company

Registered at: İstanbul Ticaret Sicil Memurluğu	
Registry no:	119071
Central legal entity information system:	0723000547900018

Personnel Structure of the Group

	31 December 2018	31 December 2017
Personnel paid by monthly	1.959	1.785
Personnel paid by hourly	5.408	4.971
Total	**7.367**	**6.756**

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

1. Group's Organizations and Nature of Operations (continued)

Companies Included in Consolidation

The nature of operations of the companies included in consolidation is presented as follows:

Subsidiaries	Nature of Business	Country of Registration
Paşabahçe Bulgaria EAD	Automatic production and sales of glassware	Bulgaria
OOO Posuda	Automatic production and sales of glassware	Russia
Paşabahçe Egypt Glass Manufacturing S.A.E.	Automatic production and sales of glassware	Egypt
Denizli Cam San.ve Tic.A.Ş.	Production and sales of soda and hand-made crystal ware	Turkey
Paşabahçe Mağazaları A.Ş.	Retail sales of glassware	Turkey
Paşabahçe Glass GmbH	Marketing and sales	Germany
Paşabahçe USA Inc.	Marketing and sales	United States
Paşabahçe Spain SL	Marketing and sales	Spain
Paşabahçe (Shanghai) Trading Co. Ltd.	Marketing and sales	China
Paşabahçe SRL	Marketing and sales	Italy
Paşabahçe Investment B.V.	Finance and investment company	Netherlands
Istanbul Investment B.V.	Finance and investment company	Netherlands
Nude Design Investment B.V.	Finance and investment company	Netherlands
Nude Glass Investment B.V.	Finance and investment company	Netherlands

The table below sets out all companies included in the Group's consolidation and shows the rates of ownership interest and the effective interest of the Company in these subsidiaries:

Subsidiaries	31 December 2018		31 December 2017	
Company's name	Direct and indirect ownership (%)	Effective ownership (%)	Direct and indirect ownership (%)	Effective ownership (%)
Paşabahçe Bulgaria EAD	100,00	100,00	100,00	100,00
OOO Posuda	100,00	100,00	100,00	100,00
Paşabahçe Egypt Glass Manufacturing S.A.E.	100,00	100,00	100,00	100,00
Denizli Cam San.ve Tic.A.Ş.	51,00	51,00	51,00	51,00
Paşabahçe Mağazaları A.Ş.	100,00	100,00	100,00	100,00
Paşabahçe Glass GmbH (*)	100,00	100,00	100,00	100,00
Paşabahçe USA Inc. (*)	100,00	100,00	100,00	100,00
Paşabahçe Spain SL (*)	100,00	100,00	100,00	100,00
Paşabahçe (Shanghai) Trading Co. Ltd.	100,00	100,00	100,00	100,00
Paşabahçe SRL	100,00	100,00	100,00	100,00
Paşabahçe Investment B.V.	100,00	100,00	100,00	100,00
Istanbul Investment B.V.	100,00	100,00	100,00	100,00
Nude Design Investment B.V.	100,00	100,00	100,00	100,00
Nude Glass Investment B.V.	100,00	100,00	100,00	100,00

(*) Subsidiaries are included in the scope of consolidation as of January 1,2018.

The financial statements of the subsidiaries that did not have any monetary significance both individually and collectively in prior periods are consolidated on the consolidated financial statements.

There is no difference between the voting rights and the effective shareholding rates of the subsidiaries.

2. Basis of Presentation of Consolidated Financial Statements

2.1 Basis of Presentation

The Company and its Turkish subsidiaries maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code Tax Legislations. Subsidiaries have prepared their statutory financial statements in accordance with laws and regulations of the country in which they operate with their functional currency.

The accompanying consolidated financial statements are prepared in accordance with the Turkish Financial Reporting Standarts (“TFRS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”).

The Group and its subsidiaries maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the “TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries, have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The consolidated financial statements, except for the land, buildings and investment properties presented with their fair values, are maintained under historical cost conversion.

Additionally, the Group prepared its consolidated financial statements required by TCC in accordance with the accounting policies indicated in Note 2 in order to provide a fair presentation of financial statements. The Group made the required adjustments and reclassifications to conform to the format of financial statements defined in the Financial Table Samples and Manual published by POA.

Presentation and Functional Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira (“TL”), which is the functional of the Company and the presentation currency of the Group.

Preparation of Financial Statements in Hyperinflationary Periods

Before 1 January 2005, adjustment and classification, that is done for the purpose of the fair presentation in accordance with TFRS to statutory bookings, is involved rearrangement according to the changing in the current purchasing power of Turkish Lira of balance and transactions in accordance with “The Financial Reporting in the Hyperinflationary Economics’’ TAS 29. TAS 29 requires that the financial statement of the company, whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of measuring unit current at the end of reporting period. Since the Turkish Economy is end of hyperinflation economy characteristic since 1 January 2005, the Company has not performed inflation accounting since from this date. Accordingly, the balance that is implied according to the power purchasing as date of 31 December 2004 is based for the value in the financial statements.

Going Concern

The consolidated financial statements including the accounts of the parent company, its subsidiaries and joint ventures have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Comparatives and Restatement of Prior Periods’ Financial Statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year consolidated financial statements.

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.1 Basis of Presentation (continued)

Financial Statements of Foreign Subsidiaries

Financial statements of subsidiaries, associates and joint ventures operating in foreign countries are prepared in accordance with the legislation of the country in which they operate and assets and liabilities in financial statements prepared according to the Group's accounting policies are translated into TL from the foreign exchange rate at the balance sheet date whereas income and expenses are translated into TL at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "currency translation differences" under shareholders' equity.

Foreign currency rates used in the translation of foreign operations included in the consolidation are as follows:

	31 December 2018		31 December 2017	
Currency	**Period End**	**Period Average**	**Period End**	**Period Average**
Euro	6,0280	5,6789	4,5155	4,1158
Bulgarian Lev	3,0821	2,9036	2,3087	2,1044
Russian Rubles	0,0753	0,0761	0,0651	0,0621
Chinese Yuan	0,7620	0,7226	0,5762	0,5363
USD	5,2609	4,8301	3,7719	3,6445

Consolidation Principles

The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with Turkish Financial Reporting Standarts (TFRS) issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

Subsidiaries are companies over which the parent company controls the financial and operating policies for the benefit of the parent company, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Note 1 sets out all subsidiaries included in the scope of consolidation and it shows their ownership and effective interests as of 31 December 2018 and 31 December 2017.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.1 Basis of Presentation (continued)

Subsidiaries (continued)

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income after the acquisition date or until the date of disposal. Costs related to the acquisition are recognized in profit or loss in the period in which they are incurred.

The statements of financial position and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between the Company and its Subsidiaries are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by the Company in its Subsidiaries are eliminated from equity and income for the period, respectively.

The non-controlling interests' shares in the consolidated subsidiaries' net assets are separately disclosed in the equity of the Group. The non-controlling interests represent the sum of the shares issued during the initial business combinations and the non-controlling interests' shares in the equity changes from the date of business combination.
When the losses applicable to the non-controlling portion exceed the non-controlling interest in the equity of the subsidiary, the excess loss and the further losses applicable to the non-controlling are charged against the non-controlling interest.

2.2 Statement of Compliance to IAS/TAS

The Group prepared the accompanying consolidated financial statements as of 31 December 2018 in accordance with TFRS and the related announcements that recommended by POA.

2.3 Significant Changes in the Accounting Policies

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January - 31 December 2018 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2017, except for the new IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers standards, which are started to be valid as of 1 January 2018.

Impacts on consolidated financial statements

The Group applied IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers effective from 1 January 2018 and financial statements effects of the these standards are explained below; applied actual accounting policy is explained on Note 2.6.

In the application of IFRS 9 Financial Instruments Standard, the Group have benefited from an exemption which allows not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of 1 January 2018.

The Group has applied IFRS 15 Revenue from Contracts with Customers by using “cumulative effect method” on the transition date of 1 January 2018. Changes have an impact originated from Russia by thousand TL 5.951 out of total impact by thousand TL 13.893 on the financial position or performance of the Group.

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.3 Significant Changes in the Accounting Policies (continued)

The impacts on the statement of financial position of 31 December 2018 and the profit or loss table for the twelve month period ended for the same date regarding to the adoption of IFRS 9 and IFRS 15 are as follows:

Financial position

		31 December 2018 Impacts Excluded	TFRS 9	TFRS 15	31 December 2018
Current Assets					
Cash and cash equivalents	6	88.106	-	-	88.106
Financial assets	7	-	-	-	-
Trade receivables	10,37	664.575	(11.216)	4.771	658.130
Inventories	13	1.087.463	-	(3.960)	1.083.503
Other current assets items except above		105.042	-	-	105.042
Total Current Assets		**1.945.186**	**(11.216)**	**811**	**1.934.781**
Non-Current Assets					
Financial assets	7	164	-	-	164
Deferred tax assets	13	84.868	2.468	497	87.833
Other non-current assets items except above		1.917.404	-	-	1.917.404
Total Non-Current Assets		**2.002.436**	**2.468**	**497**	**2.005.401**
Total Assets		**3.947.622**	**(8.748)**	**1.308**	**3.940.182**
Total Liabilities		**1.798.766**	**-**	**-**	**1.798.766**
Equity					
Shareholders' Equity		**2.142.847**	**(24.950)**	**1.415**	**2.119.312**
Currency translation differences	27	366.405	-	-	366.405
Retained Earnings	27	536.637	(16.202)	(1.533)	518.902
Current period net profit or loss	27	150.846	(8.748)	2.948	145.046
Other equity account items except above	27	1.088.959			1.088.959
Non-controlling interests	**27**	**22.212**	**-**	**(108)**	**22.104**
Total Equity		**2.165.059**	**(24.950)**	**1.307**	**2.141.416**

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.3 Significant Changes in the Accounting Policies (continued)

Income Statement

	1 January- 31 December 2018 Impacts Excluded	TFRS 9	TFRS 15	1 January- 31 December 2018
Revenue	2.460.728	-	13.893	2.474.621
Cost of Sales	(1.559.317)	-	(10.978)	(1.570.295)
Gross Profit	**901.411**	**-**	**2.915**	**904.326**
Administrative Expenses	(163.887)	(11.216)	-	(175.103)
Marketing Expenses	(539.367)	-	-	(539.367)
Research and Development Expenses	(10.326)	-	-	(10.326)
Other Operating Income	185.315	-	-	185.315
Other Operating Expense	(67.917)	-	-	(67.917)
Other Operating Profit	**305.229**	**(11.216)**	**2.915**	**296.928**
Investment Activities Income	19.402	-	-	19.402
Investment Activities Expense	(9.925)	-	-	(9.925)
Operating profit before financial income/expense	**314.706**	**(11.216)**	**2.915**	**306.405**
Financial Income	48.419	-	-	48.419
Financial Expense	(199.623)	-	-	(199.623)
Profit (Loss) Before Tax from Continued Operations	**163.502**	**(11.216)**	**2.915**	**155.201**
Tax Income (Expense) from Continued Operations	**(12.678)**	**2.468**	**33**	**(10.177)**
- Current Tax Expense for the Period	(17.091)	-	-	(17.091)
- Deferred Tax Income (Expense)	4.413	2.468	33	6.914
Profit (Loss) for the Period	**150.824**	**(8.748)**	**2.948**	**145.024**
Attributable to				
- Non-controlling Interests	(79)	-	57	(22)
- Equity Holders of the Parent	**150.903**	**(8.748)**	**2.891**	**145.046**

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.3 Significant Changes in the Accounting Policies (continued)

Classification and Measurement

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost consist of “cash and cash equivalents”,“trade receivables”, other receivables and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of profit and loss.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarized below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.3 Significant Changes in the Accounting Policies (continued)

	Classification under TFRS - 39	Classification under TFRS - 9
Financial Assets		
– Cash and cash equivalents	Loans and receivables	Amortised cost
– Financial investments	Held-to-maturity financial assets	Amortised cost
– Financial investments	Available for sale financial assets	Fair value through other comprehensive income
– Derivative instruments	Fair value through profit or loss	Fair value throuh profit or loss
– Trade receivables	Loans and receivables	Amortised cost
– Other receivables	Loans and receivables	Amortised cost
Financial Liabilities		
– Borrowings	Amortised costAmortised cost	
– Trade payables	Amortised costAmortised cost	
– Derivative instruments	Fair value through profit or loss	Fair value throuh profit or loss

Impairment

The Group has made amendments to the TFRS 9 methodology for allocating impairment of financial assets in accordance with the newly anticipated credit loss model. It has reflected the impact in the financial statements for the first time in 30 June 2018 and re-measured the impact of the opening as a result of detailed analysis. The effect of the change on the Group's retained earnings for the years ended January 1, 2018 is as follows:

	1 January 2018
Retained earnings	**536.637**
Allowance for impairment in cash and cash equivalents	52
Increase in allowance for doubtful trade receivables	(20.772)
Deferred tax effect	4.570
Effect of non-controlling interests	-
	(16.150)
Retained earnings - 1 January 2018 (Including TFRS-9 impacts, excluding TFRS-15 impacts)	**520.487**

The Group allocates impairment provision for the following financial assets according to the expected credit loss model:

- Cash and cash equivalents
- Financial investments
- Trade receivables
- Other receivables

The Group uses the simplified approach in IFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables.

