EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE INTERIM PERIOD 1 JANUARY - 3o JUNE 2019 TOGETHER WITH AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2019

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

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
ASSETS			
Current assets:			
Cash and cash equivalents	5	604,744	619,899
Financial investments			
- Financial assets at fair value through profit or loss	6	1,233	1,146
Trade receivables			
- Trade receivables from related parties	8	1,094	468
- Trade receivables from third parties	9	220,064	185,667
Other receivables			
- Other receivables from related parties	8	100	370
- Other receivables from third parties		176	120
Inventories	10	79,437	87,536
Prepaid expenses		3,443	2,522
Current income tax assets	24	112	13,810
Other current assets		1,909	845
Total current assets		**912,312**	**912,383**
Non-current assets:			
Other receivables			
- Other receivables from related parties	8	-	331
- Other receivables from third parties		12	12
Financial investments			
- Financial assets at fair value through profit or loss	6	3,648	3,392
- Financial assets at fair value through other comprehensive income	6	3,019,650	3,019,743
Investments accounted for using equity method	3	68,939	123,873
Investment properties	12	353,920	357,183
Tangible assets	13	5,851	6,048
Right of use assets	2.2.1	20,106	-
Intangible assets	14	14,428	14,396
Prepaid expenses		1,586	1,136
Deferred tax assets	24	15,469	5,777
Other non-current assets		10,325	12,198
Total non-current assets		**3,513,934**	**3,544,089**
TOTAL ASSETS		**4,426,246**	**4,456,472**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
LIABILITIES			
Current liabilities:			
Short term borrowings			
- Short term lease due to related parties	7, 8	2,442	-
- Short term lease due to third parties	7	7,957	32
- Short term borrowings due to third parties	7	74,605	35,870
Trade payables			
- Trade payables due to related parties	8	7,140	7,065
- Trade payables due to third parties	9	194,758	186,616
Employee benefit obligations	16	2,452	1,060
Other payables			
- Other payables due to third parties		6,583	6,123
Derivative financial instruments	11	18,611	-
Deferred income		142	450
Current period tax liabilities	24	7,688	-
Short term provisions			
- Short term provisions for employee benefits	16	4,286	2,956
- Other short term provisions	15	1,438	1,453
Other current liabilities		288	112
Total current liabilities		**328,390**	**241,737**
Non-current liabilities:			
Long term borrowings			
- Long term lease due to related parties	7, 8	4,645	-
- Long term lease due to third parties	7	7,322	-
- Long term borrowings due to third parties	7	23,000	48,076
Deferred income	8	19,498	19,498
Long term provisions			
- Long term provisions for employee benefits	16	4,089	4,079
Deferred tax liabilities	24	144,399	145,238
Total non-current liabilities		**202,953**	**216,891**
TOTAL LIABILITIES		**531,343**	**458,628**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 30 JUNE 2019

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

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
EQUITY			
Attributable to equity holders of the Parent:		**3,894,871**	**3,997,807**
Paid-in share capital	17	685,260	685,260
Adjustments to share capital	17	105,777	105,777
Items not to be reclassified to profit or loss			
- Defined benefit plans re-measurement gains/losses		(4,058)	(4,058)
- Gains/losses on financial assets measured at fair value through other comprehensive income (*)		2,746,286	2,746,184
Items to be reclassified to profit or loss			
- Foreign currency conversion adjustments		10,010	10,010
Restricted reserves	17	231,153	199,697
Retained earnings		19,103	14,818
Net income for the period		101,340	240,119
Non-controlling interests		**32**	**37**
TOTAL EQUITY		**3,894,903**	**3,997,844**
TOTAL LIABILITIES AND EQUITY		**4,426,246**	**4,456,472**

(*) "Gains/losses on financial assets measured at fair value through other comprehensive income" is presented under "Other revaluating on remeasurement gains" in PDP (KAP) templates.

The consolidated financial statements for the period 1 January - 30 June 2019 were approved by the Board of Directors on 7 August 2019.

