

PAŞABAHÇE CAM SANAYİİ VE TİCARET A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD 1 JANUARY – 30 JUNE 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW
REPORT
(ORIGINALLY ISSUED IN TURKISH)**

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

CONTENTS

	PAGES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1-2
CONSOLIDATED STATEMENT OF INCOME.....	3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	6-7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8-87
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	10-32
NOTE 3 BUSINESS COMBINATIONS.....	32
NOTE 4 INTERESTS IN OTHER ENTITIES.....	33
NOTE 5 SEGMENT REPORTING.....	34-35
NOTE 6 CASH AND CASH EQUIVALENTS.....	36
NOTE 7 FINANCIAL ASSETS.....	36-37
NOTE 8 BORROWINGS.....	37-40
NOTE 9 OTHER FINANCIAL LIABILITIES.....	40
NOTE 10 TRADE RECEIVABLES AND PAYABLES.....	40-42
NOTE 11 OTHER RECEIVABLES AND PAYABLES.....	42
NOTE 12 DERIVATIVE INSTRUMENTS.....	43
NOTE 13 INVENTORIES.....	43
NOTE 14 PREPAID EXPENSES AND DEFERRED INCOME.....	44-45
NOTE 15 CONSTRUCTION CONTRACTS.....	45
NOTE 16 JOINT VENTURES AND ASSOCIATES.....	45
NOTE 17 INVESTMENT PROPERTIES.....	45
NOTE 18 PROPERTY, PLANT AND EQUIPMENT.....	46-47
NOTE 19 RIGHT OF USE ASSETS.....	48
NOTE 20 INTANGIBLE ASSETS.....	49
NOTE 21 GOODWILL.....	50
NOTE 22 GOVERNMENT GRANTS.....	50
NOTE 23 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	50-52
NOTE 24 COMMITMENTS.....	52
NOTE 25 EMPLOYEE BENEFITS.....	53
NOTE 26 IMPAIRMENT OF ASSETS.....	54
NOTE 27 OTHER ASSETS AND LIABILITIES.....	54
NOTE 28 CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	54-57
NOTE 29 REVENUE AND COST OF SALES.....	58
NOTE 30 GENERAL ADMINISTRATIVE, MARKETING, RESEARCH AND DEVELOPMENT EXPENSES.....	58
NOTE 31 EXPENSES BY NATURE.....	59
NOTE 32 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES.....	59-60
NOTE 33 INCOME AND LOSS FROM INVESTING ACTIVITIES.....	60
NOTE 34 FINANCIAL INCOME AND EXPENSES.....	61-62
NOTE 35 ASSETS HELD FOR SALE.....	62
NOTE 36 TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES).....	62-65
NOTE 37 EARNINGS PER SHARE.....	66
NOTE 38 RELATED PARTY DISCLOSURES.....	66-72
NOTE 39 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	73-84
NOTE 40 FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES).....	85-87
NOTE 41 EVENTS AFTER REPORTING PERIOD.....	87
NOTE 42 OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES, REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS.....	87

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

Report on Review of Interim Consolidated Financial Statements

To the General Assembly of Paşabahçe Cam Sanayii ve Ticaret Anonim Şirketi

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Paşabahçe Cam Sanayii ve Ticaret Anonim Şirketi (the Company) and its subsidiaries the Group as of June 30, 2019 and the interim consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Turkish Financial Reporting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and of its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with Turkish Financial Reporting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Can Altınbaş, SMMM
Partner

July 31, 2019
İstanbul, Türkiye

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statement of Financial Position at 30 June 2019 and 31 December 2018

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

ASSETS	Notes	30 June 2019	31 December 2018
Current Assets			
Cash And Cash Equivalents	6	358,385	88,106
Trade Receivables	10,38	752,510	658,130
- <i>Due From Related Parties</i>	38	1,989	5,322
- <i>Trade Receivables From Third Parties</i>	10	750,521	652,808
Other Receivables	11,38	49,877	33,405
- <i>Due From Related Parties</i>	38	44,696	29,382
- <i>Other Receivables From Third Parties</i>	11	5,181	4,023
Inventories	13	1,193,281	1,083,503
Prepaid Expenses	14	46,172	23,664
Current Income Tax Assets	36	2,801	8,494
Other Current Assets	27	40,473	39,479
Total Current Assets		2,443,499	1,934,781
Non-Current Assets			
Financial Assets	7	-	164
Other Receivables	11	384	474
- <i>Other Receivables From Third Parties</i>		384	474
Investment Properties	17	8,201	8,201
Property, Plant And Equipment	18	2,030,410	1,901,839
Right of Use Assets	19	132,088	-
Intangible Assets	20	3,421	3,842
Prepaid Expenses	14	1,947	3,048
Deferred Tax Assets	36	118,731	87,833
Total Non-Current Assets		2,295,182	2,005,401
TOTAL ASSETS		4,738,681	3,940,182

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

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statement of Financial Position at 30 June 2019 and 31 December 2018

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

LIABILITIES	Notes	30 June 2019	31 December 2018
Current Liabilities			
Short Term Borrowings	8	768,868	545,550
Short Term Portion of Long Term Borrowings	8	192,448	292,033
Trade Payables	10,38	261,265	271,659
- <i>Due to Related Parties</i>	38	58,443	67,636
- <i>Trade Payables to Third Parties</i>	10	202,822	204,023
Liabilities For Employee Benefits	25	45,031	25,254
Other Payables	11,38	328	354,024
- <i>Due to Related Parties</i>	38	12	353,708
- <i>Other Payables to Third Parties</i>	11	316	316
Deferred Income	14	13,893	7,824
Current Income Tax Liabilities	36	341	1,418
Short Term Provisions	23,25	62,954	29,778
- <i>Provision For Employee Benefits</i>	25	13,412	8,620
- <i>Other Short Term Benefits</i>	23	49,542	21,158
Other Current Liabilities	27	29,824	33,854
Total Current Liabilities		1,374,952	1,561,394
Non-Current Liabilities			
Long Term Borrowings	8	936,049	84,325
Derivative Instruments	12	85,834	-
Provisions For Employment Benefits	25	149,314	132,705
Deferred Income	14	2,051	1,907
Deferred Tax Liabilities	36	18,317	18,435
Total Non-Current Liabilities		1,191,565	237,372
Total Liabilities		2,566,517	1,798,766
EQUITY	28		
Equity Holders of The Parent			
Paid-in Share Capital	28	224,117	224,117
Adjustments to Share Capital	28	70,158	70,158
Impact of Transactions Including Entities			
Under Common Control		(11,529)	(11,529)
Share Premiums	28	166,419	166,419
Other Comprehensive Income/Expense not to be			
Reclassified to Profit or Loss	28	317,488	314,484
- <i>Currency Translation Differences</i>	28	19,348	16,344
- <i>Fixed Asset Revaluation Fund</i>	28	308,162	308,162
- <i>Funds for Actuarial Gain (Loss) on Employee</i>		(10,022)	(10,022)
Other Comprehensive Income/Expense to be Reclassified			
To Profit or Loss	28	401,888	350,061
- <i>Currency Translation Differences</i>	28	448,278	350,061
- <i>Hedging Gain/(Loss)</i>	28	(46,390)	-
Restricted Reserves	28	369,585	341,654
Retained Earnings	28	628,781	518,902
Net Profit/(Loss) For The Period	28	(14,493)	145,046
Non-Controlling Interests	28	19,750	22,104
Total Liabilities		2,172,164	2,141,416
TOTAL LIABILITIES AND EQUITY		4,738,681	3,940,182

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

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statements of Income for the Periods between 1 January - 30 June 2019 and 2018

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

	Notes	1 January-30 June 2019	1 January-30 June 2018	1 April-30 June 2019	1 April-30 June 2018
Revenue	29	1,449,532	1,096,454	793,660	625,918
Cost of Sales	29	(970,071)	(694,773)	(536,783)	(392,531)
Gross Profit (Loss) From Trading Activities		479,461	401,681	256,877	233,387
General Administrative Expenses	30	(92,696)	(75,947)	(42,178)	(40,049)
Marketing Expenses	30	(312,148)	(245,648)	(166,239)	(128,938)
Research and Development Expenses	30	(5,329)	(5,201)	(2,972)	(2,994)
Other Income From Operating Activities	32	77,879	81,632	23,436	54,350
Other Expense From Operating Activities	32	(38,957)	(32,543)	(10,549)	(22,977)
Operating Profit (Loss)		108,210	123,974	58,375	92,779
Income From Investing Activities	33	7,531	10,394	5,536	7,764
Expenses From Investing Activities	33	(2,444)	(3,048)	(807)	(880)
Operating Profit (Loss) Before Financial Income (Expense)		113,297	131,320	63,104	99,663
Financial Income	34	65,438	11,349	39,764	7,680
Financial Expenses	34	(203,106)	(85,115)	(113,306)	(47,705)
Profit (Loss) Before Tax From Continued Operations		(24,371)	57,554	(10,438)	59,638
Tax Income (Expense) From Continued Operations		7,531	(5,090)	4,593	(3,956)
- Current Tax Expense for the Period	36	(3,477)	(7,703)	(1,763)	(7,044)
- Deferred Tax Income (Expense)	36	11,008	2,613	6,356	3,088
Profit (Loss) for the Period	37	(16,840)	52,464	(5,845)	55,682
Attributable to					
- Non-Controlling Interests		(2,347)	(357)	180	(509)
- Equity Holders of the Parent		(14,493)	52,821	(6,025)	56,191
Earnings/ (Loss) Per Share	37	(0.0647)	0.2357	(0.0269)	0.2584

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

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statements of Comprehensive Income for the Periods between 1 January - 30 June 2019 and 2018

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

	Notes	1 January-30 June 2019	1 January-30 June 2018	1 April-30 June 2019	1 April-30 June 2018
Profit (Loss) for the Period	28	(16,840)	52,464	(5,845)	55,682
Other Comprehensive Income:					
Items not to be Reclassified to Profit or Loss	28	3,004	2,377	4,486	8,201
Currency Translation Differences		3,004	3,108	4,486	8,201
Gains / (Loss) Arising from Defined Benefit Plans		-	(913)	-	-
Taxes Relating to Other Comprehensive Income / (Loss)		-	182	-	-
Items to be Reclassified to Profit or Loss	28	51,827	91,480	(13,889)	47,080
Currency Translation Differences		98,217	91,480	32,501	47,080
Income/(Expense) Relating in Avoidance of Risk of Cash Flow		(57,987)	-	(57,987)	-
Tax Effect of Other Comprehensive Income/ (Loss) to be Reclassified to Profit or Loss		11,597	-	11,597	-
Other Comprehensive Income / (Loss)		54,831	93,857	(9,403)	55,281
Total Comprehensive Income/ (Loss)		37,991	146,321	(15,248)	110,963
Attributable to					
- Non-Controlling Interest	28	(2,347)	(716)	180	(509)
- Equity Holders of the Parent	28	40,338	147,037	(15,428)	111,472
Earnings/ (Loss) Per Share	37	0.1800	0.6561	(0.2199)	1.5889