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.3 Significant Changes in the Accounting Policies (continued)

TFRS 15 Revenue from Contracts with Customers

The Group has recognized the impacts of "IFRS 15 Revenue from Contracts with Customer" in the consolidated financial statements for the first time in 30 June 2018 and re-measured the impact of the opening as a result of detailed analysis. The effects of the application of the IFRS 15 Revenue from Contracts with Customers on the Group's retained earnings for the years ended January 1, 2018 are as follows:

	1 January 2018
Retained earnings (TFRS 9 impacts included, IFRS 15 impacts excluded)	**520.487**
The impact of revenue recognized over time	(2.105)
The impact of deferred tax	463
Effect of non-controlling interests	57
	(1.585)
Retained earnings-January 1, 2018 (TFRS 9 impacts included, IFRS 15 impacts excluded)	**518.902**

2.4 Changes and Errors in the Accounting Estimates

The effect of changes in accounting estimates affecting the current period is recognized in the current period the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates used in the preparation of these consolidated financial statements for the year ended 31 December 2018 are consistent with those used in the preparation of financial statements for the year ended 31 December 2017.

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements.

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS")

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

TFRS 15 – Revenue from contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group adopted TFRS 15 using full retrospective approach or modified retrospective approach and disclosed the impact of the standard on financial position and performance of the Group in Note 2.3.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (continued)

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.

TFRS 9 is effective for annual periods beginning on or after 1 January 2018. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2018. The impact of these amendments on the financial position and performance of the Group is presented in Note 2.3.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: "an overlay approach" and a "deferral approach". The amended standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 39.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have an impact on the financial position or performance of the Group.

TFRS 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The amendments did not have an impact on the financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (continued)

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for;

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments did not have an impact on the financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

The amendments did not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs – 2014-2016

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments did not have an impact on the financial position or performance of the Group.

a) The standards published but not still effective and not implemented early in December 31, 2018 (continued):

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.5 Amendments in Turkish Financial Reporting Standards ("TFRS") (continued)

TFRS 16 Leases(continued)

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e. leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g. personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e. the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e. the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

The lesee will have to remeasure the lease liability if certain events occur (for example, changes in rental time, due to change in a specific index or rate of future lease payments change, etc.). In this case, the lesee will register the remeasure effect of the lease obligation as a correction on the right to use.

The Group plans to implement TFRS 16 with the simplified retrospective approach.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Group does not expect impact of the amendments on financial position or performance of the Group.

2. Basis of Presentation of Consolidated Financial Statements (continued)

2.5 Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group does not expect impact of the amendments on financial position or performance of the Group.

TFRIC 23 Uncertainty over Income Tax Treatments
The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements 2015-2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Changes to the plan, downsizing or fulfilling (TAS 19 Amendments)

In January 2019, POA published the “Change to the plan, downsizing or fulfilling” amendments to TAS 19. Amendment: Changes to the plan require that the cost of the service determined for the remainder of the annual accounting period and the net interest cost to be calculated using current actuarial assumptions after a reduction or fulfilment occurs. The amendments, will be applied for the annual accounting periods beginning on January 1, 2019. Early application is allowed.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2. Basis of Presentation of Financial Statements (continued)

2.5 Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)

Prepayment Features with Negative Compensation (Amendments to TFRS 9)
The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of 31 December 2018

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

TFRS 17 - The new Standard for insurance contracts
The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The amendments will not have an impact on the financial position or performance of the Group.

2. Basis of Presentation of Financial Statements (continued)

2.5 Amendments in Turkish Financial Reporting Standards (“TFRS”) (continued)

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The changes are as follows:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

Definition of Significance (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendment will be effective for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies

Revenue

Revenue, goods or services related to performance obligations in the form of goods or service turnover are accounted for as they fulfil their performance obligations by transferring them to their customers.

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

a) Ownership of the Group's right to collect goods or services,
b) The ownership of the property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risks and rewards arising from the ownership of the goods or services,
e) It takes into account the conditions for the customer to accept the goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

The impact of revenue recognized over time is explained in Note 2.3.

Turnover premium

Turnover premium is given to customers in case customers meet the predetermined sales targets by contract. Provision has been accounted for the turnover premiums of the customers as of 31 December 2018

Interest Income

Interest income is accrued using the effective interest method which brings the remaining principal amount and expected future cash flows to the net book value of the related deposit during the expected life of the deposit.

Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Dividend

Dividend income is recorded as income of the collection right transfer date. Dividend payables are recognized in the period that the profit distribution is declared. Dividends as a factor of distribution of profits will be reported in the Consolidated Financial Statements after the Board of Directors' approval.

(Amounts Are Expressed İn Thousands Of Turkish Lira (“TL”) Unless Otherwise İndicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the weighted average basis for each purchase. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories consist of raw material, semi-finished goods, finished goods, commercial goods, and goods in transit and other stocks (Note 13).

Tangible Assets

Property, plant and equipment except for land and buildings are carried at cost less accumulated depreciation and any impairment in value. Land and buildings are carried at fair value as of revaluation date less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Land and buildings were accounted for under the net method in accordance with revaluation method. The change of accounting policy was applied with the financial statements as of 31 December 2015. Unless there is a significant economic change that would affect the value of these properties, it is routinely revalued every three years. In this context, a revaluation has been made to reflect in the financial statements dated 31 December 2018.

The assets used in the production of goods and services or used for administrative purposes and are under construction, are shown by deducting the impairment loss, if any, from the cost values. Legal fees are also included in the cost. In the case of assets that require considerable time to be ready for use or sale, borrowing costs are capitalized in accordance with the Group's accounting policy. Such assets are depreciated when they are ready for use, as in the depreciation method used for other fixed assets. Cost amounts of tangible assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. There is no depreciation due to the fact that they have unlimited lives for land. The estimated useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes in the estimates and they are accounted for on a prospective basis if there is a change in the estimates (Note 18).

Assets held under finance leases are depreciated over the expected economic life and the shorter of the lease term in the same way as other tangible assets.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful Life
Land and improvements	5–50 Year
Buildings	10–50 Year
Plant, machinery and equipment	2–25 Year
Vehicles	3–15 Year
Fixtures	2–20 Year
Other Tangible Assets	3–20 Year
Leashold improvements	During the lease period

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Tangible Assets(continued)

Property, plant and equipment are reviewed for impairment losses. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell. Costs of property plant and equipment are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of income during the financial period in which they were incurred. Gain or losses on disposal of property, plant and equipment are included in the "Income/Expense from Investing Activities" and are determined as the difference between the carrying value and amounts received. The gain on revaluation on tangible assets presented in the equity is transferred directly to the retained earnings when the asset is retired from use or disposed of or fully depreciated.

Intangible Assets

Intangible assets acquired

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis. Purchase costs are included in the related assets and are amortized at between 3 and 5 years based on their economic lives (Note 19).

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-5 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets, Software development costs include employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years) (Note 19).

Impairment of Assets

The carrying amounts of the Group's assets other than goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the comprehensive statement of income.

The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortisation amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the comprehensive income statement.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Investment Properties

Land and buildings those are held for long term rental yields or capital appreciation or both, rather than in the production of supply of goods and services or administrative purposes or for the sale in the ordinary course of business are classified as "Investment property". Investment properties are accounted for using the fair value model at the financial statements. If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply TAS 16 "Property, Plant and Equipment" up to the date of change in use. The entity treats any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value as a revaluation in accordance with TAS 16 and revaluation differences are accounted for under equity. Fair value of investment property has been calculated at the end of each year by the Capital Market Board (CMB) licensed independent valuation firms that have required professional experience (Note 17). In subsequent periods, profit or loss due to the revaluation of fair value of investment property are accounted for under current period's profit or loss. If the value of the asset is reduced as a result of revaluation, the decrease is accounted as an expense. However, this decrease should be accounted in the scope of other comprehensive income to the extent of any receivables revaluation related to that asset. The corresponding decrease, accounted in other comprehensive income, reduces the amount accumulated in equity under the revaluation surplus heading.

Financial Leases

a) The Group as the lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

b) The Group as the lessor

Operating leases

Assets leased out under operating leases, excluding land and investment properties, are included in property, plant and equipment in the consolidated statements of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognized in the consolidated statement of income on a straight-line basis over the lease term.

Borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings (Note 8 and Note 33).

In case of foreign exchange income in the financing activities, the related income is deducted from the total of capitalized financial expenses.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Related Parties

For the purpose of these consolidated financial statements, shareholders, key management personnel (general managers, head of group, vice general managers, vice head of group and factory managers) and Board members, in each case together with the companies controlled by/or affiliated with them, are considered and referred to as related parties (Note 37).

Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

Financial Assets

Classification

Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income. "Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below ;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade receivables

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

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Trade receivables(continued)

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income (Note 10 and Note 31).

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the consolidated statement of income or loss (Note 10 and Note 31).

Cash and Cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 6). Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments (Note 7).

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis (Note 8).

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 10).

Business combinations and Goodwill

A business combination is the bringing together of separate entities or business into one reporting entity. Business combinations are accounted for using the purchase method in the scope of TFRS 3 (Note 3).

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquired business and in addition, any costs directly attributable to the business combination. The cost of the business combination at the date of the acquisition is adjusted if a business combination contract includes clauses that enable adjustments to the cost of business combination depending on events after acquisition date, and the adjustment is measurable more probable than not. Costs of the acquisition are recognized in the related period. Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Legal mergers arising between companies controlled by the Group are not considered within the scope of TFRS 3. Consequently, no goodwill is recognized in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are corrected in the preparation of the consolidated financial statements.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

Foreign Currency Transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira (TL), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies (currencies other thanTL or the currency other than the functional currency of the related entity) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed inTRYusing exchange rates prevailing at the balance sheet date. Revenue and expense items are translated using the average exchange rates for the period when the exchange rates in the period in which the transactions are to be made do not fluctuate significantly (in the case of significant fluctuations, the exchange rates at the transaction date are used). The resulting exchange differences are classified as equity and transferred to the Group's currency translation differences fund. Such conversion differences are recognized in profit or loss in the period in which the foreign operation is derecognized. Goodwill and fair value adjustments arising from acquisitions of operations abroad are treated as assets and liabilities of the foreign operation and translated using the period end exchange rate. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rates.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of profit or loss is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "Bonus Share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation (Note 36).

Events after the Reporting Date

The Group adjusts the amounts recognized in its financial statements to reflect adjusting events occurring after the reporting date. If non-adjusting events after the reporting date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

Provisions, Contingent Assets and Liabilities

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 22).

Segment reporting

The Group's segment reporting information is reviewed regularly by the Group's chief operating decision maker. Board of Directors is the chief operating decision maker of the Group.

Operating segments are reported in a manner consistent with the reporting provided to the Group's chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Group's activities consist of chrome products and soda products-energy-other two product lines based on product groups. Geographic segments of the Group are followed as Turkey and Europe. Some incomes and expenses are not included in the segments as they are managed centrally.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Government grants

Grants from the government are recognized at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the required conditions (Note 21).

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of profit and loss, except to the extent that it relates to items recognized directly in equity (Note 35). In such case, the transaction including tax is recognized in shareholders' equity.

The current period tax on income is calculated for the Group's subsidiaries, associates and joint ventures considering the tax laws that are applicable in the countries where they operate.

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates and tax regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The main temporary differences are from the time differences between carrying amount of tangible assets and their tax base amounts, the available expense accruals that are subject to tax and tax allowances that are not utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Employee Benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees.

According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefit to all personnel in cases of termination of employment without due cause, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. All actuarial profits and losses are recognized in the consolidated statements of changes in equity (Note 24).

The liabilities related to unused vacation days are accrued when they are earned.

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies(continued)

Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group’s activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

The Group has preferred to present the cash inflows and outflows from operating activities (net) in the financial statements by using the indirect method.

2.7 Critical accounting estimates, judgments, and assumptions

In the Board of Directors’ meeting held on 30 December 2015, it has been decided to revalue the properties (land and buildings) which are valued at “Cost Method” within the scope of Turkish Accounting Standards (TAS) 16, with “Revaluation Method” based on the revaluated amounts as at 31 December 2015 and effective from the financial statements as of 31 December 2015, and apply this policy for the all Group Companies.

Increase in value of property, plant and equipment is recognized in “revaluation fund” in equity, impairment losses recognized in. “expenses from investment activities (-)” in profit or loss statement.

Land and buildings are stated at revalued amounts in accordance with IAS 16 revaluation method. Fair values in the financial statements dated 31 December 2018 are based on the appraisal reports prepared by independent valuation firms. As there were recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas if there were recent similar buying/ selling transactions nearby revaluations of buildings were based on of market reference comparison if not the method of cost approach.

In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional independent valuation company was utilized.

In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components. The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

As of initial recognition and as of balance sheet date, Group performs impairment assessment for lands and buildings of which valuations are based on market value and cost approach, in accordance with the “TAS 36 Impairment of Assets”, and impairment has been recognized in income statement.Net book values of related assets have been adjusted to reflect the revalued amounts and the gain has been accounted for under the revaluation reserve in equity, net-off relevant deferred tax impact.

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

2. Basis of Presentation of Financial Statements (continued)

2.7 Critical accounting estimates, judgments, and assumptions(continued)

As of initial recognition and as of balance sheet date, Group performs impairment assessment for lands and buildings of which valuations are based on market value and cost approach, in accordance with the "TAS 36 Impairment of Assets", and impairment has been recognized in income statement.

Net book values of related assets have been adjusted to reflect the revalued amounts and the gain has been accounted for under the revaluation reserve in equity, net-off relevant deferred tax impact.