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE INTERIM PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January - 30 June 2019	Unaudited 1 April - 30 June 2019	Reviewed 1 January - 30 June 2018	Unaudited 1 April - 30 June 2018
Revenue	18	401,743	193,471	359,815	166,727
Cost of sales (-)	18	(263,999)	(131,746)	(224,403)	(106,137)
GROSS PROFIT		**137,744**	**61,725**	**135,412**	**60,590**
General administrative expenses (-)	19	(30,874)	(17,762)	(33,748)	(19,127)
Marketing expenses (-)	19	(59,796)	(30,942)	(64,061)	(31,321)
Other operating income	21	103,654	53,413	113,264	72,001
Other operating expenses (-)	21	(34,151)	(20,821)	(38,766)	(28,752)
OPERATING PROFIT		**116,577**	**45,613**	**112,101**	**53,391**
Income from investing activities	22	113,024	79,572	72,153	72,153
Expenses from investing activities (-)		(6)	(6)	(1)	115
Share of (loss)/income of investments accounted for using equity method	3	(73,704)	1,578	15,957	10,338
OPERATING INCOME BEFORE FİNANCE EXPENSE		**155,891**	**126,757**	**200,210**	**135,997**
Financial income	23	2,984	2,374	4,828	5,628
Financial expenses (-)	23	(44,632)	(17,952)	(4,653)	(3,349)
PROFIT BEORE TAX		**114,243**	**111,179**	**200,385**	**138,276**
Tax expense from continuing operations					
Income tax expense (-)	24	(23,439)	(8,952)	(24,832)	(15,027)
Deferred tax income / (expenses)	24	10,531	7,660	(1,880)	(1,154)
PROFIT FROM CONTINUING OPERATIONS		**101,335**	**109,887**	**173,673**	**122,095**
NET PROFIT FOR THE PERIOD		**101,335**	**109,887**	**173,673**	**122,095**
Attributable to					
- Non-controlling interests		(5)	(3)	(2)	(10)
- Equity holders of the parent		101,340	109,890	173,675	122,105
NET PROFIT FOR THE PERIOD		**101,335**	**109,887**	**173,673**	**122,095**
Weighted average number of ordinary shares with face value of Kr 1 each		68,526,000,000	68,526,000,000	68,526,000,000	68,526,000,000
Earnings per share (TL)					
Earnings per share from continuous operations	25	0,1479	0,1604	0,2534	0,1782

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE INTERIM PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January - 30 June 2019	Unaudited 1 April - 30 June 2019	Reviewed 1 January - 30 June 2018	Unaudited 1 April - 30 June 2018
Profit for the period		**101,335**	**109,887**	**173,673**	**122,095**
Items that not to be reclassified to profit or loss		**102**	**43**	**57**	**10**
- Gains/losses on financial assets measured at fair value through other comprehensive income		-	-	(2)	(2)
- Group's share in equity method accounted investments' comprehensive income	3	13	1	59	12
- Gains/losses on financial assets measured at fair value through other comprehensive income (*)		89	42	-	-
Other comprehensive income (after tax)		**102**	**43**	**57**	**10**
TOTAL COMPREHENSIVE INCOME		**101,437**	**109,930**	**173,730**	**122,105**
Total comprehensive income attributable to					
- Non-controlling interest		(5)	(3)	(2)	(10)
- Equity holders of the parent		101,442	109,933	173,732	122,115
TOTAL COMPREHENSIVE INCOME		**101,437**	**109,930**	**173,730**	**122,105**

(*) "Gains/losses on financial assets measured at fair value through other comprehensive income" is presented under "Other revaluating on remeasurement gains" in PDP (KAP) templates

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR INTERIM PERIOD ENDED 30 JUNE 2019

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

			Items that will be reclassified subsequently to profit or loss		Items that will not be reclassified subsequently to profit or loss			Retained earnings				
	Paid in Share capital	Adjustments to share capital	Gains on financial assets measured at fair value through other comprehensive income	Foreign currency translation differences	Defined benefit plans re-measurement gains/(losses)	Gains on financial assets measured at fair value through other comprehensive income	Restricted reserves	Retained earnings	Net profit for the period	Attributable to equity holders of company	Non controlling interest	Total Equity
As previously reported at 1 January 2018	**685,260**	**105,777**	**2,332,744**	**10,010**	**(3,874)**	**-**	**168,095**	**36,481**	**146,095**	**3,480,588**	**67**	**3,480,655**
TFRS 9 policy change transition effect	-	-	(2,332,744)	-	-	2,332,744	-	-	-	-	-	-
As of 1 January 2018 revised	**685,260**	**105,777**	**-**	**10,010**	**(3,874)**	**2,332,744**	**168,095**	**36,481**	**146,095**	**3,480,588**	**67**	**3,480,655**
Transfers	-	-	-	-	-	-	30,602	115,493	(146,095)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(137,052)	-	(137,052)	-	(137,052)
Acquisitions/disposal effect of subsidiary	-	-	-	-	-	-	-	(104)	-	(104)	-	(104)
Total comprehensive income/(expense)	-	-	-	-	-	57	-	-	173,675	173,732	(2)	173,730
Other (*)	-	-	-	-	-	-	1,000	-	-	1,000	-	1,000
30 June 2018 (revised)	**685,260**	**105,777**	**-**	**10,010**	**(3,874)**	**2,332,801**	**199,697**	**14,818**	**173,675**	**3,518,164**	**65**	**3,518,229**
As of 1 January 2019	**685,260**	**105,777**	**-**	**10,010**	**(4,058)**	**2,746,184**	**199,697**	**14,818**	**240,119**	**3,997,807**	**37**	**3,997,844**
Transfers	-	-	-	-	-	-	30,256	209,863	(240,119)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(205,578)	-	(205,578)	-	(205,578)
Total comprehensive income / (expense)	-	-	-	-	-	102	-	-	101,340	101,442	(5)	101,437
Other (*)	-	-	-	-	-	-	1,200	-	-	1,200	-	1,200
30 June 2019	**685,260**	**105,777**	**-**	**10,010**	**(4,058)**	**2,746,286**	**231,153**	**19,103**	**101,340**	**3,894,871**	**32**	**3,894,903**

(*) In fiscal year 2019 the Group has taken the advantage of corporate tax deduction in the amount of TL 1,200 (31 December 2018: TL 1,000).