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

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statements of Changes in Equity for the Years Ended 30 June 2019 and 2018

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

	Paid in Share Capital	Adjustments to Share Capital	Restricted Reserves	Share Premium / (Discount)	Other Comprehensive Income (Expense) not to be Reclassified to Profit or Loss			Other Comprehensive Income (Expense) to be Reclassified to Profit or Loss		Impact of Transactions Including Entities Under Common Control	Retained Earnings		Equity Holders of the Parent	Non-Controlling Interests	Total
					Funds for Actuarial Gain (Loss) on Employee Termination Benefits	Currency Translation Differences	Funds for Gain on Revaluation and Remeasurement	Hedging Gain /Loss	Currency Translation Differences		Retained Earnings	Net Profit (Loss) for the Period			
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
Transfers	-	-	38,302	-	-	-	(15,180)	-	-	-	(15,201)	(7,921)	-	-	-
Capital Increase	8,581	-	-	166,419	-	-	-	-	-	-	-	-	175,000	-	175,000
Effects of Change in TFRS 9 and TFRS 15	-	-	-	-	-	-	-	-	-	-	(7,944)	-	(7,944)	-	(7,944)
Effect of Subsidiaries Included in Consolidation	-	-	-	-	-	-	-	-	-	-	20,351	-	20,351	-	20,351
Total Comprehensive Income	-	-	-	-	(372)	3,108	-	-	91,480	-	-	52,821	147,037	(716)	146,321
Balance at 30 June 2018	224,117	70,158	308,965	166,419	(15,901)	9,596	191,369	-	291,114	(11,529)	558,354	52,821	1,845,483	15,107	1,860,590
Balance at 1 January 2019	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
Impact of Accounting Policy Change	-	-	-	-	-	-	-	-	-	-	(7,236)	-	(7,236)	(7)	(7,243)
Balance at 1 January 2019 (Adjusted)	224,117	70,158	341,654	166,419	(10,022)	16,344	308,162	-	350,061	(11,529)	511,666	145,046	2,112,076	22,097	2,134,173
Transfers	-	-	27,931	-	-	-	-	-	-	-	117,115	(145,046)	-	-	-
Total Comprehensive Income	-	-	-	-	-	3,004	-	(46,390)	98,217	-	-	(14,493)	40,338	(2,347)	37,991
Balance at 30 June 2019	224,117	70,158	369,585	166,419	(10,022)	19,348	308,162	(46,390)	448,278	(11,529)	628,781	(14,493)	2,152,414	19,750	2,172,164

Disclosures for the changes in the equity is presented in Note 28.

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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statements of Cash Flows for the Periods between 1 January and 30 June 2019 and 2018

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

	Notes	1 January-30 June 2019	1 January-30 June 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) for the period	28	(16,840)	52,464
Adjustments to reconcile net profit / (loss) to net cash		359,668	201,309
- Depreciation and amortization	18,19,20	86,572	55,269
- Impairments / reversals	10,13,18	8,041	4,418
- Changes in provisions	23,25	55,278	51,662
- Interest income and expenses	8,32,33	103,146	57,908
- Unrealized exchange loss /(gain)	32,34	109,748	24,074
- Tax income / (loss)	36	3,975	5,090
- Adjustments of losses / (gains) on disposal of non-current assets	32,33 33	(7,092) -	- (7,346)
- Other adjustments		-	10,234
Changes in net working capital		(575,569)	(336,712)
- (Increases)/decreases in inventories	13	(117,846)	(125,523)
- (Increases)/decreases in trade receivables	10,38	(95,567)	(127,223)
- (Increases)/decreases in other receivables	11,16,38	(16,472)	(13,151)
- Increases/(decreases) in trade payables	10	(10,394)	31,217
- Increases/(decreases) in other payables	11,14,27,38	(327,850)	(68,491)
- Other increases/(decreases) in net working capital	14,27,28	(7,440)	(33,541)
Cash flows from operating activities		(232,741)	(82,939)
- Interest paid	8,32,34,38	(102,870)	(53,957)
- Interest received	32,34,38	7,935	604
- Tax received / (paid)	36	(30,458)	(7,822)
- Employment termination benefits paid	25	(5,751)	(5,412)

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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Consolidated Statements of Cash Flows for the Periods between 1 January and 30 June 2019 and 2018

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

	Notes	1 January-30 June 2019	1 January-30 June 2018
B. CASH FLOWS FROM INVESTING ACTIVITIES		(38,709)	(19,072)
- Cash inflow from sales of losing control of subsidiaries	7,16,33	5,180	-
- Equipment and intangible assets	18,20,33	11,786	35,639
- Intangible assets	18,20	(63,260)	(57,216)
- Advances given		(5,841)	-
- Cash inflows from borrowings		7,086	(1,282)
- Interest received	6,33,34	3,246	362
- Other cash inflows / outflows	3,10,11,14,27	3,094	3,425
C. CASH FLOWS FROM FINANCING ACTIVITIES		671,640	149,308
- Proceeds from borrowings	8	1,550,562	294,390
- Repayments of borrowings	8	(864,503)	(320,082)
- Cash outflows on loan payments arising from lease agreements	8	(14,419)	-
- Capital increase		-	175,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		269,046	(19,290)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		2,291	40,180
NET DECREASE / (INCREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		271,337	20,890
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6	88,153	40,022
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	6	359,490	60,912

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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January – 30 June 2019

(Amounts are expressed in thousands of Turkish Lira (“TRY”) 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 28.

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/İstanbul/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

	30 June 2019	31 December 2018	30 June 2018
Personnel paid by monthly	1,969	1,959	1,864
Personnel paid by hourly	5,347	5,408	5,409
Total	7,316	7,367	7,273

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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	30 June 2019		31 December 2018	
	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

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

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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.

According to the article 5 of the Communiqué, interim consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Boards. In addition, Amendments in TFRS 15 Customer Contracts Revenue and TFRS 16 Leases standards with changes published by the POA on June 2, 2016 with the decision no.30, has been presented in accordance with the current 2019 TFRS and TAS taxonomy published on 15 April 2019.

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 30 June 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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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 TRY from the foreign exchange rate at the balance sheet date whereas income and expenses are translated into TRY 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:

Currency	30 June 2019		31 December 2018		30 Haziran 2018	
	Period end	Period Average	Period end	Period Average	Period end	Period Average
Euro	6.5507	6.3456	6.0280	5.6789	5.3092	4.9416
Bulgarian Lev	3.3493	3.2445	3.0821	2.9036	2.7146	2.5266
Russian Ruble	0.0908	0.0856	0.0753	0.0761	0.0723	0.0683
Chinese Yuan	0.8333	0.8234	0.7620	0.7226	0.6850	0.6380
USD Dolar	5.7551	5.6197	5.2609	4.8301	4.5607	4.0860

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 Standards (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 30 June 2019 and 31 December 2018.

PAŞABAŖE CAM SANAYİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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

2.1 Basis of Presentation (continued)

Subsidiaries (continued)

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.

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 TFRS

The Group prepared its consolidated financial statements for the period ended 30 June 2019 in the framework of the Communiqué Serial: II and numbered 14.1 and its related announcements. The consolidated financial statements and its accompanying notes are presented in compliance with the formats recommended by POA, including required disclosures.

2.3 Significant Changes in the Accounting Policies

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January - 30 June 2019 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2018, except for the new IFRS 16 – Leases which are started to be valid as of 1 January 2019.

Impacts on consolidated financial statements

The Group applied IFRS 16 – Leases effective from 1 January 2019 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 16 Leases 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 16 are recognized in retained earnings as of 1 January 2019.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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 30 June 2019 and the profit or loss table for the six months period ended for the same date regarding to the adoption of TFRS 16 is as follows:

Financial Position

ASSETS	Notes	30 June 2019 Impacts Excluded	IAS 16 Impacts Included	30 June 2019
Total Current Assets		2,443,499	-	2,443,499
Non-Current Assets				
Right of use assets	19	-	132,088	132,088
Deferred Tax Assets	36	116,216	2,515	118,731
Rest Of Non-Current Assets		2,044,363	-	2,044,363
Total Non-Current Assets		2,160,579	134,603	2,295,182
TOTAL ASSETS		4,604,078	134,603	4,738,681
Short Term Portion Of Long Term Borrowings	8	168,640	23,808	192,448
Rest Of Current Liabilities		1,182,504	-	1,182,504
Total Current Liabilities		1,351,144	23,808	1,374,952
Long Term Borrowings	8	816,025	120,024	936,049
Rest Of Non-Current Liabilities		255,516	-	255,516
Total Non-Current Liabilities		1,071,541	120,024	1,191,565
Total Liabilities		2,422,685	143,832	2,566,517
EQUITY				
Equity Holders of the Parent				
Currency Translation Differences	28	467,679	(53)	467,626
Retained Earnings	28	636,015	(7,234)	628,781
Net Profit/(Loss) for the Year	28	(16,478)	1,985	(14,493)
Rest Of Equity	28	1,090,257	(7)	1,090,250
Non-Controlling Interests	28	19,757	(7)	19,750
Total Equity		2,177,473	(5,309)	2,172,164

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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

2.3. Significant Changes in the Accounting Policies (continued)

Income Statement

	Notes	30 June 2019 Impacts Excluded	IAS 16 Impacts Included	30 June 2019
Revenue	28	1,449,532	-	1,449,532
Accumulated Depreciation and Impairment	29, 30	(69,668)	(16,904)	(86,572)
Cost of Other Sales and Operational expenses	29, 30	(1,318,354)	24,682	(1,293,672)
Other Income/Expense From Operating Activities	32	38,922	-	38,922
Operating Profit (Loss)		100,432	7,778	108,210
Income/Expense, Profit/Loss From Investing Activities and Revaluation	33	5,087	-	5,087
Operating Profit (Loss) Before Financial Income (Expense)		105,519	7,778	113,297
Financial Income	34	65,438	-	65,438
Financial Expenses	34	(192,828)	(10,278)	(203,106)
Profit (Loss) Before Tax From Continued Operations		(21,871)	(2,500)	(24,371)
Tax Income (Expense) From Continued Operations				
- Current Tax Expense for the Period	36	(3,477)	-	(3,477)
- Deferred Tax Income (Expense)	36	10,493	515	11,008
Profit (Loss) for the Period		(14,855)	(1,985)	(16,840)
Attributable to				
- Non-Controlling Interests	37	(2,340)	(7)	(2,347)
- Equity Holders of the Parent	37	(12,515)	(1,978)	(14,493)
Earnings/ (Loss) Per Share	37	(0.0558)	(0.009)	(0.0647)

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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

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 30 June 2019 are consistent with those used in the preparation of financial statements for the year ended 31 December 2018.

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 June 30, 2019 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, 2019. 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, 2019 are as follows:

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.

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.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. The Group has generally explained the effects on financial position and performance in Note 23.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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

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

The new standards, amendments and interpretations which are effective as at January 1, 2019 (continued)

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.