	Previously reported 1 January - 31 December 2017	Payroll expense reclassification	Product transportation expense reclassification	Revised 1 January- 31 December 2017
Revenue	1.918.879	-	67.850	1.986.729
Cost of Sales	(1.285.366)	908	-	(1.284.458)
Gross Profit (Loss) from Trading Activities	**633.513**	**908**	**67.850**	**702.271**
General Administrative Expenses	(195.016)	(998)	-	(196.014)
Marketing Expenses	(377.260)	71	(67.850)	(445.039)
Research and Development Expenses	(8.299)	19	-	(8.280)
Other Income from Operating Activities	93.093	-	-	93.093
Other Expense from Operating Activities	(53.890)	-	-	(53.890)
Operating Profit (Loss)	**92.141**	**-**	**-**	**92.141**
Income from Investing Activities	7.338	-	-	7.338
Expenses from Investing Activities	(1.529)	-	-	(1.529)
Operating Profit (Loss) Before Financial Income (Expense)	**97.950**	**-**	**-**	**97.950**
Financial Income	74.667	-	-	74.667
Financial Expenses	(200.667)	-	-	(200.667)
	-	-	-	-
Profit (Loss) Before Tax from Continued Operations	**(28.050)**	**-**	**-**	**(28.050)**
Tax Income (Expense) from Continued Operations	**30.319**	**-**	**-**	**30.319**
- Current Tax Expense for the Period	(4.301)	-	-	(4.301)
- Deferred Tax Income (Expense)	34.620	-	-	34.620
Profit (Loss) for the Period	**2.269**	**-**	**-**	**2.269**

(*) Severance pay expenses that were accounted in general administrative expenses in prior period have been reclassified to related expense account.

(**) Product transportation expenses that were accounted in revenue in previous periods have been reclassified to marketing expenses.

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

3. Business Combinations

None (2017: None).

4. Interests in Other Entities

Summary financial statements of Denizli Cam Sanayi ve Ticaret A.Ş., whose non-controlling interest amount is material, is as follows;

Denizli Cam San. ve Tic. A.Ş.	31 December 2018	31 December 2017
Current assets	53.399	29.658
Non-current assets	70.912	67.657
Total assets	**124.311**	**97.315**
Current liabilities	51.803	37.117
Non-current liabilities	9.501	5.314
Total liabilities	**61.304**	**42.431**

Denizli Cam San. ve Tic. A.Ş.	31 December 2018	31 December 2017
Revenue	106.599	49.034
Net profit (loss) for the period	(379)	(5.387)
Other comprehensive income (expense)	13.812	-
Total comprehensive income (loss)	13.432	(5.387)
Share of non-controlling interests	49,0%	49,0%
Net profit for the period attributable to non-controlling interest	**(186)**	**(2.640)**

(Amounts Are Expressed İn Thousands Of Turkish Lira ("TL") Unless Otherwise İndicated.)

5. Segment Reporting

1 January-31 December 2018	Turkey	Russia	Europe	Other	Total	Consolidation adjustments	Consolidated
Net external revenue	1.404.912	321.455	651.788	96.466	2.474.621	-	2.474.621
Inter group revenue	371.600	19.986	152.326	-	543.912	(543.912)	-
Total net revenue (*)	**1.776.512**	**341.441**	**804.114**	**96.466**	**3.018.533**	**(543.912)**	**2.474.621**
Cost of sales	(1.309.782)	(228.226)	(478.784)	(70.392)	(2.087.184)	516.889	(1.570.295)
Gross profit / (loss) from trading activities	**466.730**	**113.215**	**325.330**	**26.074**	**931.349**	**(27.023)**	**904.326**
Operating expenses	(509.678)	(55.391)	(142.878)	(32.666)	(740.613)	15.817	(724.796)
Other income from operating activities	164.274	16.303	14.042	1.264	195.883	(10.568)	185.315
Other expense from operating activities (-)	(49.825)	(15.405)	(12.064)	(23)	(77.317)	9.400	(67.917)
Operating profit / (loss)	**71.501**	**58.722**	**184.430**	**(5.351)**	**309.302**	**(12.374)**	**296.928**
Income from investing activities	9.404	1	1.811	-	11.216	8.186	19.402
Expenses from investing activities (-)	(9.925)	-	-	-	(9.925)	-	(9.925)
Operating profit / (loss) before financial income and expense	**70.980**	**58.723**	**186.241**	**(5.351)**	**310.593**	**(4.188)**	**306.405**
Financial income	42.992	1.319	15.397	-	59.708	(11.289)	48.419
Financial expenses (-)	(159.822)	(27.049)	(19.771)	(11.557)	(218.199)	18.576	(199.623)
Profit / (loss) before tax from continued operations	**(45.850)**	**32.993**	**181.867**	**(16.908)**	**152.102**	**3.099**	**155.201**
Tax income / (expense) for the year	(19.925)	-	(1.052)	3.886	(17.091)	-	(17.091)
Deferred tax income	9.995	(96)	(2.223)	-	7.676	(762)	6.914
Profit / (loss) for the year	**(55.780)**	**32.897**	**178.592**	**(13.022)**	**142.687**	**2.337**	**145.024**
Purchases of tangible and intangible assets	65.527	19.414	32.257	48.116	165.314	-	165.314
Depreciation and amortization charges	(55.742)	(17.912)	(39.690)	(7.680)	(121.024)	2	(121.022)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (**)) (***)	**126.722**	**76.635**	**225.931**	**2.329**	**431.617**	**(4.190)**	**427.427**
Statement of financial position (31 December 2018)							
Total assets	**2.541.127**	**155.877**	**979.645**	**263.533**	**3.940.182**	**-**	**3.940.182**
Total liabilities	**1.248.432**	**82.684**	**241.498**	**226.152**	**1.798.766**	**-**	**1.798.766**

(*) Net sales according to the geographical regions are represented based on the countries where the companies are operating.

(**) EBITDA is not defined by TAS. The Group defined EBITDA as profit before interest, tax depreciation and amortization. EBITDA figures above are disclosed separately with the purpose of a better understanding and measurement of the Group's operational performance by the Group management.

(Amounts Are Expressed İn Thousands Of Turkish Lira (“TL”) Unless Otherwise İndicated.)

5. Segment Reporting (continued)

1 January-31 December 2017	Turkey	Russia	Europe	Other	Total	Revision effect	Consolidation adjustments	Consolidated
Net external revenue	1.286.452	210.461	421.441	525	1.918.879	67.850	-	1.986.729
Inter group revenue	188.170	-	70.224	-	258.394	-	(258.394)	-
Total net revenue (*)	**1.474.622**	**210.461**	**491.665**	**525**	**2.177.273**	**67.850**	**(258.394)**	**1.986.729**
Cost of sales	(1.063.911)	(157.912)	(309.757)	(1.565)	(1.533.145)	908	247.779	(1.284.458)
Gross profit / (loss) from trading activities	**410.711**	**52.549**	**181.908**	**(1.040)**	**644.128**	**68.758**	**(10.615)**	**702.271**
Operating expenses	(453.645)	(35.560)	(94.380)	(1.178)	(584.763)	(68.758)	4.188	(649.333)
Other income from operating activities	75.949	8.048	8.860	261	93.118	-	(25)	93.093
Other expense from operating activities (-)	(50.159)	(10.068)	(618)	-	(60.845)	-	6.955	(53.890)
Operating profit / (loss)	**(17.144)**	**14.969**	**95.770**	**(1.957)**	**91.638**	**-**	**503**	**92.141**
Income from investing activities	6.340	57	941	-	7.338	-	-	7.338
Expenses from investing activities (-)	(1.529)	-	-	-	(1.529)	-	-	(1.529)
Operating profit / (loss) before financial income and expense	**(12.333)**	**15.026**	**96.711**	**(1.957)**	**97.447**	**-**	**503**	**97.950**
Financial income	72.537	702	4.940	-	78.179	-	(3.512)	74.667
Financial expenses (-)	(166.323)	(25.665)	(9.899)	(1.909)	(203.796)	-	3.129	(200.667)
Profit / (loss) before tax from continued operations	**(106.119)**	**(9.937)**	**91.752**	**(3.866)**	**(28.170)**	**-**	**120**	**(28.050)**
Tax income / (expense) for the year	(2.203)	-	(2.098)	-	(4.301)	-	-	(4.301)
Deferred tax income	31.747	2.796	189	-	34.732	-	(112)	34.620
Profit / (loss) for the year	**(76.575)**	**(7.141)**	**89.843**	**(3.866)**	**2.261**	**-**	**8**	**2.269**
Purchases of tangible and intangible assets	67.872	10.888	49.706	15.118	143.584	-	-	143.584
Depreciation and amortization charges	(84.324)	(27.125)	(52.594)	(1.017)	(165.060)		-	(165.060)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (**)	**71.991**	**42.151**	**149.305**	**(940)**	**262.507**	**-**	**503**	**263.010**
Statement of financial position (31 December 2017)								
Total assets	**2.181.856**	**207.672**	**559.452**	**97.927**	**3.046.907**	**-**	**-**	**3.046.907**
Total liabilities	**1.268.804**	**89.771**	**59.622**	**101.848**	**1.520.045**	**-**	**-**	**1.520.045**

(*) Net sales according to the geographical regions are represented based on the countries where the companies are operating.

(**) EBITDA is not defined by TAS. The Group defined EBITDA as profit before interest, tax depreciation and amortization. EBITDA figures above are disclosed separately with the purpose of a better understanding and measurement of the Group’s operational performance by the Group management.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

6. Cash and Cash Equivalents

	31 December 2018	31 December 2017
Cash on hand	242	182
Cash at banks	87.295	39.521
- *Demand deposits*	*81.749*	*35.617*
- *Time deposits with a maturity of three months or less*	*5.546*	*3.904*
Other liquid assets	569	321
	88.106	**40.024**

Time deposits

	Interest Currency	Interest Rate % Maturity	31 December 2018	31 December 2017
EUR	3,00%	January-February 2019	647	1.820
Russian Rubles	10,08%	January-February 2019	4.899	2.084
			5.546	**3.904**

Cash and cash equivalents as of 31 December 2017 and 31 December 2018 presented in the consolidated statement of cash flows are as follows:

	31 December 2018	31 December 2017
Cash and cash equivalents	88.106	40.024
Effect of impairment loss	51	-
Less: Interest accrual	(4)	(2)
	88.153	**40.022**

7. Financial Assets

Non-current financial assets

Financial assets available for sale	31 December 2018	31 December 2017
Financial assets not traded in an active market	164	164
Unconsolidated subsidiaries	-	112
	164	**276**

The movement of financial assets at fair value through other comprehensive income are as follows:

	31 December 2018	31 December 2017
Beginning of the period - 1 January	276	416
Effect of subsidiaries included in consolidation	(112)	(140)
	164	**276**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

7. Financial Assets (continued)

Financial assets not traded in an active market	Rate of Share (%)	31 December 2018	Rate of Share (%)	31 December 2017
Camiş Limited (*)	30,65	164	30,65	164
		164		**164**

(*) Paşabahçe Can Sanayii ve Tic. A.Ş. has not influence over Camiş Limited management. All control in management belongs to T.Şişe ve Cam Fabrikaları A.Ş. Therefore it is not accounted by equity method.

8. Borrowings

Current financial liabilities	31 December 2018	31 December 2017
Short term borrowings	545.550	318.558
Short term portion of long term borrowing	**31 December 2018**	**31 December 2017**
Short term portion of long term borrowings and interests	292.033	108.301
Total current financial liabilities	**837.583**	**426.859**

Long term borrowings	31 December 2018	31 December 2017
Long term portion of long term borrowings	84.325	323.262
Total long term financial liabilities	**84.325**	**323.262**
Total borrowings	**921.908**	**750.121**

As of the balance sheet date, risk of changes in interest rates on loans and contractual reprising dates of the Group is as follows:

Repricing dates for loans	31 December 2018	31 December 2017
Shorter than 3 months	679.358	136.235
3 – 12 months	158.225	290.624
1 – 5 years	84.325	323.262
5 years and more	-	-
	921.908	**750.121**

The impact of discounting is not significant due to given interest rates for short-term loans and their carrying values approximate their fair values. The fair values are determined using the weighted average effective annual interest rates. The long-term financial liabilities are generally subject to repricing within three and six month periods and a large amount of those liabilities consists of foreign currency denominated loans. Therefore, it is expected that the carrying value of the financial liabilities that are calculated by effective interest rate method approximate to their fair values.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

8. Borrowings (continued)

Financial liabilities movements for the period between 1 January and 31 December 2018 are summarized as below:

Bank borrowings	Capital	Interest	Total
Beginning at the period - 1 January	744.438	5.683	750.121
Currency translation differences	115.789	1.175	116.964
Foreign exchange gain/ (loss)	42.790	-	42.790
Borrowed –accrued during the period	859.123	58.206	917.329
Payments-reversals during the period	(844.168)	(61.128)	(905.296)
As of 31 December 2018	**917.972**	**3.936**	**921.908**

Financial liabilities movements for the period between 1 January and 30 December 2017 are summarized as below:

Bank borrowings	Capital	Interest	Total
Beginning at the period - 1 January	898.544	4.904	903.447
Currency translation differences	67.315	478	67.793
Foreign exchange gain/ (loss)	31.113	-	31.113
Borrowed –accrued during the period	642.011	70.419	712.429
Payments-reversals during the period	(894.544)	(70.117)	(964.661)
As of 31 December 2017	**744.439**	**5.684**	**750.121**

There is 21,366 thousandTLcapitalized interest expense for the period 1 January – 31 December 2018 (None - 1 January-31 December 2017).