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
A. Cash flows from operating activities		**86,548**	**129,148**
Profit for the period		**101,335**	**173,673**
Adjustments for reconciliation of profit/loss for the period			
Adjustments for depreciation and amortisation	2.2.1, 12, 13, 14	10,743	5,177
Adjustments for employment termination benefits	16	2,410	3,714
Adjustments for litigations	15	(15)	62
Adjustments for impairments	3	75,000	-
Adjustments for doubtful receivables	9	(7)	1,105
Provision for diminution in value of inventories, net	10	(89)	522
Adjustments for loss/(gain) on sale of financial fixed assets	22	(33,126)	-
Loss/(gain) on sale of property, plant and equipment, net		(46)	(28)
Group's share in the (profit)/loss of investments accounted for using equity method	3	(1,298)	(15,957)
Adjustments for interest incomes	21	(31,730)	(20,999)
Adjustments for interest expenses	23	13,834	6,352
Adjustments for income tax expense	24	12,909	26,712
Adjustments related to fair value gains of financial assets		(342)	(556)
Adjusments related to dividends	22	(79,511)	(71,569)
Adjustments for fair value losses (gains) of derivative financial instruments		29,718	(4,828)
Adjustments for unrecognized foreign exchange differences		181	16,220
Other adjustments related to non-cash items		(1,064)	624
Adjustments related to discontinued operations, net		-	(19)
		98,902	**120,205**
Changes in working capital			
Adjustments for (increase)/decrease in trade receivables		(38,923)	(25,909)
Adjustments for (increase)/decrease in inventories		8,188	2,651
Adjustments for increase/(decrease) in trade payables		9,608	20,735
Adjustments for (increase)/decrease in other receivables related to operations		1,354	(8,964)
(Increase)/decrease in prepaid expenses		(1,371)	(3,049)
Increase/(decrease) in other payables related to operations		2,029	1,579
(Increase)/decrease in deferred income		(308)	19,475
		(19,423)	**6,518**
Cash flows from operating activities			
Interest received		28,636	22,384
Taxes paid		(15,863)	(19,267)
Employment termination benefits paid	16	(1,070)	(484)
Interest paid		(4,598)	-
Other cash inflow/(outflow)		-	(208)
		7,105	**2,425**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
B. Cash flows from investing activities		**92,074**	**51,697**
Cash outflows from the purchase of tangible and intangible assets	13, 14	(2,132)	(7,167)
Cash inflows from the sale of tangible and intangible assets		56	39
Cash inflow from the sale of financial assets	12	1,698	4,144
Cash inflows from sale of investment property	12	(1,428)	(1,293)
Cash outflows from investment property purchases		(75,000)	(18,500)
Dividends received	3, 22	82,992	74,351
Cash inflows from sale of financial fixed assets	3	85,888	-
Other cash inflows		-	123
C. Cash flows from financing activities		**(193,001)**	**(77,288)**
Cash inflows from bank borrowings		43,848	61,947
Cash outflows from bank borrowings		(13,272)	-
Cash inflows from derivative financial instruments		-	4,347
Cash outflows from derivative financial instruments		(11,107)	-
Dividends paid		(205,578)	(137,052)
Interest paid		(6,892)	(6,530)
Net increase in cash and cash equivalents (A+B+C)		**(14,343)**	**103,557**
D. Cash and cash equivalents at the beginninf of the period	**5**	**618,571**	**505,251**
Cash and cash equivalents at the end of the period (A+B+C+D)	**5**	**604,228**	**608,808**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (the "Company") was established on 24 October 1951. The Company has no production activity; but has a holding structure with its subsidiaries, joint ventures and associates. The Company directly operates in the real estate development industry and in health industries through its joint ventures, subsidiaries and associates.

The Company's registered address is as follows:

Büyükdere Caddesi, Ali Kaya Sokak No: 5 Levent 34394, İstanbul.

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Borsa İstanbul A.Ş. ("BIST") (formerly named as İstanbul Menkul Kıymetler Borsası ("İMKB")) since 1990. As of 30 June 2019, 19.64% (31 December 2018: 19.70%) of total shares are quoted on the BIST. The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2018: 50.62%) shares of the Company (Note 17). The ultimate parent of Eczacıbaşı Holding A.Ş. is managed by Eczacıbaşı family.