These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments are not applicable for the Group and will not have an impact on the 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:

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

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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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

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

The new standards, amendments and interpretations which are effective as at January 1, 2019 (continued)

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

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

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

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

a) Standards issued but not yet effective and not early adopted as of 30 June 2019:

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim 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 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 amendments will not have an impact on the financial position or performance of the Group.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

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

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

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 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.

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 30 June 2019

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 IFRS 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.

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 amendments:

- 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.

PAŞABAŖE CAM SANAYİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

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

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) (continued)

Definition of Material (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 amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

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,

- Ownership of the Group's right to collect goods or services,
- The ownership of the property of the customer,
- Transfer of the possession of the goods or services,
- Ownership of significant risks and rewards arising from the ownership of the goods or services,
- 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.

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 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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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.

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:

	<u>Useful Life</u>
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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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 15 years based on their economic lives (Note 20).

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 (3-15 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 20).

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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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.

Derivative Instruments and Hedging Instruments

Derivative Instruments are initially recognized at acquisition cost which is reflecting the fair value at the date of the contract and are valued at fair value in the periods following their acquisition. The derivative instruments of the Group mainly consist of foreign exchange forward contracts , foreign currency and interest rate swap transactions. These derivative instruments provide an effective protection against economic risks for the Group, but when these instruments do not meet the required conditions from the point of risk accounting, they are recognized as derivative instruments for trading in the consolidated financial statements and the related fair value changes are reflected in the profit or loss statement. The Group's hedging operations, which meet the financial hedging accounting conditions , are accounted for as described below:

Cash flow hedge

At the date of the derivative contract, the Group identifies transactions that are protected against changes in cash flows of a registered asset or liability or transactions that may be associated with a particular risk and which are likely to occur as a result of a certain risk and which may affect profit/loss. The group presents gains and losses related to cash flow hedging operations, which are described as effective, as ' hedging gains /(losses) ' in equity. In case that the financial risk -protected commitment or hedged future transaction becomes an asset or liability , the gain or loss related to these transactions tracked among the equity items are taken from these items and included in the acquisition cost or book value of that asset or liability. Otherwise, the amounts recognized under equity items are transferred to the Consolidated statement of income as profit or loss in the period in which the probable future transaction protected from financial risk affects the Consolidated Statement of income.

If the transaction is not expected to occur in the future, the accumulated gains and losses previously accounted for under equity are transferred to the profit or loss statement. In case that the hedging instrument is replaced by another instrument without identifying or extending another instrument, in accordance with the documented hedging strategy, expired, sold, terminated or used, or the hedging definition is cancelled, the gains and losses previously accounted for under other comprehensive income will continue to be classified under equity until the final commitment or estimated transaction affects the profit and loss statement.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Hedge Accounting

The Group determined all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under TFRS 9. As TFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of TFRS 9 will not have a significant impact on Group's financial statements.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- (a) The amount of lease liabilities recognised,
- (b) lease payments made at or before the commencement date less any lease incentives received, and
- (c) Initial direct costs incurred.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

The Group undertakes the leasing liability from the present value of the lease payments that have not been paid at the commencement date.

The lease payments included in the measurement of the lease liability at the commencement date consists of the following payments to be made for the right of use during the lease period of the underlying asset and unpaid at the date of the lease's commencement date

- (a) Fixed payments,
- (b) Variable rent payments based on an index or rate using an index or rate at the time the initial measurement is actually started,
- (c) Amounts expected to be paid by the Company / Group under residual value commitments
- (d) If the Group is reasonably certain to use the purchase option, the strike price and
- (e) If the rental period indicates that the Company / Group will use an option to terminate the lease, the penalty for termination of the lease.

Variable lease payments that are not regarded to an index or rate are recognized as an expense in the period when the event or condition that triggered the payment occurred.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, The Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date of the lease, The group measures the lease obligation as follow:

- (a) The amount of lease liabilities is increased to reflect the accretion of interest, and
- (b) Reduced the book value for reflect the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense 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 34).

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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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 38).

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.

"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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Recognition and Measurement (continued)

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.

Group has preferred to apply "simplified approach" 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.

PAŞABAŒE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Trade receivables (continued)

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 32).

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).

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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.

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 than TRY 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.

PAŞABAŖE CAM SANAYİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

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 in TRY using 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 on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rates.

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 37).

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 23).

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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.

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 22).

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 36). 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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

2. Basis of Presentation of Financial Statements (continued)

2.6 Summary of Significant Accounting Policies (continued)

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 25).

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

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, judgements, and assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes. 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 an accounting nor taxable profit/ (loss). The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, current period losses, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations.

PAŞABAŒE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira (“TRY”) Unless Otherwise Indicated.)

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

Within the framework of Article 32 / A of Corporate Tax Law No. 5520, discounted corporate tax support is received. The Group received an investment incentive certificate amounting to TL 319,135 thousand (31 December 2018: TL 303,005 thousand) regarding the new production lines. Next periods, the Group will be able to discount 55% of the corporate tax calculated from the net income arising from this production line. The right to use the investment allowance is not limited to a certain period within the framework, deferred tax asset amounting to TL 70.210 thousand (31 December 2018: TL 66.661 thousand) has been accounted for under this investment incentive certificate.

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 30 June 2015 and effective from the financial statements as of 30 June 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 fair value in accordance with TAS 16 revaluation method. Fair values in the financial statements as of 31 December 2015 are based on the appraisal reports prepared by the authorized and licensed independent valuation companies. In the calculation of fair value, the most effective and efficient use assessment was made and the current use purposes were determined to be the most effective and efficient use.

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 reconstruction 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 values that may occur during the execution of the purchase / sale transactions may differ from these values.

The values determined by using the market comparison and cost approach method have been evaluated as to whether there are any impairment indicators according to the provisions of TAS 36 “Impairment of Assets” as of the date of initial recognition and at the end of the related period and the impairment is associated with the period profit or loss 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.

3. Business Combinations

None (2018: None).

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

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.	30 June 2019	31 December 2018
Current assets	54,867	53,399
Non-current assets	69,290	70,912
Total assets	124,157	124,311
Current liabilities	54,328	51,803
Non-current liabilities	11,634	9,501
Total liabilities	65,962	61,304
Denizli Cam San. ve Tic. A.Ş.	30 June 2019	30 June 2018
Revenue	65,228	27,648
Net profit/(loss) for the year	(4,812)	(511)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss)	(4,812)	(511)
Share of non-controlling interests	49.0%	49.0%
Net profit for the year attributable to non-controlling interest	(2,358)	(250)

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş..

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

5. Segment Reporting

1 January-30 June 2019	Turkey	Russia	Europe	Other	Total	Consolidation Adjustments	Consolidated
Net sales - third parties	795,548	155,776	424,500	73,708	1,449,532	-	1,449,532
Net sales – intergroup	173,153	837	59,293	33,879	267,162	(267,162)	-
Total net sales (*)	968,701	156,613	483,793	107,587	1,716,694	(267,162)	1,449,532
Cost of sales	(730,379)	(110,185)	(329,135)	(52,103)	(1,221,802)	251,731	(970,071)
Gross profit / (loss)	238,322	46,428	154,658	55,484	494,892	(15,431)	479,461
Operating expenses	(280,969)	(33,130)	(86,462)	(19,272)	(419,833)	9,660	(410,173)
Other operating income	68,482	2,975	6,217	205	77,879	-	77,879
Other operating expense (-)	(15,489)	(4,742)	(15,803)	(2,923)	(38,957)	-	(38,957)
Operating profit / (loss)	10,346	11,531	58,610	33,494	113,981	(5,771)	108,210
Income from investing activities	6,862	-	669	-	7,531	-	7,531
Loss from investing activities (-)	(2,444)	-	-	-	(2,444)	-	(2,444)
Operating profit / (loss) before financial income and expense	14,764	11,531	59,279	33,494	119,068	(5,771)	113,297
Financial income	58,228	163	7,047	-	65,438	-	65,438
Financial expense (-)	(173,738)	(14,181)	(8,888)	(6,299)	(203,106)	-	(203,106)
Profit / (loss) before tax from continued operations	(100,746)	(2,487)	57,438	27,195	(18,600)	(5,771)	(24,371)
Tax income / (expense) for the period	(3,848)	-	(163)	534	(3,477)	-	(3,477)
Deferred tax asset	3,177	2,255	2,103	-	7,535	3,473	11,008
Profit / (loss) for the period	(101,417)	(232)	59,378	27,729	(14,542)	(2,298)	(16,840)
Purchases of tangible and intangible assets	73,618	4,255	15,927	11,613	105,413	-	105,413
Depreciation and amortization charges	(43,185)	(11,747)	(24,873)	(6,767)	(86,572)	-	(86,572)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (**)	57,949	23,278	84,152	40,261	205,640	(5,771)	199,869
Statement of financial position (30 June 2019)							
Total assets	3,174,152	178,445	1,052,207	333,877	4,738,681	-	4,738,681
Total liabilities	1,852,657	108,168	261,055	295,637	2,566,517	-	2,566,517

(*) 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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements At 1 January - 30 June 2019

(Amounts Are Expressed In Thousands Of Turkish Lira ("TRY") Unless Otherwise Indicated.)

5. Segment Reporting (continued)

1 January-30 June 2018	Turkey	Russia	Europe	Other	Total	Consolidation Adjustments	Consolidated
Net sales - third parties	640,948	119,733	304,613	31,160	1,096,454	-	1,096,454
Net sales – intergroup	258,638	-	-	-	258,638	(258,638)	-
Total net sales (*)	899,586	119,733	304,613	31,160	1,355,092	(258,638)	1,096,454
Cost of sales	(455,088)	(78,153)	(151,908)	(9,624)	(694,773)	-	(694,773)
Gross profit / (loss)	444,498	41,580	152,705	21,536	660,319	(258,638)	401,681
Operating expenses	(240,901)	(23,200)	(60,266)	(9,227)	(333,594)	6,799	(326,795)
Other operating income	71,530	4,416	5,096	-	81,042	589	81,631
Other operating expense (-)	(23,065)	(3,530)	(6,315)	662	(32,248)	(295)	(32,543)
Operating profit / (loss)	252,062	19,266	91,220	12,971	375,519	(251,545)	123,974
Income from investing activities	9,564	25	805	-	10,394	-	10,394
Loss from investing activities (-)	(3,048)	-	-	-	(3,048)	-	(3,048)
Operating profit / (loss) before financial income and expense	258,578	19,291	92,025	12,971	382,865	(251,545)	131,320
Financial income	6,460	153	4,736	-	11,349	-	11,349
Financial expense (-)	(65,846)	(10,322)	(6,892)	(2,055)	(85,115)	-	(85,115)
Profit / (loss) before tax from continued operations	199,192	9,122	89,869	10,916	309,099	(251,545)	57,554
Tax income / (expense) for the period	(7,426)	-	(903)	626	(7,703)	-	(7,703)
Deferred tax asset	1,180	643	(1,059)	-	764	1,849	2,613
Profit / (loss) for the period	192,946	9,765	87,907	11,542	302,160	(249,696)	52,464
Purchases of tangible and intangible assets	31,470	9,156	16,111	398	57,135	81	57,216
Depreciation and amortization charges	(27,388)	(7,997)	(17,735)	(2,140)	(55,260)	(9)	(55,269)
Earnings before interest, taxes, depreciation and amortization (EBITDA) (**)	285,966	27,288	109,760	15,111	438,125	(251,536)	186,589
Statement of financial position (30 June 2019)							
Total assets	2,330,642	118,946	832,647	179,566	3,461,801	-	3,461,801
Total liabilities	1,194,630	49,425	193,161	163,995	1,601,211	-	1,601,211