Short and long-term bank borrowings are summarized as below:

31 December 2018

Currency	Maturity	Interest range (%)	Short term	Long Term	Total
US Dollar	2019-2020	0,33%	30.310	15.032	45.342
Euro	2019-2020	14,07%	304.048	40.144	344.192
Russian Rubles	2019-2021	10,03%	206.538	29.149	235.687
Turkish Lira	2019-2019	18,25%	250.795	-	250.795
Egyptian Pound	2019-2019	18,62%	45.892	-	45.892
			837.583	**84.325**	**921.908**

31 December 2017

Currency	Maturity	Interest range (%)	Short term	Long Term	Total
US Dollar	2018-2020	3,83%	21.789	32.331	54.120
Euro	2018-2020	1,98%	227.223	95.615	322.838
Russian Rubles	2018-2021	10,79%	153.062	45.316	198.378
Turkish Lira	2018-2019	9,10%	15.285	150.000	165.285
Egyptian Pound	2018-2019	17,36%	9.500	-	9.500
			426.859	**323.262**	**750.121**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

8. Borrowings (continued)

The redemption schedule of the financial liabilities is as follows:

	31 December 2018	31 December 2017
Within 1 year	837.583	426.859
Within 1-2 years	78.495	258.056
Within 2-3 years	5.830	60.171
Within 3-4 years	-	5.035
Within 4-5 years	-	-
More than 5 years	-	-
	921.908	**750.121**

There is no collaterals given for financial liabilities as of 31 December 2018 and 31 December 2017.

9. Other Financial Liabilities

None (31 December 2017: None).

10. Trade Receivables and Payables

Trade Receivables

Current trade receivables	31 December 2018	31 December 2017
Trade receivables	603.405	494.676
Notes receivables	63.841	30.532
Rediscount of notes receivable (-)	(14.444)	(5.757)
Due from related parties (Note 37)	5.322	2.669
Other trade receivables	34.405	20.036
Provision for doubtful receivables	(34.399)	(20.036)
	658.130	**522.120**

The sales terms for the Group's domestic sales based on the main product lines are as follows:

The average sales term is 75 days (31 December 2017: 75 days) and a monthly overdue interest rate of 2,75% is applied for the payments made after the due date (31 December 2017: 2%).

The Group has no significant concentration risk since the Group has been working with the spread over a large number of counterparties and customers. Accordingly, the management believes that no further allowance is required more than recognized in financial statements

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

10. Trade Receivables and Payables (continued)

The movement of allowance for doubtful trade receivables is as follows:

	31 December 2018	31 December 2017
Beginning at the period - 1 January	(20.036)	(13.552)
Adjustment on changes in accounting policies	(20.772)	-
Period expense	(1.606)	(7.678)
Collections	8.480	1.456
Currency translation differences	(465)	(262)
	(34.399)	**(20.036)**

The Group has received the following collaterals for trade receivables:

	31 December 2018	31 December 2017
Letters of guarantees	46.687	47.592
Direct debit system	87.148	51.341
Mortgages	29.133	441
Insurance	58.783	-
Other	51.030	33.896
	272.781	**133.270**

As of 31 December 2018, 108.032 thousandTL(31 December 2016: 95.201 thousand TRY) of trade receivable amount was past due but not impaired. This is related to various independent customers with no recent history of default. The aging analysis of trade receivable amounts is as follows:

	31 December 2018	31 December 2017
1- 30 days overdue	46.328	40.197
1-3 months overdue	25.497	20.676
3-12 months overdue	36.207	31.128
1- 5 years overdue	-	3.200
Total overdue receivables	**108.032**	**95.201**
The portion under guarantee with collaterals and similar guarantees	**29.099**	**4.135**

Trade Payables

	31 December 2018	31 December 2017
Trade payables	205.901	166.459
Due to related parties (Note 37)	67.636	38.400
Rediscount on notes payable (-)	(1.878)	(832)
	271.659	**204.027**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

11. Other Receivables and Payables

Short- term other receivables	31 December 2018	31 December 2017
Other miscellaneous receivables	3.349	487
Impact of accounting policy change	(11.216)	-
Due from related parties (Note 37)	40.598	7.258
Deposits and guarantees given	237	396
Due from personnel	437	639
	33.405	**8.780**

Other non-current receivables	31 December 2018	31 December 2017
Deposits and guarantees given	474	894
	474	**894**

Other current payable	31 December 2018	31 December 2017
Other payables due to related parties (Note 37)	353.708	303.107
Other current payables (*)	316	56.543
	354.024	**359.650**

(*) According the asset transfer agreement with Pearl for Glass Manufacturing SA A.E. located in Egypt, total payable of 14.5 million is closed by 10 Million US Dollars payment as of May 22. 2018 and 4.5 million USD Dollars payment as of 10 September 2018.

12. Derivative Instruments

None (31 December 2017:None).

13. Inventories

	31 December 2018	31 December 2017
Finished goods	865.052	591.908
Work in process	7.576	1.939
Raw materials	142.355	116.045
Trade goods	61.172	101.070
Operating supplies	37.822	27.084
Provision for inventory impairment (-)	(30.474)	(21.005)
	1.083.503	**817.041**

	31 December 2018	31 December 2017
Beginning at the period - 1 January	(21.005)	(13.371)
Provision for the period	(12.067)	(10.209)
Provision no longer required	3.677	3.293
Currency Translation Differences	(1.079)	(718)
	(30.474)	**(21.005)**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

14. Prepaid Expenses and Deferred Income

Prepaid Expenses

Prepaid expenses in current assets	31 December 2018	31 December 2017
Advances given for inventories	19.080	14.754
Prepaid expenses	4.584	3.200
	23.664	**17.954**

Prepaid expenses in non-current assets	31 December 2018	31 December 2017
Advances given for tangible and intangible assets	3.048	1.220
	3.048	**1.220**

The movement of advances given for tangible and intangible assets is as follows:

	31 December 2018	31 December 2017
Beginning at the period - 1 January	1.220	3.107
Advances given in the period	15.747	17.347
Currency translation differences	19	4
Released	(13.938)	(19.238)
	3.048	**1.220**

Deferred Income

Short term deferred income	31 December 2018	31 December 2017
Deferred Income	628	4.013
Advances received	7.196	10.371
	7.824	**14.384**

Long term deferred income	31 December 2018	31 December 2017
Deferred Income for future years	1.907	2.803
	1.907	**2.803**

15. Construction Contracts

None (31 December 2017: None).

16. Joint Ventures and Associates

None (31 December 2017: None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

17. Investment Properties

	Net Book Value	Revaluation Fund	Revaluation Profit/(Loss) Effect	Fair Value
1 January	-	-	-	-
Transfer from the tangible assets	432	7.476	-	7.908
Revaluation gain	-	293	-	293
Revaluation loss	-	-	-	-
December 31, 2018 closing balance	**432**	**7.769**	**-**	**8.201**

The group has classified properties that are not used for operation or administrative purposes as investment property with fair value. The fair value increase from initial classification was recognized in "Gains/losses on revaluation and remeasurement" under equity.

The fair value of investment properties depends on the independent apprisarer reports prepared by "Harmoni Gayrimenkul ve Danışmanlık A.Ş." which has a capital market real estate appraisal license and sufficient professional knowledge and current knowledge about the class and location of real estate.

Cost approach, direct capitalization, cash flow and market approach have been used for the fair value of the real estates, for the parcels in which the existing buildings with valid construction plan and / or building permit. The shortage of number of land parcels in the region and region where the real estates subject to appraisal is located, transportation relations and environmental structures, and the ongoing construction plan processes are considered in the determinationof results.

All investment properties are located in Turkey.

18. Property, Plant and Equipment

Asset Group Acquisition:

The Group has not acquired any qualifying asset group during the period of January 1, – December 31, 2018.

The acquisition of the asset group made in the period of 1 January-31 December 2017 has been explained below:

The Group has established a new company, namely Paşabahçe Egypt Glass Manufacturing S.A.E. in Egypt, that has completed negotiations on the "Asset Transfer Agreement" with Pearl for Glass Manufacturing S.A.E. in Egypt and took over Pearl for Glass Manufacturing SAE's assets with an amount of USD 18.000 thousand as of October 1. 2017. The relevant acquisition is based on the asset acquisition agreement.

Reaching to lower labor costs and raw materials prices compared to Turkey and selling to Middle East. Africa and North America with better customs and tax rates was the reason for the acquisition that strengthen the growth strategy of the Group in the Middle East and Africa.

There are no intangible assets such as the company name. brand, customer and supplier etc. within the asset group which were acquired. For the group's know-how transfers, especially in plants in Turkey, qualified employees will ensure the establishment of manufacturing operations at this facility on a contractual basis

18. Property. Plant and Equipment (continued)

Without any process, procedure or system taken over; processes that are adopted in other factories of the Group's "Glassware Group” are transferred to the working team in question. Procedures applied in the Group will be translated into Arabic.

The products which are the basic output of the plant will be sold completely to their customers at the discretion of "Glassware Group".

Goodwill is not accounted under the "TFRS-3 Business Combinations" accounting standard since the asset group acquired for the reasons above-mentioned, the transaction does not meet of the business definition.

The fair value of the net assets received on the date of that control has been transferred to the Group is as follows:

	The Fair Value
Property. Plant and Equipment	
– Lands	2.594
– Buildings	19.784
– Plant machinery and equipment	41.493
– Furniture and Fixtures	66
Total Non-current Assets	**63.937**
The fair value of the net assets received on the date of control transfer to the Group	**63.937**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

18. Property, Plant and Equipment (continued)

Cost	Lands (***)	Land improvements	Buildings (***)	Machinery and equipments	Vehicles	Fixtures	Other fixed assets	Leasehold improvements	Construction in progress	Total
1 January	225.147	45.262	461.320	2.121.586	11.583	100.086	339.251	35.025	48.295	3.387.555
Impact of the business combinations	-	-	-	1.107	-	470	82	754	-	2.413
Currency translation differences	5.470	5.797	70.545	215.579	2.952	8.824	39.378	333	8.347	357.225
Additions (*)	1.183	-	8.539	33.299	-	4.849	23.023	2.926	90.542	164.361
Revaluation	66.592	-	28.679	-	-	-	-	-	-	95.271
Disposals	(18.006)	(30)	(4.192)	(6.000)	(435)	(3.779)	(24.414)	-	-	(56.856)
Transfers to investment properties	(7.171)	-	(736)	-	-	-	-	-	-	(7.907)
Transfers from construction in progress	-	3.419	869	58.647	207	3.765	46.117	-	(113.024)	-
December 31, 2018 closing balance	**273.215**	**54.448**	**565.024**	**2.424.218**	**14.307**	**114.215**	**423.437**	**39.038**	**34.160**	**3.942.062**
Accumulated depreciation and impairment										
1 January	-	(21.397)	(53.246)	(1.457.799)	(7.127)	(64.933)	(224.071)	(22.504)	-	(1.851.077)
Impact of the business combinations	-	-	-	(81)	-	(325)	(48)	(411)	-	(865)
Currency translation differences	-	(2.066)	(5.496)	(108.044)	(1.605)	(4.270)	(22.843)	(166)	-	(144.490)
Period expense (**)	-	(2.770)	(15.547)	(70.856)	(996)	(7.351)	(17.800)	(3.652)	-	(118.972)
Revaluation	-	-	58.161	-	-	-	-	-	-	58.161
Disposals	-	30	298	2.320	435	3.715	10.222	-	-	17.020
December 31, 2018 closing balance	**-**	**(26.203)**	**(15.830)**	**(1.634.460)**	**(9.293)**	**(73.164)**	**(254.540)**	**(26.733)**	**-**	**(2.040.223)**
Net Book Value as of 31 December 2018	**273.215**	**28.245**	**549.194**	**789.758**	**5.014**	**41.051**	**168.897**	**12.305**	**34.160**	**1.901.839**
Net Book Value as of 31 December 2017	**225.147**	**23.865**	**408.074**	**663.787**	**4.456**	**35.153**	**115.180**	**12.521**	**48.295**	**1.536.478**

(*) The financial expenses has not been capitalized (31 December 2017: None) (Note 8).
(**) Allocation of depreciation expense is disclosed in Note 28 and Note 30. No mortgage/pledge over lands and buildings due to bank borrowings (31 December 2017: None).
(***) As of December 31, 2018, according to valution results dated September 30, 2018, lands and buildings are accounted by net method according to revaluation model.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