As of 30 June 2019, the personnel number of the Group is 384 (31 December 2018: 397).

The Company and its consolidated subsidiaries, joint ventures and associates are referred to as the "Group" in these notes. The operations of the subsidiaries, joint ventures and associates included in the consolidation are stated below:

Subsidiaries

The Company's subsidiaries (the "Subsidiaries"), the nature of businesses of the Subsidiaries and their business segments are as follows:

Companies accounted by line consolidation:

Subsidiaries	Nature of business	Segment
EİP Eczacıbaşı İlaç Pazarlama A.Ş. ("EİP")	Marketing and selling of pharmaceuticals	Health
Eczacıbaşı İlaç Ticaret A.Ş. ("EİT")	Marketing and selling of pharmaceuticals	Health
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş. ("Eczacıbaşı Gayrimenkul")	Real estate development	Construction

Joint Ventures

The Company's joint ventures (the "Joint Ventures") are listed below. All Joint Ventures are registered in Turkey. The nature of business of the Joint Ventures and their respective businesses segments for the purpose of the consolidated financial statements are as follows:

Joint Ventures	Nature of business	Partner	Segment
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş. ("EBX")	Serum production and sales	Baxter S.A.	Health
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş. ("Eczacıbaşı-Monrol")	Radiopharmaceuticals production and sales	Uğur Bozluolçay and Şükrü Bozluolçay	Health

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

Associates

The associates of the Group ("Associates") and their respective business segments are as follows:

Associates	**Nature of business**
Ekom Eczacıbaşı Dış Ticaret A.Ş. ("Ekom")	Export services
Vitra Karo Sanayi ve Ticaret A.Ş. ("Vitra Karo")	Production of ceramic tiles
Eczacıbaşı Sağlık Hizmetleri A.Ş. ("ESH")	Special care and nursing services
Eczacıbaşı Shire Sağlık Ürünleri Sanayi ve Ticaret A.Ş. ("Eczacıbaşı Shire") (*)	Marketing and selling of pharmaceuticals

(*) Within the meeting held by Board of Directors on 1 February 2019; Group has made an assesment about the 50% owned Eczacıbaşı Shire's other shareholder Baxalta GmbH's main shareholder Shire Plc's acquisition to Takeda Pharmaceutical Company Limited on 8 January 2019, and the Group has decided to initiate the necessary legal process for the transfer of 50% of its shares in Eczacıbaşı Shire, which has a contractual right in accordance with the Shareholders Agreement with Baxalta GmbH dated 25 January 2016. The Company's Board of Directors held its meeting on 22 March 2019; and it has decided to sell all of the shares owned by EİS to Baxalta GmbH with a sales price of TL 85,888.676. Transfer of share transactions were completed on 29 March 2019 and the share transfer fee was collected on 10 April 2019.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of compliance

The condensed interim consolidated financial statements are prepared in accordance with the CMB's Communiqué Serial II, No: 14.1, "Basis of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). TFRS are updated through communiqués in order to ensure parallelization with changes in International Financial Reporting Standards.

The accompanying consolidated financial statements are presented in accordance with the "Announcement regarding to TAS Taxonomy" which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

With the decision law numbered 11/367 taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required. The accompanying financial statements are prepared in accordance with the law.

The consolidated financial statements have been prepared on the historical cost basis except for the financial assets and liabilities which are expressed with their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, "Interim Financial Reporting". In this respect the Group preferred to present its interim condensed consolidated financial statements. The Group's interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore the interim condensed consolidated financial statements should be examined together with the financial statements as of 31 December 2018.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.2 Continuity Concept

Group's consodilated financial statements prepared in accordance with continuity principle

2.1.3 Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is the functional currency of the Company and the presentation currency of the Group.

2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. Group's significant accounting policies that are used for the preparation of condensed consolidated financial statements for the interim period ended 30 June 2019 are consistent with accounting policies presented in the consolidated financial statements as of 31 December 2018., except for accounting policies related to the first transition to TFRS 16 "Leases" standard. The Group has been applying the new standards, amendments and interpretations effective from 1 January 2019,Changes in accounting policy arising from the first time adoption of "TFRS 16 Leases ", applied in accordance with the transitional provisions of the relevant standard.

2.2.1 TFRS 16 "Leases" standard

The Group as the lessee

At inception of a contract, the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period of time:

a) the contract contains an identified asset: – this may be specified explicitly or implicitly.
b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

    i. the Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
    ii. the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At the commencement date, the Group recognize a right-of-use asset and a lease liability in financial statements.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

Right of use asset

The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of lease liability,
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the lessee., and

To apply a cost model, the Group measure the right-of-use asset at cost:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

The Group apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Group depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) fixed payments, less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
d) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and

c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Group remeasure the lease liability to reflect changes to the lease payments. The Group recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or
b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Group remeasure the lease liability by discounting the revised lease payments, if either:

a) There is a change in the amounts expected to be payable under a residual value guarantee. The Group determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Group remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group account for a lease modification as a separate lease if both:

The Group determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Group uses an unadjusted interest rate.