(*)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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

6. Cash and Cash Equivalents

	30 June 2019	31 December 2018
Cash on hand	271	242
Cash at banks	358,065	87,295
- Demand deposits	85,257	81,749
- Time deposits with a maturity of three months or less	272,808	5,546
Other liquid assets	49	569
Provision for impairment	1,260	51
	358,385	88,106

Time deposits

Currency	Faiz oranı (%)	Maturity	30 June 2019	31 December 2018
Turkish Lira	6,25%	July 2019	68,159	-
US Dollar	3,50%	May 2019	203,946	-
EUR	3,00%	January 2020	703	647
Russian Rubles	10,00%	January 2019	-	4,899
			272,808	5,546

Cash and cash equivalents as of 30 June 2019 and 31 December 2018 presented in the consolidated statement of cash flows are as follows:

	30 June 2019	31 December 2018
Cash and cash equivalents	358,385	88,106
Effect of impairment loss	1,260	51
Less: Interest accrual	(155)	(4)
	359,490	88,153

7. Financial Assets

Non-current financial assets

Financial assets available for sale	30 June 2019	31 December 2018
Financial investments not traded in an active market	-	164
	-	164

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

	30 June 2019	30 June 2018
Previously reported - 1 January	164	276
Effect of subsidiaries included in consolidation	-	(112)
Financial asset liquidation impact	(164)	-
	-	164

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

7. Financial Assets (continued)

Non-current financial assets (continued)

Financial Assets not Traded in at Market Price	Share (%)	30 June 2019	Share (%)	31 December 2018
Camiş Limited(*)	-	-	30,65	164
		-		164

(*) Camiş Limited was liquidated as of June 28, 2019.

8. Borrowings

Current financial liabilities	30 June 2019	31 December 2018
Short term borrowings	768,868	545,550
Total short term liabilities	768,868	545,550

Short term portion of long term borrowings	30 June 2019	31 December 2018
Short term portion of long term borrowings and interests	152,401	292,033
Leasing borrowings	44,282	-
Bonds issued via Sisecam (*)	16,447	-
Bond issuance costs and commissions via Sisecam	(291)	-
Deferred cost of leasing (-)	(20,391)	-
Total short term portion of long term borrowings and interests	192,448	292,033
Total short term portion of long term borrowings	961,316	837,583

Long term financial liabilities	30 June 2019	31 December 2018
Long term portion of long term borrowings	21,460	84,325
Bond issued	805,714	-
Bond issuance costs and commissions	(11,149)	-
Leasing borrowings	192,643	-
Deferred cost of leasing (-)	(72,619)	-
Total long term financial liabilities	936,049	84,325
Total financial liabilities	1,897,365	921,908

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

8. Borrowings (continued)

(*) On March 14, 2019 T.Şişe ve Cam Fabrikaları A.Ş. issued bonds amounting to USD 550.000 thousand and nominal value of USD 150 million on March 28, 2019. The due date of these bonds is 14 March 2026 and the principal payment will be made on the due date. The fixed interest rate of coupons is 6.95 with a fixed interest payment in every six months. Following the issuance of these bonds, USD 140.000.000 fund was transferred to the Group and individual guarantees were given for the principal, interest and similar payments as much as the amount provided.

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 periods for loans	30 June 2019	31 December 2018
3 months and shorter	279,584	679,358
3 - 12 months	489,284	158,225
1 - 5 years	92,498	84,325
More than 5 years	81,363	-
	942,729	921,908

Financing bonds amounting to 805,714 thousand TRY, nominal amount is 140,000 thousand USD coupon interest rate 6.95% (Effective interest rate 7.32%. Coupon interest payments are made in equal installments in every six months. (31 December 2018: None)

Financial liabilities movements for the period between 1 January and 30 June 2019 are summarized as below:

Bank borrowings	Capital	Interest	Total
Beginning at the period - 1 January	917,972	3,936	921,908
Currency translation differences	81,758	418	82,176
Foreign exchange gain / (loss)	10,614	-	10,614
Borrowed - accrued during the period	790,888	50,119	841,007
Payments - reversals during the period	(864,503)	(48,473)	(912,976)
As of 30 June 2019	936,729	6,000	942,729

Bonds Issued	Capital	Interest	Discount on bonds	Comission	Toplam
Beginning at the period - 1 January	-	-	-	-	-
Foreign exchange gain / (loss)	46,040	-	-	-	46,040
Borrowed - accrued during the period	759,674	16,447	(10,181)	(1,669)	764,270
Payments - reversals during the period	-	-	332	79	411
As of 30 June 2019	805,714	16,447	(9,850)	(1,590)	810,721

Leasing	Capital	Interest	Capital+Interest
Beginning at the period - 1 January	-	-	-
Effects of change in accounting policy (note 2,3)	111,928	77,989	189,917
Currency translation differences	3,517	902	4,419
Foreign exchange gain / (loss)	567	-	567
Borrowed - accrued during the period	42,322	24,399	66,721
Payments - reversals during the period	(14,419)	(10,280)	(24,699)
As of 30 June 2019	143,915	93,010	236,925

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

8. Borrowings (continued)

Financial liabilities movements for the period between 1 January and 30 June 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	66,470	990	67,460
Foreign exchange gain / (loss)	23,958	-	23,958
Borrowed - accrued during the period	294,390	28,696	323,086
Payments - reversals during the period	(320,082)	(26,862)	(346,944)
As of 30 June 2018	809,174	8,507	817,681

As of 30 June 2019, there is no capitalized financing expenses. (31 December 2018: None).

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

30 June 2019

Currency	Maturity	Annual Effective Weighted Interest Rate(%)	Short Term	Long Term	Total
US Dollar	2017-2025	4.75%	49,506	794,565	844,071
EUR	2017-2020	1.77%	338,659	391	339,050
Russian Rubles	2019-2021	10.07%	258,203	21,069	279,272
TRY	2019-2020	25.27%	222,394	84,482	306,876
Egyptian Pound	2019-2020	18.62%	88,470	-	88,470
BGL	2017-2019	4.00%	4,084	35,542	39,626
			961,316	936,049	1,897,365

31 December 2018

Currency	Maturity	Annual Effective Weighted Interest Rate(%)	Short Term	Long Term	Total
US Dollar	2017-2020	0.33%	30,310	15,032	45,342
Euro	2017-2020	1.89%	304,048	40,144	344,192
Russian Rubles	2017-2021	10.03%	206,538	29,149	235,687
Turkish Lira	2017-2019	18.25%	250,795	-	250,795
Egyptian Pound	2017-2019	18.62%	45,892	-	45,892
			837,583	84,325	921,908

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

8. Borrowings (continued)

The redemption schedule of the financial liabilities is as follows:

	30 June 2019	31 December 2018
Within 1 year	961,316	837,583
Within 1- 2 years	72,306	78,495
Within 2- 3 years	9,461	5,830
Within 3- 4 years	11,659	-
Within 4- 5 years	8,554	-
More than 5 years	834,069	-
	1,897,365	921,908

There is no collaterals given for financial liabilities as of 30 June 2019 and 31 December 2018.

9. Other Financial Liabilities

None (31 December 2018: None).

10. Trade Receivables and Payables

Trade Receivables

Short term trade receivables	30 June 2019	31 December 2018
Trade receivables	675,991	603,405
Notes receivables	89,004	63,841
Rediscount of notes receivable (-)	(14,474)	(14,444)
Due to related parties (Note 38)	1,989	5,322
Other trade receivables	30,445	34,404
Provision for doubtful receivables	(30,445)	(34,399)
	752,510	658,130

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

10. Trade Receivables and Payables (continued)

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 2018: 75 days) and a monthly overdue interest rate of 2,00% is applied for the payments made after the due date (31 December 2018: 2,75%).

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.

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

	30 June 2019	31 December 2018
Beginning at the period - 1 January	(34,399)	(20,037)
Charge for the period	(1,018)	(2,950)
Collections	5,140	1,226
Currency translation differences	(168)	(253)
	(30,445)	(22,014)

The Group has received the following collaterals for trade receivables:

	30 June 2019	31 December 2018
Letter of guarantees	65,559	46,687
Direct borrowing systems	108,035	87,148
Mortgages	24,315	29,133
Insurance	58,783	58,783
Other	41,890	51,030
	298,582	272,781

As of 30 June 2019: 178,413 thousand TRY (31 December 2018: 108,032 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:

	30 June 2019	31 December 2018
1- 30 days overdue	56,104	46,328
1-3 months overdue	54,426	25,497
3-12 months overdue	15,577	6,943
1- 5 years overdue	52,306	29,263
Total overdue receivables	178,413	108,031
The portion under guarantee with collateral. etc.	25,254	29,099

PAŞABAŃÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

10. Trade Receivables and Payables (continued)

Trade Payables

	30 June 2019	31 December 2018
Trade payables	204,506	205,901
Due to related parties (Note 38)	58,443	67,636
Rediscount on notes payable (-)	(1,684)	(1,878)
	261,265	271,659

11. Other Receivables and Payables

Other current receivables	30 June 2019	31 December 2018
Other miscellaneous receivables	4,227	3,349
Due from related parties (Note 38)	44,696	29,382
Deposits and guarantees given	238	237
Due from personnel	716	437
	49,877	33,405

Other non-current receivables	30 June 2019	31 December 2018
Deposits and guarantees given	384	474
	384	474

Other current payables	30 June 2019	31 December 2018
Due to related parties (Note 38)	12	353,708
Other current payables	316	316
	328	354,024

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

12. Derivative Instruments

The Group has signed the cross-currency swap agreements stated below to protect the portion of USD 30 million in cash flow risk from debt instruments with a nominal value of USD 700 million issued abroad and a coupon rate of 6.95% in every six months from the principal payment dated March 14, 2026.(Note 8)

The Group has entered into a participant cross currency swap transaction via HSBC as of April 29, 2019. As a result of transaction for the purchase of USD 100.000 thousand, TL 595.100 thousand was sold due to March 13, 2026. This transaction matched with the Eurobond of the Group amounting to USD 100.000 thousand and adjusted for hedge accounting under IFRS 9. The effective portion of this hedge is accounted for under equity and the ineffective portion is accounted for under profit / loss.