18. Property. Plant and Equipment (continued)

Cost	Lands	Land improvements	Buildings	Machinery and equipments	Vehicles	Fixtures	Other fixed assets	Leasehold improvements	Construction in progress	Total
1 January	232.533	42.991	416.170	1.989.422	9.668	194.903	193.227	34.789	51.437	3.165.140
Currency translation differences	1.793	4.029	38.201	111.767	1.553	4.774	20.684	-	3.290	186.091
Classifications	-	-	-	-	-	(99.736)	109.570	-	-	9.834
The effect of asset group purchase	2.594	-	19.784	41.493	-	66	-	-	-	63.937
Additions (*)	-	374	-	22.254	1.204	6.408	20.505	740	90.319	141.804
Disposals	(11.773)	(2.769)	(15.996)	(105.153)	(842)	(9.525)	(32.689)	(504)	-	(179.251)
Transfers from construction in progress	-	637	3.161	61.803	-	3.196	27.954	-	(96.751)	-
December 31, 2017 closing balance	**225.147**	**45.262**	**461.320**	**2.121.586**	**11.583**	**100.086**	**339.251**	**35.025**	**48.295**	**3.387.555**
Accumulated depreciation and impairment										
1 January	-	(20.047)	(39.056)	(1.372.504)	(6.233)	(125.150)	(153.141)	(19.238)	-	(1.735.369)
Classifications	-	-	-	-	-	63.515	(64.092)	-	-	(577)
Currency translation differences	-	(1.252)	(3.418)	(56.640)	(843)	(2.406)	(12.600)	-	-	(77.159)
Period Expenses (**)	-	(2.224)	(11.539)	(115.070)	(886)	(10.279)	(19.513)	(3.766)	-	(163.277)
Disposals	-	2.126	767	87.393	835	9.387	25.275	500	-	126.283
Effect of change in estimate of useful lives	-	-	-	(978)	-	-	-	-	-	(978)
December 31, 2017 closing balance	**-**	**(21.397)**	**(53.246)**	**(1.457.799)**	**(7.127)**	**(64.933)**	**(224.071)**	**(22.504)**	**-**	**(1.851.077)**
Net Book Value as of 31 December 2017	**225.147**	**23.865**	**408.074**	**663.787**	**4.456**	**35.153**	**115.180**	**12.521**	**48.295**	**1.536.478**
Net Book Value as of 31 December 2016	**232.533**	**22.944**	**377.114**	**616.918**	**3.435**	**69.753**	**40.086**	**15.551**	**51.437**	**1.429.771**

(*) The financial expenses has not been capitalized (31 December 2017: None) (Note 8).
(**) Allocation of depreciation expense is disclosed in Note 28 and Note 30.
No mortgage/pledge over lands and buildings due to bank borrowings (31 December 2017: None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

19. Intangible Assets

Cost	**Rights**	**Depletable Assets**	**Other**	**Total**
1 January 2018	15.601	-	4.876	20.477
Effect of subsidiaries included in consolidation	32	-	-	32
Currency translation differences	115	-	1.276	1.391
Additions	628	-	325	953
Disposals	-	-	(236)	(236)
December 31, 2018 closing balance	**16.376**	**-**	**6.241**	**22.617**
Accumulated amortisation and impairment				
1 January	(11.637)	-	(4.095)	(15.732)
Effect of subsidiaries included in consolidation	(8)	-	-	(8)
Currency translation differences	(74)	-	(909)	(983)
Period expenses (*)	(955)	-	(1.099)	(2.054)
Disposals	-	-	2	2
December 31, 2018 closing balance	**(12.674)**	**-**	**(6.101)**	**(18.775)**
Net Book Value as of 31 December 2018	**3.702**	**-**	**140**	**3.842**
Net Book Value as of 31 December 2017	**3.964**	**-**	**781**	**4.745**

Cost	**Rights**	**Depletable Assets**	**Other**	**Total**
1 January 2017	13.824	9.828	4.160	27.812
Currency translation differences	51	-	674	725
Classifications	-	(9.834)	-	(9.834)
Additions	1.729	6	44	1.779
Disposals	(3)	-	(2)	(5)
December 31, 2017 closing balance	**15.601**	**-**	**4.876**	**20.477**
Accumulated amortisation and impairment				
1 January 2017	(10.760)	(524)	(2.784)	(14.068)
Currency translation differences	(23)	-	(439)	(462)
Classifications	-	577	-	577
Period expenses (*)	(857)	(53)	(872)	(1.782)
Disposals	3	-	-	3
December 31, 2017 closing balance	**(11.637)**	**-**	**(4.095)**	**(15.732)**
Net Book Value as of 31 December 2017	**3.964**	**-**	**781**	**4.745**
Net Book Value as of 31 December 2016	**3.064**	**9.304**	**1.376**	**13.744**

(*) Allocation of amortisation expense is disclosed in Note 28 and Note 30.

20. Goodwill

None (31 December 2017: None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

21. Government Grants

Reduced Corporate Tax Application

In the line with the article 32 / A of the Corporate Tax Law No.5520, the Group receives tax support for the profits obtained from investments connected to the incentive certificate by Ministry of Economy. The amount of corporate tax to be paid each year until the amount of investment contribution calculated according to the investment contribution rate determined by the Council of Ministers is reached. corporate tax to be paid each year is also utilized by deducting the corporate tax discount rate determined by the Council of Ministers. VAT and customs tax incentives are also utilized according to the investment incentive documents obtained within the scope of the same decision.

Turquality

Turquality is a brand support program that aims to increase awareness and awareness of Turkish Brands by supporting them within the framework of the Notification no. 2006/4 for Branding of Turkish Products Abroad, Placement of the image of Turkish goods and Supporting Turquality;

- Expenses related to patent, utility model. Industrial design and trademark registration
- Expenses related to certification.
- Expenses related to fashion / industrial product designer / chef / cook employment.
- Promotion, advertising and marketing activities.
- Expenses related to units in abroad.
- Consulting expenses

are supported within certain limits.

According to the locations in which our Group operates, the brand support program has been utilized.

Incentives provided in foreign countries

A memorandum for government incentive was signed between Paşabahçe Bulgaria EAD and Ministry of Economy and Energy on behalf of the Republic of Bulgaria under "Regulation of Investment Incentive and Implementation" of Bulgaria and "Government Incentive Legislation" of European Union.

22. Provisions, Contingent Assets and Liabilities

Short term provisions	31 December 2018	31 December 2017
Turnover premium provision	230	1.459
Litigation provisions	9.730	7.567
Other	11.198	648
	21.158	**9.674**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

22. Provisions. Contingent Assets and Liabilities (continued):

Collaterals pledges and mortgages "CPM" given by the Company as of 31 December 2018 and 31 December 2017 are as follows:

		31 December 2018		
The CPMs given by the Company	**TL Equivalents**	**USD**	**Euro**	**TL Equivalent of TL and Other Currencies**
A. CPM's given in the behalf of own company	104.107	-	-	104.107
B. CPM's given on behalf of the fully consolidated subsidiaries	423.961	-		423.961
C. CPM's given on behalf of third parties or ordinary course of business	-	-	-	-
D. Total amount of other CPM's given	-	-	-	-
i. Total amount of CPM's given on behalf of the parent (*)	-	-	-	-
ii. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-
Total	**528.068**	**-**	**-**	**528.068**

Percentage of other CPM's given by the Company to the Company's equity is 0 % as of December 31, 2018.

(*) It expresses the CPM given to the Company by the subsidiaries subject to consolidation.

		31 December 2017		
The CPMs given by the Company	**TL Equivalents**	**USD**	**Euro**	**TL Equivalent of TL and Other Currencies**
E. CPM's given in the behalf of own company	103.521	-		103.521
F. CPM's given on behalf of the fully consolidated subsidiaries	442.630	-	-	442.630
G. CPM's given on behalf of third parties or ordinary course of business	-	-	-	-
H. Total amount of other CPM's given	-	-	-	-
iv. Total amount of CPM's given on behalf of the parent (*)	-	-	-	
v. Total amount of CPM's given on behalf of the group companies which are not in scope of B and C	-	-	-	
vi. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	
Total	**546.151**	**-**	**-**	**546.151**

Percentage of other CPM's given by the Company to the Company's equity is 0% as of December 31, 2018.

(*) It expresses the CPM given to the Company by the subsidiaries subject to consolidation.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23. Commitments

Operating lease agreements

Paşabahçe Mağazaları A.Ş. leases various retail outlets and stores by operating lease contracts. The terms of rental contracts vary from 1 to 10 years. Lease contracts require a certain amount of rent on a monthly basis or a certain percentage of the store house subject to the lease. The lease agreements are issued principally in Turkish Liras, Euros and US Dollars and lease payments increase with the rates close to the inflation rate or inflation rate during the contract period. Under existing debts law, lease agreements may be terminated by the lessor only if the tenant terminates the lease on demand for breach of contract.

Future minimum lease payments for non-cancellable operating leases are as follows:

	31 December 2018	31 December 2017
Up to 1 year	9.687	8.118
1 – 5 years	-	-
More than 5 years	-	-
	9.687	**8.118**

24. Employee Benefits

Short term liabilities for employee benefits	31 December 2018	31 December 2017
Due to personnel	13.687	9.854
Social security deduction	11.567	16.065
Total	**25.254**	**25.919**

Short term provisions for employee benefits

	31 December 2018	31 December 2017
Personnel rations Provision	3.727	6.820
Unused vacation provision	4.893	3.875
Total	**8.620**	**10.695**

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Additionally, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments dated 23 May 2002. The amount payable consists of one month's salary limited to a maximum of TRY5.434.42 for each period of service as of 31 December 2018 (31 December 2017:TRY4.732.48).TRY6.017.60 which is effective from 1 January 2019, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2017:TRY5.001.75 which is effective from 1 January 2018).

Liability of employment termination benefits is not subject to any funding as there is not any obligation.

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

24. Employee Benefits (continued)

Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 “Employee Benefits” requires actuarial valuation methods to be used to estimate the Group’s obligation under the defined benefit plans.

The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) are accounted in the other comprehensive income statement under Funds for Actuarial Gain/Loss on Defined Benefit Plans.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, the liabilities in the accompanying consolidated financial statements as of 31 December 2018 and 31 December 2017 are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Provisions at the balance sheet date were calculated by assuming an annual inflation rate of 9.30% (31 December 2017: 6.40%) and a discount rate of 15.20% (31 December 2017: 11.39%). the real discount rate is approximately 5.40% (31 December 2017: 4.69%). The anticipated rate of forfeitures that occurred as a result of voluntary turnovers is considered. As of 31 December 2018, estimated probability of not leaving work until retirement is 98,86% (31 December 2017: 98,88%).

The movement of the employment termination benefits is as follows:

	31 December 2018	31 December 2017
1 January	112.132	95.520
Currency translation differences	613	266
Service costs	24.870	21.260
Interest costs	12.544	10.609
Actuarial loss/(gain)	(7.257)	17.657
Payments made during the period	(10.197)	(33.180)
December 31, 2018	**132.705**	**112.132**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

25. Impairment of Assets

Impairment of assets	31 December 2018	31 December 2017
Provision for doubtful receivables (Note 10)	(34.398)	(20.036)
Provision for inventory impairment (Note 13)	(30.474)	(21.005)
	(64.872)	**(41.041)**

26. Other Assets and Liabilities

Other current assets	31 December 2018	31 December 2017
VAT transferred	9.127	-
Other VAT	23.681	9.413
Deductible VAT	6.179	3.183
Income accruals	243	16
Work advances	9	-
Other	240	519
	39.479	**13.131**

Other non-current assets	31 December 2018	31 December 2017
Taxes and charges payable	15.443	14.374
Expense accruals	6.305	3.160
Other	12.106	2.566
	33.854	**20.100**

27. Capital, Reserves and Other Equity Items

Equity components “Paid-in Share Capital”and“Restricted Reserves”, are presented with the value carried in the statutory financial statements. The differences, that are recognized through the valuation made in accordance with TAS and cannot be subject to dividend distribution or capital increase as of reporting date (such as inflation adjustment differences) and relevant to the paid-in share capital, are associated with “Adjustments to Share Capital” which is under paid-in share capital and the differences resulting from the “Restricted Reserves” are associated with “Retained Earnings”.

a) Capital/Treasury Shares

At the Extraordinary General Assembly was taken a decision to increase the capital of company from 215.535.800,20 TL to 224.117.049,00 TL and capital increase was realized as of May 11, 2018.The Company's issued capital is divided into 224.117.049 bearer shares with a each nominal value of TL 1 (One Turkish Lira). (31 December 2017: 215.535.800 shares).

	31 December 2018		31 December 2017	
Shareholders	Amount thousand TL	Share %	Amount thousand TL	Share %
Şişecam	189.646	84,62	181.065	84,00
European Bank for Reconstruction and Development	33.292	14,85	33.292	15,45
Islamic Development Bank	1.179	0,53	1.179	0,55
Nominal capital	**224.117**	**100,00**	**215.536**	**100,00**
Adjustment to share capital	70.158		70.158	
Total share capital	**294.275**		**285.694**	

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

27. Capital, Reserves and Other Equity Items (continued)

b) Other Comprehensive Income not to be reclassified to profit or loss

	31 December 2018	31 December 2017
Actuarial loss fund	(10.022)	(15.529)
Currency translation differences	16.344	6.488
Revaluation gain on tangible assets	308.162	206.549
	314.484	**197.508**

The movement of the gain/loss on revaluation and remeasurement is presented in consolidated statement of cash flow and consolidated statement of equity changes.

Revaluation funds of land and buildings on revaluation

As of December 31, 2018, the Group has revalued its land and buildings, and value increase has been accounted in the equity by taking into account the effects of deferred tax and non-controlling interests.

The movement of the revaluation funds of land and buildings on revaluation is as follows:

Beginning	**206.549**
Impact of property disposal	(15.179)
- Fund effect	(24.127)
- Tax effect	8.948
- Effect of change in non-controlling interests	-
Valuation made during the period	116.792
- Fund effect	150.053
- Tax effect	(27.004)
- Effect of change in non-controlling interests	(6.257)
Closing	**308.162**

Provision for employee termination benefits actuarial gain / loss funds

The amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income. The gains and losses arising from the changes in the actuarial assumption have been accounted for by "Revaluation Funds" under the equity. Provision for employee termination benefits actuarial gain/loss funds not to be reclassified profit or loss.