The Group recognises the restructuring of the lease as a separate leasing if both of the following are met:

a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and
b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

The Group's leasing activities

All the leasings of the Group as lessor are operational leasings. For operational leasings, leased assets are classified under investment properties, tangible assets or other current assets in the consolidated balance sheet and rental income is accounted in the consolidated income statement in equal amounts for the leasing period. Rental income is accounted in the consolidated income statement for the leasing period on a straight-line basis.

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.2.1 TFRS 16 "Leases" Standard (Continued)

The Group distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 "Revenue arising from agreements made with customers" standard.

First adoption to TFRS 16

The Group has adopted TFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. With this method, use of rights are measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period.

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 21.12% for TL, 3.87% for Euro and 9.29% for USD.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

Reconciliation of operational lease commitments followed under TAS 17 and lease liabilities recognized in the consolidated financial statements under TFRS 16 as of 1 January 2019 before the date of initial application is as follows:

	1 January 2019
Operating lease commitments under TAS 17	**28,901**
- Short term lease (-)	-
- Low value leases (-)	-
- Contracts evaluated within the scope of the service (-)	-
- Adjusments for extension and early termination options	-
Total lease obligation under TFRS 16 (not discounted)	**28,901**
Total lease obligation under TFRS 16 (discounted with alternative borrowing rate)	**25,554**
- Short term leasing liabilities	9,401
- Long term leasing liabilities	16,153

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

TFRS 16 "Leases" Standard Current Period Impact

Details of the right of use assets and the movement table as of 30 June 2019 are as follows:

	Machinery and equipment	Vehicle	Office	Other	Total
1 January 2019	24	17,235	8,127	168	25,554
Additions	-	-	-	15	15
Amortisation cost (-)	(20)	(4,055)	(1,343)	(45)	(5,463)
As of 30 June	**4**	**13,180**	**6,784**	**138**	**20,106**

As of 30 June 2019, right of use assets amounting to TL 110 is due to the classification of prepaid rent expenses which are accounted under prepaid expenses before TFRS 16 application.

As of 30 June 2019, the Group accounted for rights of use amounting to TL 20,106 and rent obligation amounting to TL 22,366.

The Group has accounted for depreciation and interest expenses instead of operating lease expenses in relation to the lease agreements within the scope of TFRS 16. For the six months period ended 30 June 2019, the Group recognized TL 5,463 of depreciation expense, TL 1,012 of interest expense, TL 2,372 of foreign exchange loss and TL 6,587 of rent payments.

Extension and termination options

Lease liability is determined considering the extension and termination options in the agreements. The majority of extension and termination options held are by the Group and by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

	30 June 2019	TFRS 16 effect	Excluding TFRS 16 effects
Current assets:			
Cash and cash equivalents	604,744	-	604,744
Financial investments	1,233	-	1,233
Trade receivables	221,158	-	221,158
- *Trade receivables from related parties*	*1,094*	-	*1,094*
- *Trade receivables from third parties*	*220,064*	-	*220,064*
Other receivables	276	-	276
- *Other receivables from related parties*	*100*	-	*100*
- *Other receivables from third parties*	*176*	-	*176*
Inventories	79,437	-	79,437
Prepaid expenses	3,443	-	3,443
Current income tax assets	112	-	112
Other current assets	1,909	-	1,909
Total current assets	**912,312**	**-**	**912,312**
Non-current assets:			
Financial investments	3,023,298	-	3,023,298
Other receivables	12	-	12
- *Trade receivables from related parties*	-	-	-
- *Trade receivables from third parties*	*12*	-	*12*
Investments accounted for using equity method	68,939	-	68,939
Investments properties	353,920	-	353,920
Tangible assets	5,851	-	5,851
Intangible assets	14,428	-	14,428
Right of use assets	20,106	20,106	-
Prepaid expenses	1,586	-	1,586
Deferred tax assets	15,469	496	14,973
Other non-current assets	10,325	-	10,325
Non-current assets	**3,513,934**	**20,602**	**3,493,332**
Total assets	**4,426,246**	**20,602**	**4,405,644**