The Group contracted with HSBC on April 17,2019, for swap and purchased USD 30.000 thousand on March 13, 2026 sold EUR 26.525 thousand with interest rates of 4.73% EUR and 6.95 USD every six months from 13 September 2019 to 13 March 2026.

The Group has measured that the hedging process is highly effective in prospective effectiveness tests.The Group made a quantitative assessment at the beginning of the swap agreement and as of the reporting period by using scenario analysis method in the prospective effectiveness test.

The effective portion of the fair value of the swap transaction is recognized under equity due to their high efficiency in the effectiveness tests of the above mentioned swap contracts.

The portion of the hedged item that is recognized in equity and corresponding to the periods in which it affects the profit and loss is classified to profit and loss.

The distribution of derivative instruments is as follows:

	30 June 2019		31 December 2018	
	Asset	Liability	Asset	Liability
Swap Operations	-	85,834	-	-
	-	85,834	-	-

The transactions of derivative instruments within the period are as follows

	30 June 2019	31 December 2018
Beginning of the period - 1 January	-	-
Foreign exchange gain/(loss) recognized to statement of profit or loss (*)	(25,652)	-
Cash inflows/outflows due to realized foreign exchange	(2,195)	-
Interest income/(expense) recognized in equity	(57,987)	-
Net asset/ (liability)	(85,834)	-

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

13. Inventories

	30 June 2019	31 December 2018
Finished goods	964,586	865,052
Work in progress	7,858	7,576
Raw materials and supplies	153,776	142,355
Trade goods	67,895	61,172
Operating supplies	34,435	37,822
Provision for impairment(-)	(35,269)	(30,474)
	1,193,281	1,083,503

The movement of provision for inventory write-down is as follows:

	30 June 2019	30 June 2018
Beginning at the period - 1 January	(30,474)	(21,005)
Provision for the period	(6,832)	(1,468)
Provision no longer required	3,273	2,153
Currency translation differences	(1,236)	(583)
	(35,269)	(20,903)

14. Prepaid Expenses and Deferred Income

Prepaid Expenses

Prepaid expenses in current assets	30 June 2019	31 December 2018
Advances given	29,081	19,080
Prepaid expenses	17,091	4,584
	46,172	23,664

Prepaid expenses in non-current assets	30 June 2019	31 December 2018
Advances given	1,382	3,048
Prepaid expenses	565	-
	1,947	3,048

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

	30 June 2019	30 June 2018
Beginning of the period - 1 January	3,048	1,293
Advances given in the period	5,841	6,345
Currency translation differences	-	21
Released	(7,507)	(4,757)
	1,382	2,902

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

14. Prepaid Expenses and Deferred Income (continued)

Deferred income

Short term deferred income	30 June 2019	31 December 2018
Deferred income	699	628
Advances received	13,194	7,196
	13,893	7,824

Long term deferred income	30 June 2019	31 December 2018
Deferred Income for future years	2,051	1,907
	2,051	1,907

15. Construction Contracts

None (31 December 2018: None).

16. Joint Ventures and Associates

None (31 December 2018: None).

17. Investment Properties

	Net Book Value	Revaluation Fund	Revaluation Profit/(Loss) Effect	Fair Value
Beginning of the period - 1 January	432	7,769	-	8,201
Transfer from the tangible assets	-	-	-	-
Revaluation gain	-	-	-	-
Revaluation loss	-	-	-	-
30 June 2019 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 appraisers 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 determination of results.

All investment properties are located in Turkey.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

18. Property, Plant and Equipment

Cost	Lands(***)	Land Improvements	Buildings(***)	Machinery and equipments	Vehicles	Furniture and fixtures	Other fixed assets	Leasehold improvements	Construction in progress	Total
Opening balance at 1 January 2019	273,215	54,448	565,024	2,424,218	14,307	114,215	423,437	39,038	34,160	3,942,062
Currency translation differences	8,077	7,794	40,254	132,195	1,081	3,935	25,476	128	2,675	221,615
Additions (*)	30	-	1,386	1,542	-	633	3,972	666	54,962	63,191
Disposals	-	-	-	(2,455)	(1,530)	(188)	(11,123)	(1,163)	-	(16,459)
Transfers from construction in progress	-	72	95	7,030	790	1,081	17,580	-	(26,648)	-
Closing balance at 30 June 2019	281,322	62,314	606,759	2,562,530	14,648	119,676	459,342	38,669	65,149	4,210,409
Accumulated depreciation and impairment										
Opening balance at 1 January 2019	-	(26,203)	(15,830)	(1,634,460)	(9,293)	(73,164)	(254,540)	(26,733)	-	(2,040,223)
Currency translation differences	-	(2,704)	(883)	(58,012)	(604)	(2,162)	(13,080)	(59)	-	(77,504)
Charge for the period (**)	-	(1,509)	(10,802)	(39,245)	(591)	(3,828)	(11,506)	(1,665)	-	(69,146)
Disposals	-	-	-	1,671	1,530	150	3,523	-	-	6,874
Closing balance at 30 June 2019	-	(30,416)	(27,515)	(1,730,046)	(8,958)	(79,004)	(275,603)	(28,457)	-	(2,179,999)
Net book value as of 30 June 2019	281,322	31,898	579,244	832,484	5,690	40,672	183,739	10,212	65,149	2,030,410
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

(*) The financial expenses has not been capitalized (31 December 2018: None) (Note 8).

(**) Allocation of depreciation expense is disclosed in Note 29 and Note 31. No mortgage/pledge over lands and buildings due to bank borrowings (31 December 2018: None).

(***) As of December 31, 2018, according to valuation results dated September 30, 2018, lands and buildings are accounted by net method according to revaluation model.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

18. Property, Plant and Equipment (continued)

Cost	Land		Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Leasehold Improvements	Construction in Progress	Total
	Land	Improvements								
Opening balance at 1 January 2018	225,147	45,262	461,320	2,121,586	11,583	100,086	339,251	35,024	48,296	3,387,555
Effect of subsidiaries included in the scope of consolidation	-	-	-	1,107	-	470	82	754	-	2,413
Currency translation differences	2,100	3,980	39,966	118,000	1,552	4,681	21,432	158	5,406	197,275
Additions(*)	(18,002)	-	-	5,166	-	1,461	3,657	1,383	45,299	57,137
Disposals	-	(30)	(4,204)	(2,721)	(292)	(161)	(9,546)	-	-	(34,956)
Transfers from construction in progress	-	2,538	379	15,785	2,296	2,296	4,977	-	(25,975)	-
Closing balance at 30 June 2018	209,416	51,750	497,461	2,258,923	12,843	108,833	359,853	37,320	73,025	3,609,424
Accumulated depreciation and impairment										
Opening balance at 1 January 2018	-	(21,397)	(53,246)	(1,457,799)	(7,127)	(64,933)	(224,071)	(22,504)	-	(1,851,077)
Effect of subsidiaries included in the scope of consolidation	-	-	-	(81)	-	(325)	(48)	(411)	-	(865)
Currency translation differences	-	(1,374)	(3,820)	(60,723)	(841)	(2,340)	(12,727)	(88)	-	(81,913)
Charge for the period (**)	-	(1,252)	(6,210)	(33,046)	(447)	(3,624)	(7,863)	(1,894)	-	(54,336)
Disposals	-	30	293	1,440	292	102	4,519	-	-	6,676
Closing balance at 30 June 2018	-	(23,993)	(62,983)	(1,550,209)	(8,123)	(71,120)	(240,190)	(24,897)	-	(1,981,515)
Net book value as of 30 June 2018	209,416	27,757	434,478	708,714	4,720	37,713	119,663	12,423	73,025	1,627,909
Closing balance at 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 29 and Note 31.

No mortgage/pledge over lands and buildings due to bank borrowings (31 December 2017: None).

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

19. Right-of-use Assets

Cost	Land Improvements	Buildings	Machinery and equipments	Vehicles	Total
Opening balance at 1 January 2019	-	-	-	-	-
Adjustment on changes in accounting policies	189	117,762	21,032	3,904	142,887
Opening balance at 1 January 2019 (restated)	189	117,762	21,032	3,904	142,887
Currency translation differences	39	3,043	1,514	-	4,596
Additions	-	41,526	-	627	42,153
Revaluation	-	-	469	-	469
Closing balance at 30 June 2019	228	162,331	23,015	4,531	190,105
Accumulated depreciation and impairment					
Opening balance at 1 January 2019	-	-	-	-	-
Adjustment on changes in accounting policies	156	26,288	11,431	2,081	39,956
Opening balance at 1 January 2019 (restated)	(156)	(26,288)	(11,431)	(2,081)	(39,956)
Currency translation differences	(33)	(137)	(971)	-	(1,141)
Charge for the period	(17)	(12,377)	(3,792)	(734)	(16,920)
Closing balance at 30 June 2019	(206)	(38,802)	(16,194)	(2,815)	(58,017)
Net book value as of 30 June 2019	22	123,529	6,821	1,716	132,088

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

20. Intangible Assets

Cost	Rights	Other	Total
Opening balance at 1 January 2019	16,376	6,241	22,617
Currency translation differences	75	528	603
Additions	-	69	69
Disposals	(157)	(16)	(173)
Closing balance at 30 June 2019	16,294	6,822	23,116

Accumulated depreciation and impairment

Opening balance at 1 January 2019	(12,674)	(6,101)	(18,775)
Currency translation differences	(25)	(437)	(462)
Charge for the period	(470)	(36)	(506)
Disposals	48	-	48
Closing balance at 30 June 2019	(13,121)	(6,574)	(19,695)

Net book value as of 30 June 2019

3,173

248

3,421

Net book value as of 31 December 2018

3,702

140

3,842

Cost	Rights	Other	Total
Opening balance at 1 January 2018	15,601	4,876	20,477
Effect of subsidiaries included in the scope of consolidation	31	1	32
Currency translation differences	61	673	734
Additions	-	79	79
Disposals	-	(13)	(13)
Closing balance at 30 June 2018	15,693	5,616	21,309

Accumulated amortization

Opening balance at 1 January 2018	(11,637)	(4,095)	(15,732)
Effect of subsidiaries included in the scope of consolidation	(8)	-	(8)
Currency translation differences	(29)	(551)	(580)
Charge for the period	(421)	(512)	(933)
Closing balance at 30 June 2018	(12,095)	(5,158)	(17,253)

Net book value as of 30 June 2018

3,598

458

4,065

Closing balance at 31 December 2017

3,964

781

4,745

(*) Dönem itfa ve tükenme payları giderlerinin dağılımı Dipnot 29 ve Dipnot 31'da verilmiştir.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

21. Goodwill

None (31 December 2018: None)

22. 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.