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

27. Capital, Reserves and Other Equity Items (continued)

c) Accumulated Other Comprehensive Income (Expenses) to be reclassified to Profit or Loss

	31 December 2018	31 December 2017
Currency translation differences	350.061	199.634
	350.061	**199.634**

Currency translation differences

Currency translation differences are related to exchange differences arising from the translation of financial statements of foreign subsidiaries, joint ventures and associates to reporting currency of TL and accounted for under equity.

d) Restricted Reserves

Retained earnings in the statutory financial statements can be distributed as dividends other than judgments related to legal reserves described below.

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is calculated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions; however, holding companies are not subject to this application.

Entities publicly traded make their dividend distributions within the framework set forth in the standards and notifications published by Capital Markets Board.

“Legal Reserves” in the legal reserve status and legal reserves allocated for specific purposes (participation sales revenue allocated to obtain tax advantage) other than profit distribution allocated within the framework of the related Clause of Turkish Commercial Code are reflected as their recorded amounts. Within this scope, differences arising in the evaluations made within the framework of TFRS principles and inflation adjustments not subject to profit distribution or capital increase as by the report date are related with previous year’s profits/losses.

Restricted reserves attributable to equity holders of the Parent	31 December 2018	31 December 2017
Legal reserves	321.746	250.755
Statutory reserves	19.908	19.908
	341.654	**270.663**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

27. Capital, Reserves and Other Equity Items (continued)

e) Retained Earnings

The Group’s extraordinary reserves presented in the retained earnings that amount to 518.902 thousand TL (31 December 2017: 561.148 thousand TL) is 243.517 thousand TL (31 December 2017: 243.517 thousand TL).

Reserves subject to dividend distribution

The Company's net distributable profit statutory accounts and the amount of reserves subject to dividend distribution as of balance sheet date are listed as below:

	31 December 2018	31 December 2017
Net profit/(loss) for the year	105.175	19.551
Losses of previous periods	(29.208)	(41.615)
Extraordinary reserves	361.058	284.209
Special funds	207.139	200.949
	644.164	**463.094**

f) Non-controlling Interest

Shares attributable to third parties in including the approved and paid-in capital of the consolidated subsidiaries which are not fully owned, are separately accounted for as “Non-controlling Interests” in the consolidated financial statements by a reduction of related equity components. Shares attributable to third parties in the net profit or loss for the period of the consolidated subsidiaries which are not fully owned are separately accounted for as non-controlling interests in the distribution of period profit / (loss) section of the consolidated statement of income.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

28. Revenue and Cost of Sales

Revenue	1 January – 31 December 2018	1 January – 31 December 2017
Sales	2.704.588	2.123.615
Sales discounts	(178.608)	(70.209)
Sales returns	(36.762)	(28.237)
Other sales discounts	(16.908)	(40.726)
Other income	2.311	2.286
	2.474.621	**1.986.729**
Cost of sales		
Direct materials	(672.033)	(390.036)
Direct labor	(286.185)	(224.191)
Manufacturing overheads	(492.411)	(364.612)
Depreciation and amortization	(99.392)	(141.891)
Change in work-in-progress inventories	5.637	501
Change in finished goods inventories	134.748	(768)
Cost of goods sold	**(1.409.636)**	**(1.120.997)**
Cost of trade goods sold	(106.139)	(122.953)
Cost of services given	(313)	(737)
Other costs	(54.207)	(39.771)
	(1.570.295)	**(1.284.458)**

Geographical markets of revenue based on the customer's location of sales are as follows:

Sales	1 January - 31 December 2018	1 January - 31 December 2017
Turkey	1.404.912	1.286.452
Europe	651.788	421.441
Russia	321.455	210.461
Other	96.466	68.375
	2.474.621	**1.986.729**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

29. General Administrative Expenses, Marketing Expenses, Research and Development Expenses

	1 January – 31 December 2018	1 January – 31 December 2017
General administrative expenses	(175.103))	(196.014)
Marketing expenses	(539.367)	(445.039)
Research and development expenses	(10.326)	(8.280)
	(724.796)	**(649.333)**

30. Expenses by Nature

	1 January – 31 December 2018	1 January – 31 December 2017
Outsourced services	(276.347)	(150.967)
Employee expenses	(174.903)	(181.458)
Depreciation and amortization	(21.630)	(23.169)
Indirect material cost	(11.434)	(9.595)
Duties, taxes and levies	(10.515)	(8.134)
Miscellaneous expenses	(229.967)	(276.010)
	(724.796)	**(649.333)**

31. Other Income and Expense from Operating Activities

Other operating income	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange income from other operating activities	139.459	57.047
Insurance damage income	12.723	12.804
Provisions no longer required	8.921	1.456
Inventory overages	5.047	6.226
Turquality income	3.818	3.574
Rediscount interest income on operating activities	1.047	405
Incapacity payments	1.011	599
Gain on sale of scrap items	701	870
Rent income	-	825
Profit on sale of raw materials and supplies	-	466
Other	12.588	8.821
	185.315	**93.093**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31. Other Income and Expense from Operating Activities (continued)

Other operating expenses	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange loss from other operating activities	(42.029)	(24.818)
Rediscount interest expense on operating activities	(8.688)	(2.503)
Loss on sales of raw materials and supplies	(5.894)	(195)
Provision expenses	(1.657)	(8.038)
Commission expenses	(619)	(160)
Damage due to the fire outbreak	-	(4.795)
Other	(9.030)	(13.381)
	(67.917)	**(53.890)**

Other operating income / (expense), net	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange gains/ (losses) from operating activities	97.430	32.229
Insurance claim income/(expense)	12.723	8.009
Provisions no longer required	7.264	(6.582)
Inventory overages income/(expense)	5.047	6.226
Turquality income/(expense)	3.818	3.574
Gain/(loss) on sale of scrap items	701	701
Rediscount interest income/(expense) on operating activities	(7.641)	(2.098)
Profit/(Loss) on sale of raw materials and supplies	(5.894)	271
Other income/(expense)	3.950	(3.127)
	117.398	**39.203**

32. Income and Expense from Investing Activities

Income from Investing Activities	1 January- 31 December 2018	1 January- 31 December 2017
Gain on sales of tangible assets	11.216	7.044
Dividend income	-	11
Gain on sales of marketable securities	-	283
Increase in revaluation of property, plant and equipment	8.186	-
	19.402	**7.338**

Expense from Investing Activities	1 January- 31 December 2018	1 January- 31 December 2017
Loss on sales of tangible assets	(4.045)	(1.529)
Decrease in revaluation of property, plant and equipment	(5.880)	-
	(9.925)	**(1.529)**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

33. Financial Income and Expenses

Financial Income	**1 January-31 December 2018**	**1 January-31 December 2017**
Foreign exchange income	17.216	63.431
- *Cash and cash equivalents*	5.163	18.934
- *Borrowings*	12.053	44.497
Interest income	3.890	3.433
- *Time deposits*	680	2.499
- *Intercompany interest income*	3.210	934
Other	27.313	7.803
	48.419	**74.667**

Financial Expense	**1 January-31 December 2018**	**1 January-31 December 2017**
Foreign exchange expense	(59.283)	(95.956)
- *Cash and cash equivalents*	(4.440)	(20.346)
- *Borrowings*	(54.843)	(75.610)
Interest expense	(131.732)	(103.244)
- *Interest accrual*	(39.910)	(70.694)
- *Intercompany interest expense*	(91.822)	(32.550)
Other	(8.608)	(1.467)
	(199.623)	**(200.667)**

Financial Income / Expense	**1 January-31 December 2018**	**1 January-31 December 2017**
Foreign exchange income / (expense)	(42.067)	(32.525)
- *Cash and cash equivalents*	723	(1.412)
- *Borrowings*	(42.790)	(31.113)
Interest income/(expense)	(127.842)	(99.811)
- *Interest accrual*	(39.910)	(70.694)
- *Bank deposit and borrowings*	680	2.499
- *Intercompany interest expense*	(88.612)	(31.616)
Other	18.705	6.336
	(151.204)	**(126.000)**

34. Assets Held for Sale

None (31 December 2017: None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

35. Taxes on Income (Including Deferred Tax Assets and Liabilities)

Deferred tax assets and liabilities

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with TAS and its tax base of statutory financial statements, These differences usually result in the recognition of revenue and expense items in different periods for TAS and statutory tax purposes.

Turkish Tax Legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return, therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis, In this respect deferred tax assets and liabilities of consolidated entities in the accompanying consolidated financial statements are not offset.

	31 December 2018	31 December 2017
Deferred tax assets	87.833	83.860
Deferred tax liabilities (-)	(18.435)	(7.250)
Deferred tax assets (net)	69.398	76.610

Temporary differences	31 December 2018	31 December 2017
Useful life and valuation differences on tangible and intangible assets tangible and intangible assets	(410.481)	(402.501)
Corporate tax allowance	303.005	318.993
Carry forward tax losses	224.313	166.270
Provision for the cut-off on sales	656	10.507
Rediscount of trade receivable and payables and doubtful receivables	7.197	4.176
Employment termination benefits	132.705	112.132
Temporary difference on inventories	70.695	25.932
Other	52.503	22.622
	380.593	**258.131**

Deferred tax assets/ (liabilities)	31 December 2018	31 December 2017
Useful life and valuation differences on tangible and intangible assets	(93.897)	(62.814)
Corporate tax allowance	66.661	70.178
Carry forward tax losses	46.030	33.525
Provision for the cut-off on sales	144	2.312
Rediscount of trade receivable and payables and doubtful receivables	1.583	919
Employment termination benefits	25.643	22.649
Temporary difference on inventories	14.569	5.139
Other	8.665	4.702
	69.398	**76.610**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (continued)

The maturity of carry forward tax losses are as follows:

	31 December 2018	31 December 2017
Within one year	-	-
Within two years	2.345	-
Within three years	15.611	2.699
Within four years	-	15.098
Within five years	27.601	-
Within ten years	6.847	-
Indefinite years	171.909	148.473
	224.313	**166.270**

The movements of deferred tax assets and liabilities are as follows:

	31 December 2018	31 December 2017
1 January	**76.610**	**42.267**
Change in accounting standards (Note 2)	5.033	-
Charged to the statement of income	6.914	34.620
Charged to other comprehensive statement of income	(28.601)	(3.964)
Currency translation differences	9.442	3.609
December 31, 2018	**69.398**	**76.532**

Corporate Tax

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting the revenues exempted from tax, non-taxable revenues and other discounts (if any previous year losses. if preferred investment allowances and also R&D center incentive) are deducted.

In Turkey, applied corporate tax rate is 22% as of 31 December 2018 (31 December 2017: 20%).

The principal tax rates (%) using to calculate deferred taxes for each country are as follows:

Country	31 December 2018 Tax Rate	31 December 2017 Tax Rate
Bulgaria	10,0	10,0
Italy	27,9	27,9
Egypt	22,5	22,5
Russia	2,0-20,0	2,0–20,0
Spain	25,0	25,0
America	21,0	21,0
Germany	29,79	15,0
China	25,0	25,0
Netherlands	20,0-25,0	20,0-25,0

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. This rate was changed to 15% for all Companies as of 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

An advance taxation of 19.8% has to be made on the investment allowance amount benefited basing on the investment incentive certificates received before 24 April 2003. Out of the investment expenses without incentive certificate made after this date. 40% of the ones directly related to the companies' production activities can be deducted from the taxable revenue. Any advance tax deduction is not made from the investment expenses without investment incentive.

	31 December 2018	31 December 2017
Current tax provision	17.091	4.301
Currency translation differences	4.252	204
Prepaid taxes and funds (-)	(19.925)	(1.215)
Tax provision in the statement of the financial position	**1.418**	**3.290**

	1 January- 31 December 2018	1 January- 31 December 2017
Tax provision in the statement of the financial position	(17.091)	(4.301)
Deferred tax income	6.914	34.620
Tax provision in the statement of income	**(10.177)**	**30.319**

Reconciliation of provision for tax

Profit before taxation and non-controlling interest	155.201	(28.050)
Effective tax rate	22%	20%
Calculated tax	**(34.144)**	**5.610**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

35. Taxes on Income (Including Deferred Tax Assets and Liabilities) (continued)

Tax reconciliation

	1 January-31 December 2018	1 January-31 December 2017
- Non-deductible expenses	(12.384)	(7.908)
- Dividends and other non-taxable income	13.119	8.476
- Carry forward tax losses	4.495	3.340
- Corporate tax allowances	8.961	24.288
- Currency translation differences	4.784	(3.685)
- The effect of the foreign companies that have different tax rates	4.319	-
- Other	673	198
Tax provision in the statement of income	**(10.177)**	**30.319**

36. Earnings per Share

Earnings per Share	1 January-31 December 2018	1 January-31 December 2017
Average number of shares existing during the period (total value)	224.117	215.536
Net profit for the period attributable to equity holders of the parent	145.046	7.921
Earnings per share	**0,6472**	**0,0368**
Total comprehensive income attributable to equity holders of the parent	427.628	73.287
Earnings per share obtained from total comprehensive income	**1,9081**	**0,3400**

37. Related Party Disclosures

T. İş Bankası A.Ş. is the ultimate parent of the Group. All significant transactions and balances between the Group and its consolidated subsidiaries are eliminated in consolidation and not disclosed in this Note. The details of transactions between the Group and other related parties are disclosed below.