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

	30 June 2019	TFRS 16 effect	Excluding TFRS 16 effects
Current liabilities:			
Short term borrowings	85,004	10,399	74,605
- *Short term lease due to related parties*	*2,442*	*2,442*	-
- *Short term lease due to third parties*	*7,957*	*7,957*	-
- *Short term borrowings due to third parties*	*74,605*	-	*74,605*
Trade payables	201,898	-	201,898
- *Trade payables due to related parties*	*7,140*	-	*7,140*
- *Trade payables due to third parties*	*194,758*	-	*194,758*
Other payables	6,583	-	6,583
- *Other payables due to third parties*	*6,583*	-	*6,583*
Prepaid expenses	142	-	142
Derivative instruments	18,611	-	18,611
Employee benefit obligations	2,452	-	2,452
Short term provisions	5,724	-	5,724
- Short term provisions for employee benefits	*4,286*	-	*4,286*
- Other short term provisions	*1,438*	-	*1,438*
Current income tax liabilities	7,688	-	7,688
Other current liabilities	288	-	288
Total current liabilities	**328,390**	**10,399**	**317,991**
Non-current liabilities:			
Long term borrowings	34,967	11.967	23,000
- *Long term lease due to related parties*	*4,645*	*4,645*	-
- *Long term lease due to third parties*	*7,322*	*7,322*	-
- *Long term borrowings due to third parties*	*23,000*	-	*23,000*
Long term provisions	4,089	-	4,089
- *Long term provisions for employee benefits*	*4,089*	-	*4,089*
Deferred tax liabilites	144,399	-	144,399
Deferred income	19,498	-	19,498
Total non-current liabilities	**202,953**	**11,967**	**190,986**
Equity:			
Paid-in share capital	685,260	-	685,260
Adjustments to share capital	105,777	-	105,777
Items not to be reclassified to profit or loss	2,742,228	-	2,742,228
- Defined benefit plans remeasurement gains/losses	*(4,058)*	-	*(4,058)*
- Gains/losses on financial assets measured at fair value through other comprehensive income	*2,746,286*	-	*2,746,286*
Items to be reclassified to profit or loss	10,010	-	10,010
- Foreign currency conversion adjustments	*10,010*	-	*10,010*
Restricted reserves	231,153	-	231,153
Retained earnings	19,103	-	19,103
Net income for the period	101,340	(1,764)	103,094
Non-controlling interest	32	-	32
Total equity	**3,894,903**	**(1,764)**	**3,896,667**
Total liabilites and equity	**4,426,246**	**20,602**	**4,405,644**

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

	1 January - 30 June 2019	TFRS 16 effect	1 January - 30 June 2019 Excluding TFRS 16 effect
Revenue	401,743	-	401,743
Cost of sales (-)	(263,999)	-	(263,999)
GROSS PROFIT	**137,744**	**-**	**137,744**
Marketing expenses (-)	(59,796)	648	(60,444)
General administrative expenses (-)	(30,874)	476	(31,350)
Other operating income	103,654	-	103,654
Other operating expenses (-)	(34,151)	-	(34,151)
OPERATING PROFIT	**116,577**	**1,124**	**115,453**
Income from investing activities	113,024	-	113,024
Expenses from investing activities (-)	(6)	-	(6)
Share of (loss)/income of investments accounted for using equity method	(73,704)	-	(73,704)
OPERATING INCOME BEFORE FINANCE EXPENSE	**155,891**	**1,124**	**154,767**
Financial income	2,984	-	2,984
Financial expense (-)	(44,632)	(3,384)	(41,248)
PROFIT BEFORE TAX	**114,243**	**(2,260)**	**116,503**
Tax expense from continuing operations			
- Income tax expense (-)	(23,439)	-	(23,439)
- Deferred tax income / (expenses)	10,531	496	10,035
PROFIT FROM CONTINUING OPERATIONS	**101,335**	**(1,764)**	**103,099**
NET PROFIT FOR THE PERIOD	**101,335**	**(1,764)**	**103,099**
Attributable to			
- Non-controlling interests	(5)	-	(5)
-Equity holders of the parent	101,340	(1,764)	103,104
NET PROFIT FOR THE PERIOD	**101,335**	**(1,764)**	**103,099**

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 Changes in the accounting estimates and errors

If changes in estimates are for only one period, changes are applied to the current year but if changes in estimates are for the following periods, changes are applied both to the current and following years prospectively. The Group did not have any major changes in the accounting estimates during the current year.

Significant accounting errors are corrected retrospectively, by restating the prior period consolidated financial statements.

2.3.1 Comparative information and restatement of prior period financial statements

Interim consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give accurate trend analysis regarding financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed where necessary.

The Group has applied consistent accounting policies in the consolidated financial statements for the period presented and has no material changes in the accounting policies and estimates in the current period.

2.4 New and revised Turkish Accounting Standards

The accounting policies of the consolidated financial statements for the period ended 30 June 2019 have been applied consistently to those used in the prior year except for the new and amended IFRS standards and TFRYK interpretations as of 1 January 2019.

a) New standards, amendments and interpretations to existing standards as of 30 June 2019:

- **TFRS 9, "Financial instruments"**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TMS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- **TFRS 15, "Revenue from contracts with customers"**; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The amendments will not have significant effect on the notes to the Group's consolidated financial statements.