23. Provisions, Contingent Assets and Liabilities

<u>Short term provisions</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
Provision for cost expenses	13,861	719
Accrual for lawsuit cases	7,587	9,730
Provision for sales premium	5,778	230
Provision for gift card	4,700	4,700
Provision for premium	1,152	1,061
Provision for services rendered	148	716
Other	16,316	4,002
	49,542	21,158

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

23. Provisions, Contingent Assets and Liabilities (continued)

Collaterals pledges and mortgages "CPM" given by the Company as of 30 June 2019 and 31 December 2018 are as follows:

The CPMs given by the Company	30 June 2019			TRY Equivalent of TRY and Other Currencies
	TRY Equivalents	USD	Euro	
A. CPM's given in the behalf of own company	105,260	18,833	-	105,260
B. CPM's given on behalf of the fully consolidated subsidiaries	615,577	-	-	615,577
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	720,837	18,833	-	720,837

Percentage of other CPM's given by the Company to the Company's equity is 0 % as of June 30, 2019.

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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

23. Provisions, Contingent Assets and Liabilities (continued)

The CPMs given by the Company	31 December 2018			TRY Equivalent of TRY and Other Currencies
	TRY Equivalents	USD	Euro	
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	-	-	-	-
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	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.

24. 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:

	30 June 2019	31 December 2018
Up to 1 year	10,182	9,687
1 – 5 years	-	-
More than 5 years	-	-
	10,182	9,687

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

25. Employee Benefits

Short term liabilities for employee benefits	30 June 2019	31 December 2018
Due to personnel	14,875	13,687
Social security deduction	30,156	11,567
Total	45,031	25,254

Short term provisions for employee benefits	30 June 2019	31 December 2018
Employee termination benefits	8,696	3,727
Unused vacation provision	4,716	4,893
Total	13,412	8,620

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 TRY 6,017,60 for each period of service as of 30 June 2019 (31 December 2018: TRY 5,434,42). TRY 6,379,86 which is effective from 1 July 2019, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2018: TRY 6,017,60 which is effective from 1 January 2019).

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

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 30 June 2019 and 31 December 2018 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 2018: 9.30%) and a discount rate of 15.20% (31 December 2018: 15.20%). the real discount rate is approximately 5.40% (31 December 2018: 5.40%). The anticipated rate of forfeitures that occurred as a result of voluntary turnovers is considered. As of 30 June 2019, estimated probability of not leaving work until retirement is 97.86% (30 June 2018: 98.86%).

The movement of the employment termination benefits is as follows:

	30 June 2019	30 June 2018
1 January	132,705	112,132
Currency translation differences	258	300
Service costs	12,628	12,367
Interest costs	9,474	6,222
Actuarial losses / (gains)	-	(913)
Payments made during the period	(5,751)	(5,412)
Closing balance at 30 June	149,314	124,696

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

26. Impairment of Assets

Impairment of assets	30 June 2019	31 December 2018
Provision for doubtful receivables (Note 10)	(30,445)	(34,399)
Provision for inventory impairment (Note 13)	(35,269)	(30,474)
	(65,714)	(64,873)

27. Other Assets and Liabilities

Other current assets	30 June 2019	31 December 2018
Deductible VAT	19,712	6,179
Other VAT	13,518	23,681
Income accruals	6,871	243
Work advances	-	9
VAT Transferred	-	9,127
Other	372	240
	40,473	39,479

Other current liabilities	30 June 2019	31 December 2018
Taxes and charges payable	14,226	15,443
Expense accruals	8,379	6,305
Other	7,219	12,106
	29,824	33,854

28. 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".

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

a) Capital/Treasury Shares

The Company's issued capital is divided into 224,117,049 bearer shares with a each nominal value of TRY 1 (One Turkish Lira), (31 December 2018: 224,117,049 shares),

	30 June 2019		31 December 2018	
	Amount TRY	Share %	Amount TRY	Share %
Shareholders				
Şişecam	189,646	84,62	189,646	84,62
European Bank for Reconstruction and Development	33,292	14,85	33,292	14,85
Islamic Development Bank	1,179	0,53	1,179	0,53
Nominal capital	224,117	100,00	224,117	100,00
Adjustment to share capital	70,158		70,158	
Total share capital	294,275		294,275	

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

	30 June 2019	31 December 2018
Actuarial loss fund	(10,022)	(10,022)
Currency translation differences	19,348	16,344
Revaluation gain on tangible assets	308,162	308,162
	317,488	314,484

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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

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.

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

	30 June 2019	31 December 2018
Currency translation differences	448,278	350,061
Hedging gain/(loss)	(46,390)	-
	401,888	350,061

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 TRY and accounted for under equity.

Hedging gain / (loss)

The cash flow related to the hedged transaction consists of the effective portion of the cumulative change in the net fair value of the hedging instruments

The change in the hedging fund during the period is as follows;

	30 June 2019	30 June 2018
Opening balance at 1 January 2018	-	-
Effective portion of derivative financial instrument recognized in equity	(57,987)	-
Deferred tax effect	11,597	-
	(46,390)	-

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

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.

"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	30 June 2019	31 December 2018
Legal reserves	349,676	321,746
Statutory reserves	19,909	19,908
	369,585	341,654

e) Retained Earnings

The Group's extraordinary reserves presented in the retained earnings that amount to 628.781 thousand TRY (31 December 2018: 518.902 thousand TRY) is 302.483 thousand TRY (31 December 2018: 243.517 thousand TRY).

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:

	30 June 2019	31 December 2018
Net profit/(loss) for the period	7,040	105,175
Losses of previous periods	-	(29,208)
Extraordinary reserves	420,023	361,058
Special funds	219,250	207,139
	646,313	644,164

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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

29. Revenue and Cost of Sales

Revenue	1 January-30 June 2019	1 January-30 June 2018	1 April-30 June 2019	1 April-30 June 2018
Sales	1,597,365	1,215,174	875,218	697,795
Sales discount	(118,076)	(99,164)	(66,591)	(62,179)
Sales returns	(21,988)	(15,165)	(11,230)	(7,564)
Other sales discounts	(9,248)	(5,368)	(4,534)	(2,317)
Other income	1,479	977	797	183
	1,449,532	1,096,454	793,660	625,918
Cost of sales				
Direct materials	(380,164)	(287,314)	(163,125)	(177,898)
Direct labor	(185,567)	(132,044)	(100,911)	(74,556)
Production overheads	(270,090)	(201,105)	(141,639)	(99,147)
Depreciation and amortization	(57,828)	(42,894)	(29,896)	(7,754)
Change in work-in-progress inventories	283	(365)	382	387
Change in finished goods inventories	90,110	39,202	11,733	3,717
Cost of goods sold	(803,256)	(624,520)	(423,456)	(355,251)
Cost of trade goods	(141,218)	(43,985)	(102,291)	(24,679)
Cost of services given	(87)	(48)	(52)	-
Other costs	(25,510)	(26,220)	(10,984)	(12,601)
	(970,071)	(694,773)	(536,783)	(392,531)

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

	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
General administrative expenses	(92,696)	(75,947)	(42,178)	(40,049)
Marketing expenses	(312,148)	(245,648)	(166,239)	(128,938)
Research and development expenses	(5,329)	(5,201)	(2,972)	(2,994)
	(410,173)	(326,796)	(211,389)	(171,981)

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

31. Expenses by Nature

	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Outsourced services	(143,504)	(124,503)	(75,792)	(67,200)
Miscellaneous expenses	(122,481)	(101,296)	(61,118)	(54,639)
Personnel expenses	(104,934)	(78,754)	(54,524)	(38,893)
Depreciation and amortization	(28,744)	(12,375)	(14,631)	(6,040)
Indirect material cost	(6,142)	(4,846)	(3,053)	(2,521)
Duties, taxes and levies	(4,368)	(5,022)	(2,271)	(2,688)
	(410,173)	(326,796)	(211,389)	(171,981)

32. Other Income and Expense from Operating Activities

Other operating income	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Foreign exchange gains from	58,311	67,061	15,832	45,458
Provisions no longer required	5,140	1,622	2,164	1,236
Government Incentive	2,642	-	-	-
Salvage sales income	574	766	314	555
Gain on sale of raw material and supplies	478	-	-	-
Insurance claim income	287	134	56	40
Rediscount interest income on operating activities	131	449	467	-
Inventory overages	-	-	-	18
Rent income	-	325	-	-
Other	10,316	11,275	4,603	7,043
	77,879	81,632	23,436	54,350

Other operating expenses	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Foreign exchange loss from other activities	(18,308)	(19,013)	(3,576)	(10,932)
Damage due to the fire claim	(8,426)	-	-	-
Raw material and supplies sales loss	(3,951)	(141)	(1,603)	(350)
Provisions no longer required	(2,227)	(7,237)	(1,741)	(6,881)
Broken glass expenses	(1,721)	(1,031)	(623)	(402)
Compensation expense	(1,022)	-	(586)	-
Rediscount interest expense on operating activities	(354)	(3,535)	(148)	(3,534)
Commission expenses	-	(296)	-	(249)
Other	(2,948)	(1,290)	(2,272)	(629)
	(38,957)	(32,543)	(10,549)	(22,977)

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

Other operating income / (expense), net	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Foreign exchange gains (losses) from other activities	40,002	48,048	12,255	34,526
Provisions no longer required gains / (losses)	2,913	(5,615)	423	(5,627)
Inventory overage/shortage gains / (losses)	2,642	-	0	-
Salvage sales income	574	766	314	555
Insurance claim gains / (losses)	287	134	56	40
Commission expense /income	-	(296)	-	(249)
Rent income	-	325	-	-
Rediscount interest income/(expense) on operating activities	(223)	(3,086)	319	(3,534)
Compensation expense	(543)	-	(586)	-
Broken glass expenses	(1,721)	(1,031)	(623)	(402)
Raw material and supplies sales loss	(3,951)	(141)	(1,603)	(350)
Emission quota expense	(8,426)	-	-	-
Other income/(expense)	7,368	9,985	2,332	6,414
	38,922	49,089	12,887	31,373

33. Income and Expense from Investing Activities

Income from Investing Activities	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Gain on sale of marketable securities	5,016	-	5,016	-
Gain on sale of tangible assets	2,076	10,394	495	7,764
Increase in revaluation of property, plant and equipment	439	-	25	-
	7,531	10,394	5,536	7,764

Expenses from Investing Activities	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Loss on sale of tangible assets	(2,444)	(3,048)	(807)	(880)
	(2,444)	(3,048)	(807)	(880)

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

34. Financial Income and Expenses

Financial Income	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Foreign exchange income	35,949	1,581	25,656	474
- <i>Cash and cash equivalent</i>	35,949	1,276	25,656	474
- <i>Bank loans</i>	-	305	-	-
Interest income	16,582	968	9,065	768
- <i>Derivative instruments</i>	5,250	-	-	-
- <i>Time deposits</i>	3,397	364	2,596	251
- <i>Intercompany interest income</i>	7,935	604	6,469	517
Other	12,907	8,800	5,043	6,438
	65,438	11,349	39,764	7,680