As of 31 December 2018, the exact list shows the associated level of our companies that are considered as related parties as listed in alphabetical order as follows:

Parent company

Company's name	Registered Company
Türkiye Şişe ve Cam Fabrikaları A.Ş.	Turkey

37. Related Party Disclosures (continued)

Ultimate parent company's subsidiaries, joint ventures and associates

Company's name	Registered Company
Anadolu Anonim Türk Sigorta A.Ş.	Turkey
Anadolu Hayat Emeklilik Sigorta A.Ş.	Turkey
Bayek Tedavi Sağlık Hizmetleri Ve İşletmeciliği A.Ş.	Turkey
Camiş Yatırım Holding A.Ş.	Turkey
Efes Yatırım Holding A.Ş.	Turkey
İş Factoring Finansman Hizmetleri A.Ş.	Turkey
İş Finansal Kiralama A.Ş.	Turkey
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Turkey
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Turkey
İş Koray Tur.Orm.Mad.İnş.Tah.Tic.A.Ş.	Turkey
İş Merkezleri Yönetim Ve İşletim A.Ş.	Turkey
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret Ve İletişim Hizmetleri A.Ş.	Turkey
İş Portföy Yönetimi A.Ş.	Turkey
İş Yatırım Menkul Değerler A.Ş.	Turkey
İş Yatırım Ortaklığı A.Ş.	Turkey
İşbank AG	Turkey
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	Turkey
Kültür Yayınları İş-Türk Ltd. Şti.	Turkey
Milli Reasürans T.A.Ş.	Turkey
Mipaş Mümessillik İth. İhr. Ve Paz. A.Ş.	Turkey
Topkapı Yatırım Holding A.Ş.	Turkey
Trakya Yatırım Holding A.Ş.	Turkey
TSKB Gayrimenkul Değerleme A.Ş.	Turkey
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	Turkey
Türkiye Sınai Kalkınma Bankası A.Ş.	Turkey
Yatırım Finansman Menkul Değerler A.Ş.	Turkey

Subsidiaries' shareholders

Company's name	Registered Company
Denizli Cam San. Vakfı	Turkey
European Bank For Reconstruction and Development ("EBRD")	England

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

37. Related Party Disclosures (continued)

Parent company’s subsidiaries

Company’s name	Registered Company
Anadolu Cam Sanayii A.Ş.	Turkey
Şişecam Bulgaria EOOD	Bulgaria
Şişecam Automotive Bulgaria EAD	Bulgaria
Camiş Ambalaj Sanayii A.Ş.	Turkey
Cam Elyaf Sanayii A.Ş.	Turkey
Şişecam Çevre Sistemleri A.Ş.	Turkey
Çayırova Cam Sanayii A.Ş.	Turkey
Şişecam Dış Ticaret A.Ş.	Turkey
Camiş Elektrik Üretim A.Ş.	Turkey
SC Glass Trading B.V.	Netherlands
Camiş Madencilik A.Ş.	Turkey
OOO Ruscam Glass Packaging Holding	Russia
Türkiye Şişe ve Cam Fabrikaları A.Ş.	Turkey
Şişecam Enerji A.Ş.	Turkey
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Turkey
Şişecam Otomotiv A.Ş.	Turkey
Soda Sanayii A.Ş.	Turkey
Trakya Glass Bulgaria EAD	Bulgaria
Trakya Yenişehir Cam Sanayii A.Ş.	Turkey
Trakya Cam Sanayii A.Ş.	Turkey

Deposit and loans from/to related parties:

Deposits held on related parties	31 December 2018	31 December 2017
T. İş Bankası A.Ş.		
- Time deposits	-	1.334
- Demand deposits	39.507	8.215
	39.507	**9.549**
İşbank AG		
- Demand deposits	151	86
	151	**86**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

37. Related Party Disclosures (continued)

Due from related parties:

Trade receivables due from related parties	31 December 2018	31 December 2017
Türkiye Şişe ve Cam Fabrikaları A.Ş.	1.701	68
SC Glass Trading B.V.	825	-
Anadolu Cam Sanayii A.Ş.	690	75
Paşabahçe Usa Inc.	-	1.147
Other	2.106	1.379
	5.322	**2.669**

Other receivables due from related parties	31 December 2018	31 December 2017
Şişecam Dış Ticaret A.Ş.	29.260	3.290
Anadolu Cam Sanayii A.Ş.	64	3.820
Paşabahçe Usa Inc. (2)	-	62
Şişecam Otomotiv A.Ş.	-	49
Camiş Madencilik A.Ş.	-	1
Other	58	36
	29.382	**7.258**

Due to related parties:

Trade payables due to related parties	31 December 2018	31 December 2017
Trakya Glass Bulgaria EAD	23.244	13.142
Camiş Ambalaj Sanayii A.Ş.(1)	19.903	9.756
Türkiye Şişe ve Cam Fabrikaları A.Ş.	8.557	6.359
Şişecam Bulgaria EOOD	6.161	4.379
Camiş Elektrik Üretim A.Ş.	3.980	2.406
Şişecam Enerji A.Ş.	2.431	108
Camiş Madencilik A.Ş.	1.140	899
Other	2.220	1.351
	67.636	**38.400**

(1) It consists of purchases of packaging material trade payables from Camiş Ambalaj Sanayii A.Ş.
(2) On 1 January 2018, Paşabahçe Cam GmbH, Paşabahçe USA Inc and Paşabahçe Spain SL are included in the scope of consolidation.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

37. Related Party Disclosures (continued)

Other payables due to related parties (*)	31 December 2018	31 December 2017
Türkiye Şişe ve Cam Fabrikaları A.Ş.	353.664	279.473
Camiş Elektrik Üretim A.Ş.	-	5.552
Şişecam Dış Ticaret A.Ş.	-	8.041
Camiş Madencilik A.Ş.	-	2.279
Other	44	7.762
	353.708	**303.107**

(*) The non-trade related party payables and receivables of the Group consist of loans given and utilized by the Group and other companies under its parent, Türkiye Şişe ve Cam Fabrikaları A.Ş. for the purposes of financing. These non-trade payables and receivables are not subject to any predetermined payment terms, but based on Türkiye Şişe ve Cam Fabrikaları A.Ş.'s considerations of the economy and events within the money markets, a monthly interest is accrued using a monthly current interest rate. As of 31 December 2018, this interest rate has been applied as 2,09% (December 2017: 1.28%).

Income and expenses from/ to related parties:

Interest income from related parties	1 January- 31 December 2018	1 January- 31 December 2017
Şişecam Dış Ticaret A.Ş.	3.131	-
Anadolu Cam Sanayii A.Ş.	31	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	756
Anadolu Cam Yenişehir Sanayi A.Ş.	-	13
Other	48	165
	3.210	**934**

Interest expenses to related parties	1 January- 31 December 2018	1 January- 31 December 2017
Türkiye Şişe ve Cam Fabrikaları A.Ş. (1)	(72.969)	(28.585)
Camiş Ambalaj Sanayii A.Ş.	(125)	(952)
Camiş Madencilik A.Ş.	(13)	(311)
Şişecam Enerji A.Ş.	-	(9)
Camiş Elektrik Üretim A.Ş.	(105)	(741)
Other	(18.610)	(1.952)
	(91.822)	**(32.550)**

(1) It consists of intercompany interest invoices that issued during year obtained unpaid borrowings by Türkiye Şişe ve Cam Fabrikaları A.Ş. in order to finance.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

37. Related Party Disclosures (continued)

Dividend income from related parties	1 January- 31 December 2018	1 January- 31 December 2017
Camiş Elektrik Üretim A.Ş.	-	6
Camiş Ambalaj Sanayii A.Ş.	-	5
	-	**11**

Purchases from related parties	1 January- 31 December 2018	1 January- 31 December 2017
Camiş Ambalaj Sanayii A.Ş.(1)	(81.365)	(50.882)
Trakya Glass Bulgaria EAD (2)	(80.669)	(24.439)
Şişecam Bulgaria EOOD	(48.331)	(21.225)
Camiş Elektrik Üretim A.Ş.(4)	(35.155)	(25.787)
Camiş Madencilik A.Ş.(5)	(18.294)	(18.309)
Şişecam Enerji A.Ş.	(17.424)	-
Soda Sanayii A.Ş.(3)	(6.112)	(3.397)
Anadolu Cam Sanayii A.Ş.	(177)	-
Other	(2.157)	(6.918)
	(289.684)	**(150.957)**

(1) It consists of purchases of packaging material from Camiş Ambalaj Sanayii A.Ş.
(2) It consists of cost of machineries and equipments that are sold to Trakya Glass Bulgaria EAD.
(3) It consists of purchases of raw material from Soda Sanayii A.Ş.
(4) It consists of purchases of energy from Camiş Elektrik Üretim A.Ş.
(5) It consists of purchases of raw material from Camiş Madencilik A.Ş.

Net sales to related parties	1 January- 31 December 2018	1 January- 31 December 2017
Trakya Glass Bulgaria EAD	3.790	89
Türkiye Şişe ve Cam Fabrikaları A.Ş.	886	207
Anadolu Cam Sanayii A.Ş.	518	1.293
Trakya Cam Sanayii A.Ş.	489	361
Other	1.678	230
	7.361	**2.180**

Other income from related parties	1 January- 31 December 2018	1 January- 31 December 2017
Şişecam Otomotiv A.Ş.	77	67
Türkiye Şişe ve Cam Fabrikaları A.Ş.	1.763	-
Trakya Cam Sanayii A.Ş.	-	191
OOO Ruscam Glass Packaging Holding	549	72
	2.389	**330**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

37. Related Party Disclosures (continued)

Other expense from related parties	1 January- 31 December 2018	1 January- 31 December 2017
Türkiye Şişe ve Cam Fabrikaları A.Ş.	(39.306)	(30.945)
Anadolu Cam Sanayii A.Ş.	(10.288)	(1.922)
Trakya Cam Sanayii A.Ş.	(1.120)	(925)
Camiş Ambalaj Sanayii A.Ş.	(27)	(19)
Şişecam Enerji A.Ş.	-	(1.232)
Çayırova Cam Sanayii A.Ş.	(339)	(395)
OOO Ruscam Glass Packaging Holding	(67)	(68)
Other	(590)	-
	(51.737)	**(35.506)**

Benefits provided to key management	1 January- 31 December 2018	1 January- 31 December 2017
Parent company	2.948	3.827
Consolidated entities	5.355	3.979
	8.303	**7.806**

Key management personnel are composed of top management, members of board of directors, general manager and vice general managers and factory directors. The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits between 1 January - 31 December 2018 and 1 January - 31 December 2017.

38. Financial Instruments and Financial Risk Management

a) Capital Risk Management

The Group manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings and other debts disclosed in Notes 8 and 10, cash and cash equivalents disclosed in Note 6 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 27.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt / total equity ratio. This ratio is the calculated as net debt divided by total equity. Net debt is calculated as total liability (comprises of financial liabilities and trade payables as presented in the balance sheet) less cash and cash equivalents.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

a) Capital Risk Management(continued)

As of 31 December 2018 and 31 December 2017 the Group's net debt / total equity ratios are as follows:

	31 December 2018	31 December 2017
Financial liabilities and trade payables	1.193.567	954.148
Less: Cash and cash equivalents	(88.106)	(40.024)
Net debt	**1.105.461**	**914.124**
Total equity	**2.141.416**	**1.526.862**
Net debt / total equity ratio	**51,6%**	**59,9%**

The Group's general strategy is in line with prior periods.

b) Financial Risk Factors

The Group's activities expose it to various 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects over the Group's financial performance.

The Group manages its financial instruments centrally in accordance with the Group's risk policies via Financial Transactions Department. The Group's cash inflows and outflows are monitored by the reports prepared on a daily, weekly and monthly basis and compared to the monthly and yearly cash flow budgets.

Risk management is carried out by the Risk Management Department, which is independent from steering, under the policies approved by the Board of Directors. The Group's Risk Management Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board of Directors sets out written principles for overall risk management, as well as written policies covering specific areas, such as; foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

b.1) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group's management mitigates this risk through limitations on the contracts made with counterparties and obtaining sufficient collaterals where appropriate. The Group's credit risks mainly arise from its trade receivables. The Group manages this risk by the credit limits up to the guarantees received from customers. Use of credit limits is monitored by the Group by taking into consideration the customer's financial position, past experiences and other factors and customer's credibility is evaluated on a consistent basis. Trade receivables are evaluated based on the Group's policies and procedures and presented net of doubtful provision in the financial statements accordingly (Note 10).