- **Amendments to IFRS 4, "Insurance contracts"** regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and

  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.4 New and revised Turkish Accounting Standards (Continued)

- **Amendments to TAS 40, "Investment Properties";**Effective for annual periods beginning on or after 1 January 2018. These amendments to the classification of investment properties clarify the classifications made from investment properties or real estate in case of a change in the purpose of use. If the use of a real estate changes, it is necessary to evaluate whether this real estate meets the definitions of up investment real estate uy. This change should be supported by evidence. The amendments did not have an impact on the financial position or performance of the Group.

- **Amendments to TFRS 2, "Share based payments"**; on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendments did not have significant effect on the notes to the Group's consolidated financial statements.

Annual improvements 2014 - 2016; effective from annual periods beginning on or after 1 January 2018.

- TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

These improvements are not expected to have a significant impact on the financial position and performance of the Group's.

- **IFRIC 22, "Foreign currency transactions and advance consideration"**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The amendments did not have significant effect on the notes to the Group's consolidated financial statements.

- **Amendment to TFRS 9, "Financial instruments";** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **Amendment to TAS 28, "Investments in associates and joint venture"**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.4 New and revised Turkish Accounting Standards (Continued)

- **TFRS 16, "Leases"**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **IFRIC 23, "Uncertainty over income tax tratments"**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Annual improvements 2015 - 2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- TFRS 3, 'Business combinations', **-** a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', **-** a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' **-** a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs' **-** a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Ammenments to TAS 19 "Employee benefits", on plan amendment, curtailment or settlement; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.4 New and revised Turkish Accounting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2019:

Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements',and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

i) use a consistent definition of materiality throughout TFRS and the Conceptual Framework for Financial Reporting;
ii) clarify the explanation of the definition of material; and
iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

These standards, changes and improvements are assessed on the financial position of the Group and its possible impact on performance.

NOTE 3 - SHARES IN OTHER COMPANIES

Shares in associates and joint ventures

	30 June 2019	31 December 2018
Associates		
Vitra Karo	-	-
Ekom	29,727	30,432
ESH	-	-
Eczacıbaşı Shire	-	54,913
Joint Ventures		
Eczacıbaşı-Monrol	-	-
EBX	39,212	38,528
	68,939	**123,873**

The movement of the shares of associates and joint ventures during the period is as follows:

	2019	2018
As of 1 January	123,873	101,820
The Group's share in investments accounted for using equity method' profit	1,296	15,957
Capital payment and commitments (*)	75,000	-
Change in the fair value of available-for-sale financial assets	13	59
Dividend paid (-)	(3,481)	(2,782)
Capital payments to impaired associates (*)	(75,000)	-
Disposal of an associate (**)	(52,762)	-
As of 30 June, net	**68,939**	**115,054**

(*) As of 30 June 2019, capital increase amounting to TL 75,000 has paid within the period. The total amount is reflected as loss in the income statement.

(**) All of the Company's shares in Eczacıbaşı Shire are transferred to Baxalta GmbH and that has been completed as of 29 March 2019 with a sales amount of TL 85,888, subsidiary sales profit amounting to TL 33,126 (Note 22) and total loss for the period end amounting to TL 2,149 reflected in consolidated income statement.

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

NOTE 3 - SHARES IN OTHER COMPANIES (Continued)

Assets and liabilities of the Group's associates and joint ventures in its condensed consolidated financial statements as at 30 June 2019 and 31 December 2018 and their net sales for the six months period ended 30 June are as follows:

	30 June 2019					
	Assets	**Liabilities**	**Goodwill attributable to equity holders**	**Net sales**	**Net profit/(loss) for the period**	**Total ownership interests (%)**
Ekom	3,003,399	2,890,635	-	11,245	2,763	26.36
EBX	80,536	2,106	-	-	682	50.00
Eczacıbaşı Shire (*)	-	-	-	388,959	(2,149)	50.00
					1,296	

(*) The transfer of the Company's shares in Eczacıbaşı Shire to Baxalta GmbH has been completed as of 29 March 2019 and Eczacıbaşı Shire's total loss for the period end amounting to TL 2,149 reflected in consolidated income statement.

	31 December 2018			30 June 2018		
	Assets	**Liabilities**	**Goodwill attributable to equity holders**	**Net sales**	**Net profit/(loss) for the period**	**Total ownership interests (%)**
Ekom	2,736,053	2,620,616	-	8,793	2,186	26.36
EBX	79,469	2,406	-	-	5,398	50.00
Eczacıbaşı Shire	218,162	108,337	-	205,948	8,373	50.00
					15,957	

NOTE 4 - SEGMENT REPORTING

The Group determined its operating segments based upon the reports reviewed and used by the Board of Directors while giving strategic decisions.