Financial Expense	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Foreign exchange expense	(74,552)	(25,655)	(34,781)	(15,895)
- <i>Bonds</i>	(46,040)	-	(17,738)	-
- <i>Cash and cash Equivalent</i>	(4,664)	(1,392)	(3,872)	(433)
- <i>Bank loans</i>	(10,614)	(24,263)	(4,655)	(15,462)
- <i>Derivative Instruments</i>	(13,234)	-	(8,516)	-
Interest expense	(119,728)	(55,883)	(71,389)	(28,894)
- <i>Interest accrual</i>	(50,121)	(28,788)	(23,405)	(14,557)
- <i>Intercompany interest expense</i>	(22,607)	(27,095)	(5,658)	(14,337)
- <i>Derivative instruments</i>	(19,861)	-	(15,187)	-
- <i>Accruals of bond interest</i>	(16,858)	-	(16,858)	-
- <i>Operational rent interest</i>	(10,281)	-	(10,281)	-
Other	(8,826)	(3,577)	(7,136)	(2,916)
	(203,106)	(85,115)	(113,306)	(47,705)

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

34. Financial Income and Expenses (continued)

Financial Income / Expense (Net)	1 January-30 June 2019	1 January-30 June 2018	1 April - 30 June 2019	1 April - 30 June 2018
Foreign exchange income / (expense)	(38,604)	(24,074)	(9,125)	(15,421)
- Bonds issued	(46,040)	-	(17,738)	-
- Cash and cash equivalents	31,285	(116)	21,784	41
- Borrowings	(10,614)	(23,958)	(4,655)	(15,462)
- Derivative instruments	(13,235)	-	(8,516)	-
Interest income / (expense)	(103,146)	(54,915)	(62,324)	(28,126)
- Interest accrual	(50,121)	(28,788)	(23,405)	(14,557)
- Bank deposit and borrowings	3,397	364	2,596	251
- Intercompany interest expense	(14,672)	(26,491)	811	(13,820)
- Derivative instruments	(14,611)	-	(15,187)	-
- Accruals of bond interest	(16,858)	-	(16,858)	-
- Operational rent interest	(10,281)	-	(10,281)	-
Other	4,082	5,223	(2,093)	3,522
	(137,668)	(73,766)	(73,542)	(40,025)

35. Assets Held for Sale

None (31 December 2018: None).

36. Taxes on Income

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.

	30 June 2019	31 December 2018
Deferred tax assets	118,731	87,833
Deferred tax liabilities (-)	(18,317)	(18,435)
Deferred tax assets (net)	100,414	69,398

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

36. Taxes on Income (continued)

Deferred tax assets and liabilities (continued)

Temporary Differences	30 June 2019	31 December 2018
Useful life and valuation differences on tangible and intangible assets	(414,371)	(410,481)
Corporate tax allowance	319,135	303,005
Carry forward tax losses	282,754	224,313
Provision for the cut-off on sales	5,346	656
Rediscount of trade receivable and payables and doubtful receivables	7,550	7,197
Employment termination benefits	149,314	132,705
Temporary difference on inventories	56,778	70,695
Other	34,845	52,503
	441,351	380,593

Deferred tax assets and liabilities	30 June 2019	31 December 2018
Useful life and valuation differences on tangible and intangible assets	(100.664)	(93.897)
Corporate tax allowance	70.210	66.661
Carry forward tax losses	55.730	46.030
Provision for the cut-off on sales	1.176	144
Rediscount of trade receivable and payables and doubtful receivables	1.661	1.583
Türev araç değerlemesi	11.598	-
Employment termination benefits	29.566	25.643
Temporary difference on inventories	11.737	14.569
Other	19.400	8.665
	100.414	69.398

The maturity of carry forward tax losses are as follows:

	30 June 2019	31 December 2018
Within 1 year	1,590	-
Within 2 years	13,700	2,345
Within 3 years	-	15,611
Within 4 years	37,955	-
Within 5 years	25,407	27,601
Within 10 years	2,316	6,847
Indefinite years	201,786	171,909
	282,754	224,313

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

36. Taxes on Income (continued)

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

	30 June 2019	30 June 2018
Beginning of the period - 1 January	69,398	76,610
Adjustments in accounting policies	2,000	-
Charged to the statement of income	11,008	2,613
Charged to other comprehensive statement of income	11,598	180
Currency translation differences	6,410	4,264
	100,414	83,667

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 30 June 2019 (31 December 2018: 22%).

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

Country	30 June 2019	31 December 2018
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

(*) There is a progressive tax rate.

(**) The general tax rate in Russia is 20%, 18% of which is allocated to the "Regional Budget" and 2% to the "General Budget". Since its subsidiaries in Russia's Tatarstan region have been located in Special Economic Zone, so, as a tax, they pay 2% of the profits from their main operations and pay 20% of the profits from the non-core operating income.

(***) 15% of tax rate for the profit up to CNY 300.000 and 25% of tax rate for the exceeding portion are applied in China as a tax.

(****) 20% of tax rate for the profit up to EUR 200.000 and 25% of tax rate for the exceeding portion are applied in Netherlands..

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

36. Taxes on Income (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.

	30 June 2019	30 June 2018
Current tax provision	3,477	17,091
Currency translation differences	498	4,252
Prepaid taxes and funds (-)	(3,634)	(19,925)
Tax provision in the statement of the financial position	341	1,418

	1 January-30 June 2019	1 January-30 June 2018
Provision for corporate tax for current period	(3,477)	(7,703)
Deferred tax income	11,008	2,613
Tax provision in the statement of the financial position	7,531	(5,090)

Reconciliation of provision for tax

Profit before taxation and non-controlling interest	(24,372)	57,554
Effective tax rate	22%	22%
Calculated tax	5,632	(12,662)

Tax reconciliation

	30 June-2019	31 December-2018
- Non-deductible expenses	(7,637)	(6,770)
- Dividends and other non-taxable income	1,815	6,727
- Carry forward tax losses	6,708	2,766
- Corporate tax allowances	3,785	3,866
- Currency translation differences	(5,972)	(3,686)
- The effect of the foreign companies that have different tax rates	(228)	2,580
- Other	3,698	2,089
Tax provision in the statement of income	7,531	(5,090)

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

37. Earnings per Share

	1 January-30 June 2019	1 January-30 June 2018
Earnings per share		
Average number of shares existing during the period (total value)	224,117	217,582
Net profit for the period attributable to equity holders of the parent	(14,493)	52,821
Earnings per share	0.0647	0.2357
Total comprehensive income attributable to equity holders of the parent	40,338	147,037
Earnings per share obtained from total comprehensive income	0.1800	0.6561

38. 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 30 June 2019, 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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

38. Related Party Disclosures (continued)

Ultimate parent company's subsidiaries, joint ventures and associates

<u>Company's name</u>	<u>Registered Company</u>
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

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

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

38. 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	30 June 2019	31 December 2018
T. İş Bankası A.Ş.		
- Time deposits	272,105	-
- Demand deposits	37,830	39,507
	309,935	39,507
İşbank AG		
- Demand deposits	64	151
	64	151

Due from related parties:

Financial liabilities due to related parties	30 June 2019	31 December 2018
T. Şişe ve Cam Fabr. A.Ş. per financial borrowing	810,451	-
	810,451	-

Trade receivables due from related parties	30 June 2019	31 December 2018
SC Glass Trading B.V.	897	825
Türkiye Şişe ve Cam Fabrikaları A.Ş.	491	1,701
Şişecam Çevre Sistemleri A.Ş.	140	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	36	-
Anadolu Cam Sanayii A.Ş.	-	690
Other	425	2,106
	1,989	5,322

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

38. Related Party Disclosures (continued)

Parent company's subsidiaries (continued)

Other receivables due from related parties	30 June 2019	31 December 2018
Şişecam Dış Ticaret A.Ş.	30,130	29,260
Türkiye Şişe ve Cam Fabrikaları A.Ş.	14,566	-
Anadolu Cam Sanayii A.Ş.	-	64
Other	-	58
	44,696	29,382

Due to related parties:

Trade payables due to related parties	30 June 2019	31 December 2018
Trakya Glass Bulgaria EAD (1)	17,173	23,244
Camiş Ambalaj Sanayii A.Ş. (2)	16,892	19,903
Türkiye Şişe ve Cam Fabrikaları A.Ş. (3)	8,243	8,557
Şişecam Bulgaria EOOD (4)	5,909	6,161
Camiş Elektrik Üretim A.Ş. (5)	4,217	3,980
Şişecam Enerji A.Ş. (6)	2,277	2,431
Anadolu Cam Sanayii A.Ş. (7)	1,199	-
Camiş Madencilik A.Ş. (8)	981	1,140
Other	1,552	2,220
	58,443	67,636

- (1) It consists of purchases of raw material trade payables from Trakya Glass Bulgaria EAD
- (2) It consists of purchases of packaging material trade payables from Camiş Ambalaj Sanayii A.Ş.
- (3) It consists of purchases of consultancy service trade payable from Türkiye Şişe ve Cam Fabrikaları A.Ş.
- (4) It consist of purchase of electric trade payables from Camiş Elektrik Üretim A.Ş.
- (5) It consists of purchases of raw material trade payables from Camiş Elektrik Üretim A.Ş.
- (6) It consists of purchases of energy trade payables from Şişecam Enerji A.Ş.
- (7) It consists of purchases of raw material trade payables from Anadolu Cam Sanayii A.Ş.
- (8) It consists of purchases of raw material trade payables from Camiş Madencilik A.Ş.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

38. Related Party Disclosures (continued)

Other payables due to related parties (*)	30 June 2019	31 December 2018
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	353,664
Other	12	44
	12	353,708

(*) 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 30 June 2019, this interest rate has been applied as 2,08% (December 2018: 2.09%).

Interest income from related parties	1 January-30 June 2019	1 January-30 June 2018
Türkiye Şişe ve Cam Fabrikaları A.Ş.	4,766	-
Şişecam Dış Ticaret A.Ş.	3,167	571
Anadolu Cam Sanayii A.Ş.	1	31
Other	1	2
	7,935	604

Interest expenses to related parties	1 January-30 June 2019	1 January-30 June 2018
Türkiye Şişe ve Cam Fabrikaları A.Ş.	(20,359)	(26,799)
Anadolu Cam Sanayii A.Ş.	(35)	-
Camiş Elektrik Üretim A.Ş.	(1)	(13)
Camiş Ambalaj Sanayii A.Ş.	-	(125)
Camiş Madencilik A.Ş.	-	(13)
Other	(2,212)	(145)
	(22,607)	(27,095)

(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.

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

38. Related Party Disclosures (continued)

Purchases from related parties	1 January-30 June 2019	1 January-30 June 2018
Trakya Glass Bulgaria EAD (2)	(60,291)	(35,492)
Camiş Ambalaj Sanayii A.Ş. (1)	(46,945)	(33,686)
Şişecam Bulgaria EOOD (6)	(24,755)	(20,553)
Camiş Elektrik Üretim A.Ş. (4)	(19,981)	(13,983)
Camiş Madencilik A.Ş. (5)	(14,552)	(10,454)
Soda Sanayii A.Ş.(3)	(9,435)	(3,008)
Şişecam Enerji A.Ş.	-	(4,522)
Anadolu Cam Sanayii A.Ş.	-	(4,203)
Diğer (6)	(8,846)	(865)
	(184,805)	(126,766)

- (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.
(6) It consists of purchases of raw material from Şişecam Bulgaria EOOD.