Trade receivables consist of many customers operating in various industries and locations. Credit risk of the receivables from counterparties is evaluated periodically.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management **(continued)**

	Receivables					
	Trade receivables		Other receivables			
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash and Cash Equivalents**	**Financial Derivatives**
Maximum credit risk exposed as of balance sheet date 31 December 2018 (*) (A+B+C+D+E)	**5.322**	**652.808**	**29.382**	**4.023**	**87.864**	**-**
- The part of maximum risk under guarantee with collaterals, etc.	**-**	**(272.781)**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due or impaired	5.322	544.776	29.382	4.023	87.864	-
- The part under guarantee with collaterals, etc.	-	(243.682)	-	-	-	-
B. Netbook value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	108.032	-	-	-	-
- The part under guarantee with collaterals, etc.	-	(29.099)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	34.398	-	-	-	-
- Impairment (-)	-	(34.399)	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Off-balance sheet items without credit risk	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b) Financial Risk Factors (continued)
b.1) Credit Risk Management(continued)

	Receivables					
	Trade receivables		Other receivables			
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash and cash equivalents**	**Financial derivatives**
Maximum credit risk exposed as of balance sheet date 31 December 2017 (*) (A+B+C+D+E)	**2.669**	**519.451**	**7.258**	**2.416**	**39.842**	**-**
- The part of maximum risk under guarantee with collaterals, etc.	**-**	**(133.270)**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due or impaired	2.669	424.250	7.258	2.416	39.842	-
- The part under guarantee with collaterals, etc.	-	(129.135)	-	-	-	-
B. Netbook value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	95.201	-	-	-	-
- The part under guarantee with collaterals, etc.	-	(4.135)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	20.036	-	-	-	-
- Impairment (-)	-	(20.036)	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
- Not due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-	-
E. Off-balance sheet items without credit risk	-	-	-	-	-	-

(*) Factors that increase the credit reliability, such as; guarantees received, are not considered in the calculation.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b) Financial Risk Factors (continued)
b.1) Credit Risk Management(continued)

Guarantees received from the customers are as follows:

	31 December 2018	31 December 2017
Letters of guarantee	46.687	47.592
Direct debit system	87.148	51.341
Mortgages	29.133	441
Other	109.813	33.896
	272.781	**133.270**

Collaterals for the trade receivables that are overdue but not impaired are as stated below:

	31 December 2018	31 December 2017
1-30 days overdue	46.328	40.197
1-3 months overdue	25.497	20.676
3-12 months overdue	36.207	31.128
1-5 years overdue	-	3.200
Total overdue receivables	**108.032**	**95.201**
Secured with collaterals (-)	**29.099**	**4.135**

b.2) Liquidity Risk Management

The Group manages liquidity risk by providing the continuity of sufficient funds and loan reserves by twinning the maturities of financial assets and liabilities by following cash flow regularly.

Liquidity risk tables

Conservative liquidity risk management requires maintaining adequate reserves in addition to having the ability to utilize adequate level of credit lines and funds as well as closing market positions.

Funding risk attributable to the current and future potential borrowing needs is managed by providing continuous access to an adequate number of high quality creditors.

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b.2) Liquidity Risk Management

The following table details the Group’s expected maturity for its financial liability. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liability. Amount of interest payable to be paid of financial liabilities are included in the table.

31 December 2018						
Non derivative financial liabilities	**Carrying value**	**Total cash outflows in accordance with contracts (I + II +III + IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Bank loans	921.908	944.952	621.083	158.720	165.149	-
Trade payables	204.023	205.901	205.250	-	651	-
Due to related parties	421.344	421.344	131.862	109.135	164.285	16.062
Other payables	316	1.798	752	1.046	-	-
Total liabilities	**1.547.591**	**1.573.995**	**958.947**	**268.901**	**330.085**	**16.062**

31 December 2017						
Non derivative financial liabilities	**Carrying value**	**Total cash outflows in accordance with contracts (I + II +III + IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Bank loans	750.121	795.622	136.235	322.350	337.037	-
Trade payables	165.627	166.459	165.678	781	-	-
Due to related parties	341.507	341.507	324.068	17.439	-	-
Other payables	56.543	56.543	56.416	127	-	-
Total liabilities	**1.313.798**	**1.360.131**	**682.397**	**340.697**	**337.037**	**-**

b.3) Market Risk Management

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. At a Group level, market risk exposures are measured by sensitivity analysis. When compared to prior periods, there has been no change in the Group’s exposure to market risks, hedging methods used or the measurement methods used for such risks.

b.3.1) Foreign Currency Risk Management

Transactions denominated in foreign currency cause the formation of exchange rate risk. The Group, its subsidiaries and associates acknowledge the currencies other than the functional currencies of countries in which they operate, as foreign currency.

The Group, its subsidiaries and associates acknowledge the currencies other than the functional currencies of countries in which they operate, as foreign currency:

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign Currency Risk Management (continued)

		Foreign Currency Position as of 31 December 2018			
		TL Equivalent	USD	EUR	TL Equivalents of other currencies
1.	Trade receivables	311.270	23.473	24.276	41.445
2a.	Monetary financial assets (cash and bank accounts included)	25.797	792	1.942	9.924
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	9.123	1.168	295	1.200
4.	**Current assets (1+2+3)**	**346.190**	**25.433**	**26.513**	**52.569**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**346.190**	**25.433**	**26.513**	**52.569**
10.	Trade payables	73.997	7.662	5.170	2.523
11.	Financial liabilities	73.571	5.761	7.177	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	4.220	384	365	-
13.	**Current liabilities (10+11+12)**	**151.788**	**13.807**	**12.712**	**2.523**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	32.252	2.857	2.857	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**32.252**	**2.857**	**2.857**	**-**
18.	**Total liabilities (13+17)**	**184.040**	**16.664**	**15.569**	**2.523**
19.	Net assets of off balance sheet derivative items / (liability) position (19a-19b)	-	-	-	-
19a.	Total amount of assets hedged	-	-	-	-
19b.	Total amount of liabilities hedged	-	-	-	-
20.	**Net foreign currency asset / (liability) position (9-18+19)**	**162.150**	**8.769**	**10.944**	**50.046**
21.	**Net foreign currency asset / (liability /(position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**157.247**	**7.985**	**11.014**	**48.846**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	1.559.208	80.366	168.774	119.041
24.	Import	878.135	27.068	67.958	326.082

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign Currency Risk Management (continued)

		Foreign Currency Position as of 31 December 2017			
		TL Equivalent	**USD**	**EUR**	**TL Equivalents of other currencies**
1.	Trade receivables	243.129	23.941	24.357	30.036
2a.	Monetary financial assets (cash and bank accounts included)	17.529	2.716	220	5.733
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	9.911	1.244	1.027	-
4.	**Current assets (1+2+3)**	**270.569**	**27.901**	**25.604**	**35.769**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**270.569**	**27.901**	**25.604**	**35.769**
10.	Trade payables	74.385	6.012	7.002	16.563
11.	Financial liabilities	57.872	5.777	7.203	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	7.723	998	777	-
13.	**Current liabilities (10+11+12)**	**139.980**	**12.787**	**14.982**	**16.563**
14.	Trade payables	-	-	-	-
15.	Financial liabilities	82.519	8.571	10.000	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**82.519**	**8.571**	**10.000**	**-**
18.	**Total liabilities (13+17)**	**222.499**	**21.358**	**24.982**	**16.563**
19.	Net assets of off balance sheet derivative items / (liability) position (19a-19b)	-	-	-	-
19a.	Total amount of assets hedged	-	-	-	-
19b.	Total amount of liabilities hedged	-	-	-	-
20.	**Net foreign currency asset / (liability)position (9-18+19)**	**48.069**	**6.543**	**622**	**19.206**
21.	**Net foreign currency asset / (liability / (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**45.881**	**6.297**	**372**	**19.206**
22.	Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23.	Export	1.587.346	92.729	154.451	469.409
24.	Import	395.385	16.535	59.441	40.773

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign Currency Risk Management (continued)

The Group is mainly exposed to EUR and USD risks. Effects of other currencies are immaterial.

The table below presents the Group's sensitivity to a 10% deviation in foreign exchange rates (especially USD and EUR). 10% is the rate used by the Group when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Group's management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss before tax or equity.

Foreign currency sensitivity

	Foreign Currency Position as of 31 December 2018			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TL by 10%				
1- USD net assets / liabilities	4.201	(4.201)	-	-
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	**4.201**	**(4.201)**	**-**	**-**
Change of EUR against TL by 10%				
4- EUR net assets / liabilities	6.639	(6.639)	137.424	(137.424)
5- EUR hedged from risks (-)	-	-	-	-
6- EUR net effect (4+5)	**6.639**	**(6.639)**	**137.424**	**(137.424)**
Change of other currencies against TL by 10%				
7- Other currencies net assets / liabilities	11.696	(11.696)	22.435	(22.435)
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**11.696**	**(11.696)**	**22.435**	**(22.435)**
Total (3+6+9)	**22.536**	**(22.536)**	**159.915**	**(159.915)**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign Currency Risk Management (continued)

Foreign currency sensitivity (continued)

	Foreign Currency Position as of 31 December 2017			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TL by 10%				
1- USD net assets / liabilities	2.487	(2.487)	-	-
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	**2.487**	**(2.487)**	**-**	**-**
Change of EUR against TL by 10%				
4- EUR net assets / liabilities	181	(181)	55.893	(55.893)
5- EUR hedged from risks (-)	-	-	-	-
6- EUR net effect (4+5)	**181**	**(181)**	**55.893**	**(55.893)**
Change of other currencies against TL by 10%				
7- Other currencies net assets / liabilities	3.716	(3.716)	55.311	(55.311)
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	**3.716**	**(3.716)**	**55.311**	**(55.311)**
Total (3+6+9)	**6.384**	**(6.384)**	**111.204**	**(111.204)**

b.3.2) Interest Rate Risk Management

The Group's exposure to interest rate risk is related to its financial liabilities. Based on floating interest rate of the current balance sheet composition and analysis calculated by the Group, as of 31 December 2018 if the TL interest rates were increased / decreased by 1% and foreign currency interest rates were increased / decreased by 0,25% with the assumption of keeping all other variables constant; the effect on net profit / loss for the period before taxation and non-controlling interest would decrease / increase by 1.678 thousand TL (31 December 2017: 255 thousand TL).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

38. Financial Instruments and Financial Risk Management (continued)
b.3.2) Interest Rate Risk Management(continued)

Interest rate sensitivity

The Group's financial instruments that are sensitive to interest rates are as follows:

	31 December 2018			
	Floating Interest	Fixed Interest	Non-interest Bearing	Total
Financial Assets	**-**	**697.555**	**82.724**	**780.279**
Cash and cash equivalents	-	5.546	82.560	88.106
Financial investments	-	-	164	164
Trade receivables	-	652.808	-	652.808
Due from related parties	-	34.704	-	34.704
Other receivables	-	4.497	-	4.497
Financial liabilities	**336.176**	**1.165.524**	**45.891**	**1.547.591**
Bank borrowings	336.176	539.841	45.891	921.908
Trade payables	-	204.023	-	204.023
Due to related parties	-	421.344	-	421.344
Other payables	-	316	-	316

	31 December 2017			
	Floating Interest	Fixed Interest	Non-interest Bearing	Total
Financial Assets	**-**	**535.698**	**36.396**	**572.094**
Cash and cash equivalents	-	3.904	36.120	40.024
Financial investments	-	-	276	276
Trade receivables	-	519.451	-	519.451
Due from related parties	-	9.927	-	9.927
Other receivables	-	2.416	-	2.416
Financial liabilities	**310.614**	**993.684**	**9.500**	**1.313.798**
Bank borrowings	310.614	430.007	9.500	750.121
Trade payables	-	165.627	-	165.627
Due to related parties	-	341.507	-	341.507
Other payables	-	56.543	-	56.543

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

39. Financial Instruments (Fair Value and Hedge Accounting Disclosures)

Categories of Financial Instruments

31 December 2018	Assets and liabilities at amortized cost	Loans and receivables	Financial asset available for sale	Financial Assets or liabilities fair value through profit or loss	Carrying value	Note
Financial Assets						
Cash and cash equivalents	88.106	-	-	-	88.106	6
Trade receivables	-	652.808	-	-	652.808	10
Due from related parties	-	34.704	-	-	34.704	37
Financial investments	-	-	164	-	164	7
Financial liabilities						
Financial liabilities	921.908	-	-	-	921.908	8
Trade payables	204.023	-	-	-	204.023	10
Due to related parties	421.344	-	-	-	421.344	37

31 December 2017	Assets and liabilities at amortized cost	Loans and receivables	Financial asset available for sale	Financial Assets or liabilities fair value through profit or loss	Carrying value	Note
Financial Assets						
Cash and cash equivalents	40.024	-	-	-	40.024	6
Trade receivables	-	519.451	-	-	519.451	10
Due from related parties	-	9.927	-	-	9.927	37
Financial assets	-	-	276	-	276	7
Financial liabilities						
Financial liabilities	750.121	-	-	-	750.121	8
Trade payables	165.627	-	-	-	165.627	10
Due to related parties	341.507	-	-	-	341.507	37

Fair Value of Financial Instruments

	31 December 2018			
Financial Assets	**Total**	**Category 1**	**Category 2**	**Category 3**
Financial assets available for sale	164	-	-	164
Total	**164**	**-**	**-**	**164**

	31 December 2017			
Financial Assets	**Total**	**Category 1**	**Category 2**	**Category 3**
Financial assets available for sale	276	-	-	276
Total	**276**	**-**	**-**	**276**

39. Financial Instruments (Fair Value and Hedge Accounting Disclosures) (continued)

Categories of Financial Instruments (continued)

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Category 1: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes;
- Category 2: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes;
- Category 3: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

40. Events after the Balance Sheet Date

None.

41. Other Issues that Significantly Affect the Financial Statements or Other Issues Required for the Clear Understanding of Financial Statements

The Group's audited consolidated financial statements as of 31 December 2018 prepared in accordance with the Capital Markets Board's Communiqué Serial: II, No: 14.1 are reviewed by also considering the opinion of the Audit Committee and it has been concluded that the accompanying financial statements present fairly the consolidated financial position of the Company in accordance with the regulations issued by the Capital Markets Board and accounting policies applied by the Company. The accompanying financial statements are approved for the public announcement by the Board of Directors on 22 February 2019.

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