Net sales to related parties	1 January-30 June 2019	1 January-30 June 2018
Şişecam Automotive Bulgaria EAD	75	-
Anadolu Cam Sanayii A.Ş.	-	4
Trakya Glass Bulgaria EAD	-	64
Trakya Cam Sanayii A.Ş.	-	18
Şişecam Çevre Sistemleri A.Ş.	-	-
Türkiye Şişe ve Cam Fabrikaları A.Ş.	-	5
Other	3	730
	78	821

Other income from related parties	1 January-30 June 2019	1 January-30 June 2018
Türkiye Şişe ve Cam Fabrikaları A.Ş.	3,667	5
OOO Ruscam	111	-
Camiş Ambalaj Sanayii A.Ş.	46	-
Şişecam Otomotiv A.Ş.	52	-
Diğer	18	154
	3,894	159

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

38. Related Party Disclosures (continued)

Other expense from related parties	1 January-30 June 2019	1 January-30 June 2018
Türkiye Şişe ve Cam Fabrikaları A.Ş.	(28,768)	(18,215)
Şişecam Dış Ticaret A.Ş.	(2,066)	-
Anadolu Cam Sanayii A.Ş.	(1,397)	(1,462)
Trakya Cam Sanayii A.Ş.	(402)	(578)
Çayırova Cam Sanayii A.Ş.	(55)	(198)
OOO Ruscam Glass Packaging Holding	(41)	(31)
Camiş Ambalaj Sanayii A.Ş.	-	(8)
Diğer	-	(22)
	(32,729)	(20,514)

Benefits provided to key management	1 January-30 June 2019	1 January-30 June 2018
Parent company	1,619	1,877
Consolidated entities	2,334	2,647
	3,953	4,524

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 - 30 June 2019 and 1 January - 30 June 2018.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. 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 28.

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 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.

As of 30 June 2019 and 31 December 2018 the Group's net debt / total equity ratios are as follows:

	30 June 2019	31 December 2018
Financial liabilities and trade payables	2,158,630	969,170
Less: Cash and cash equivalents	(358,385)	(88,106)
Net debt	1,800,245	881,064
Total equity	2,172,164	2,141,416
Net debt / total equity ratio	82.9%	41.1%

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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management

Credit risks exposed through types of financial instruments	Receivables				Cash and Cash Equivalents	Financial Derivatives
	Trade receivables		Other receivables			
	Related parties	Third parties	Related parties	Third parties		
Maximum credit risk exposed as of balance sheet date 30 June 2019 (*) (A+B+C+D+E)	1,989	750,521	44,696	5,181	358,114	-
- The part of maximum risk under guarantee with collaterals, etc.	-	(298,582)	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	1,989	572,108	44,696	5,181	359,374	-
- The part under guarantee with collaterals, etc.	-	(273,328)	-	-	-	-
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	-	178,413	-	-	-	-
- The part under guarantee with collaterals, etc.	-	(25,254)	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	(1,260)	-
- Past due (gross carrying amount)	-	30,445	-	-	-	-
- Impairment (-)	-	(30,445)	-	-	(1,260)	-
- 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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

	Receivables					
	Trade receivables		Other receivables		Cash and cash equivalents	Financial derivatives
	Related parties	Third parties	Related parties	Third parties		
Credit risks exposed through types of financial instruments						
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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. 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:

	30 June 2019	31 December 2018
Letters of guarantee	65,559	46,687
Direct debit system	108,035	87,148
Mortgages	24,315	29,133
Other	100,673	109,813
	298,582	272,781

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

	30 June 2019	31 December 2018
1-30 days overdue	56,104	46,328
1-3 months overdue	54,426	25,497
3-12 months overdue	15,577	6,943
1-5 years overdue	52,306	29,263
Total overdue receivables	178,413	108,031
The part secured with guarantee, etc, (-)	25,254	29,099

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.

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. Financial Instruments and Financial Risk Management (continued)

b.2) Liquidity Risk Management(continued)

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.

30 June 2019						
Non derivative financial liabilities	Carrying value	Total Cash Outflows in accordance with contracts	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
		(I+II+III+IV)				
Bank loans	942,729	970,796	279,584	389,498	131,590	170,124
Trade payables	202,822	204,506	162,871	31,092	2,501	8,042
Operating lease obligations	143,915	236,925	12,528	-	31,750	192,647
Bonds issued	810,721	1,197,695	27,999	-	27,999	1,141,697
Due to related parties	58,455	73,021	12,931	25,344	9,724	25,022
Other payables	316	317	237	-	80	-
Total liabilities	2,158,958	2,683,260	496,150	445,934	203,644	1,537,532

31 December 2018						
Non derivative financial liabilities	Carrying value	Total Cash Outflows in accordance with contracts	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
		(I+II+III+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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

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:

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. 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 30 June 2019			
		TRY Equivalent	USD	EUR	TRY Equivalent of Other Currencies
1.	Trade receivables	333,066	26,987	20,602	42,796
2a.	Monetary financial assets (cash and bank accounts included)	231,659	37,028	1,258	10,318
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	16,440	1,239	1,174	1,619
4.	Current Assets (1+2+3)	581,165	65,254	23,034	54,733
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)	581,165	65,254	23,034	54,733
10.	Trade payables	76,899	6,185	3,968	15,311
11.	Financial liabilities	75,303	5,744	6,449	-
12a.	Other monetary liabilities	-	-	-	-
12b.	Other non-monetary liabilities	4,645	444	319	-
13.	Current Liabilities (10+11+12)	156,847	12,373	10,736	15,311
14.	Trade payables	-	-	-	-
15.	Financial liabilities	794,566	138,063	-	-
16a.	Other monetary liabilities	-	-	-	-
16b.	Other non-monetary liabilities	-	-	-	-
17.	Non-Current Liabilities (14+15+16)	794,566	138,063	-	-
18.	Total Liabilities (13+17)	951,413	150,436	10,736	15,311
19.	Net assets of off balance sheet derivative items / (liability) position (19a-19b)	582,385	142,284	(36,099)	-
19a.	Total amount of assets hedged	818,861	142,284	-	-
19b.	Total amount of liabilities hedged	236,476	-	36,099	-
20.	Net foreign currency asset / (liability) position (9–18+19)	212,137	57,102	(23,801)	39,422
21.	Net foreign currency asset / (liability)/(position of monetary items (=1+2a+5+6a–10-11-12a-14-15-16a)	(382,043)	(85,977)	11,443	37,803
22.	Fair value of derivative instruments used in foreign currency hedge	68,667	11,932	-	-
23.	Export	837,626	41,790	79,912	73,641
24.	Import	346,035	11,483	26,002	109,618

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. 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			
		TRY Equivalent	USD	EUR	TRY 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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. 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

	30 June 2019			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	(49,481)	49,481	95	(95)
2- USD hedged from risks (-)	81,886	(81,886)	-	-
3- USD net effect (1+2)	32,405	(32,405)	95	(95)
Change of EUR against TRY by 10%				
4- EUR net assets / liabilities	7,496	(7,496)	187,680	(187,680)
5- EUR hedged from risks (-)	(23,648)	23,648	-	-
6- EUR net effect (4+5)	(16,152)	16,152	187,680	(187,680)
Change of other currencies against TRY by 10%				
7- Other currencies net assets / liabilities	8,214	(8,214)	29,417	(29,417)
8- Other currencies hedged from risks (-)	-	-	-	-
9- Other currencies net effect (7+8)	8,214	(8,214)	29,417	(29,417)
Total (3+6+9)	24,467	(24,467)	217,192	(217,192)

(*) It represents change in total equity balance arises from 10% deviation on exchange rate arising from the translation of financial statements of foreign subsidiaries, joint ventures and associates to reporting currency of TRY .

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. 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)

	31 December 2018			
	Profit / (Loss)		Equity	
	Foreign currency appreciation	Foreign currency devaluation	Foreign currency appreciation	Foreign currency devaluation
Change of USD against TRY by 10%				
1- USD net assets / liabilities	4,201	(4,201)	56	(56)
2- USD hedged from risks (-)	-	-	-	-
3- USD net effect (1+2)	4,201	(4,201)	56	(56)
Change of EUR against TRY 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 TRY 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)

(*) It represents change in total equity balance arises from 10% deviation on exchange rate arising from the translation of financial statements of foreign subsidiaries, joint ventures and associates to reporting currency of TRY .

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 30 June 2019 if the TRY 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 3.877 thousand TRY (31 December 2018: 1.678 thousand TRY).

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

39. Financial Instruments and Financial Risk Management (continued)

b) Financial Risk Factors (continued)

b.3) Market 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:

	30 June 2019			
	Floating Interest	Fixed Interest	Non-interest Bearing	Total
Financial Assets	-	1,075,579	85,577	1,161,156
Cash and cash equivalents	-	272,808	85,577	358,385
Financial investments	-	-	-	-
Trade receivables	-	750,521	-	750,521
Due from related parties	-	46,685	-	46,685
Other receivables	-	5,565	-	5,565
Financial liabilities	345,153	770,391	88,778	1,204,322
Bank borrowings	345,966	508,005	88,758	942,729
Trade payables	-	202,822	-	202,822
Due to related parties	-	58,455	-	58,455
Other payables	-	296	20	316

	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

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

Categories of Financial Instruments

30 June 2019	Assets and liabilities at amortized cost	Loans and receivables	Available for sale financial assets	Financial Assets or liabilities fair value through profit or loss	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	358,385	-	-	-	358,385	6
Trade receivables	-	750,521	-	-	750,521	10
Due from related parties	-	46,685	-	-	46,685	38
Financial investments	-	-	-	-	-	7
<u>Financial liabilities</u>						
Financial liabilities	942,729	-	-	-	942,729	8
Derivative instruments	85,834	-	-	-	85,834	12
Trade payables	202,822	-	-	-	202,822	10
Due to related parties	58,455	-	-	-	58,455	38

PAŞABAHÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

Categories of Financial Instruments (continued)

31 December 2018	Assets and liabilities at amortized cost	Loans and receivables	Available for sale financial assets	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	-	35,704	-	-	34,704	38
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	38

Fair Value of Financial Instruments

30 June 2019				
Financial assets	Total	Category 1	Category 2	Category 3
Financial assets available for sale	-	-	-	-
Total	-	-	-	-

30 June 2019				
Financial liabilities	Total	Category 1	Category 2	Category 3
Derivative instruments	85,834	-	85,834	-
Total	85,834	-	85,834	-

PAŞABAĞÇE CAM SANAYİİ ve TİCARET A.Ş.

Notes to the Consolidated Financial Statements at 1 January - 30 June 2019

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

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

Categories of Financial Instruments (continued)

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

31 December 2018				
Financial liabilities	Total	Category 1	Category 2	Category 3
Derivative instruments	-	-	-	-
Total	-	-	-	-

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.

41. Events after the Balance Sheet Date

None.

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

None.