During evaluations made for the requirements of TFRS 8 "Operating Segments" effective as of 1 January 2009, the Group decided that operating segments shown below in the disclosures prepared in line with CMB requirements are compatible with the reports presented to Decision Making Authorities related to current operations and that there is no new reportable segment.

The Group continues to operate primarily in two reportable segments as of 30 June 2019 (2018: 2 segments).

1. Health:

Production and sale of human health and veterinary medicine.

2. Real estate development:

Kanyon

The sale and lease of the real estate constructed with a 50% - 50% partnership with İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("İŞ GYO") located on Büyükdere Caddesi, in the Şişli district of Istanbul. The lease regards to half of the shopping mall and whole of the office building.

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

NOTE 4 - SEGMENT REPORTING (Continued)

2. Real estate development (Continued):

Ormanada

The Company acquired 50% and Eczacıbaşı Holding A.Ş. acquired 50% of the 22 pieces of land with a total area of 196,409.74 m² in Yorgancı Çiftliği Mevkii, Uskumru Mahallesi, Sarıyer district in Istanbul. The size of houses varies between 170 and 700 square meters with sales price range from TL 7.2 million to TL 10.4 million in Ormanada.

Ayazağa tesisleri

Lease is related to serum facilities located in Ayazağa, Sarıyer district of Istanbul

Lands

In addition to the aforementioned lands of Ayazağa facilities, in 2015, the Company acquired all the shares of Yeni Tekstil Sanayi A.Ş. who owns a land plot in Ayazağa Cendere Valley, Urban Transformation Area as well as merged with it by facilitated merging transaction method on 7 December 2015.

The summary table of the Company's other investments in real estate is as follows:

Purchase date	Locations	Parcel	Surface area (m²)	Purchasing cost (TL)
29 June 2015	Silivri	21 adet tarla	265,930	16,425
1 December 2015	Silivri	No. 308	8,500	765
1 March 2016	Silivri	No. 1985	5,250	484
7 June 2016	Silivri	No. 2007	685,026	67,995
			964,706	**85,669**

Eczacıbaşı Gayrimenkul

Providing consulting services regarding land development and project management to Eczacıbaşı Group companies which are operating in real estate development sector.

Undistributed

Segment assets consist of cash and cash equivalents (except the cash and cash equivalents of the parent company), trade and other receivables, inventories, tangible and intangible assets and other current and non-current assets. Financial assets at fair value through profit or loss, financial assets available for sale and deferred tax assets are excluded from segment assets.

Segment liabilities consist of liabilities related to operations. Current and deferred tax liabilities, financial liabilities and financial liabilities provided by related parties are excluded from segment liabilities.

Capital expenditures consist of purchases of tangible and intangible assets, investment property and goodwill arisen as a result of acquisitions in the current year.

Financial information has not been reported in geographical segments since primary sales and purchases of the Group are performed in Turkey and the majority of the assets of the Group are in Turkey.

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

NOTE 4 - SEGMENT REPORTING (Continued)

As of 30 June 2019 and 31 December 2018 segment reporting and liabilities

	30 June 2019		31 December 2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Health	365,447	(341,475)	308,961	(278,011)
Real estate development	389,694	(28,391)	390,008	(29,203)
Undistributed	3,671,105	(161,477)	3,757,503	(151,414)
Total	**4,426,246**	**(531,343)**	**4,456,472**	**(458,628)**

Capital expenditures and non-cash expenses of segments as of 30 June 2019:

1 January 2019 - 30 June 2019	**Health**	**Real estate development**	**Undistributed**	**Total**
Capital expenditures (Notes 12, 13, 14 and 2.2.1)	25,231	3,899	-	29,130
Non-cash expenses:				
- Depreciation and amortisation (Notes 12, 13, 14 and 2.2.1)	7,040	3,703	-	10,743
- Provision for accrued vacation (Note 16)	1,325	58	111	1,494
- Provision for employment termination benefits and actuarial gain/loss (Note 16)	866	23	27	916
- Provision for litigations (Note 15)	64	-	-	64
- Expense accruals (Note 9)	596	-	-	596
	9,891	**3,784**	**138**	**13,813**

As of 30 June 2019, allocation of capital expenditures is as follows: TL 908 in property, plant and equipment, TL 1,224 in intangible assets, TL 1,428 in investment properties and TL 25,569 in rights of use under TFRS 16.

As of 30 June 2019, allocation of capital expenditures is as follows: TL 1,095 in property, plant and equipment, TL 1,192 in intangible assets, TL 2,993 in investment properties and TL 5,463 in rights of use under TFRS 16.

1 January 2018 - 30 June 2018	**Health**	**Real estate development**	**Undistributed**	**Total**
Capital expenditures (Notes 12, 13 and 14)	7,001	1,459	-	8,460
Non-cash expenses:				
- Depreciation and amortisation (Notes 12, 13 and 14)	1,963	3,214	-	5,175
- Provision for accrued vacation (Note 16)	1,213	59	-	1,272
- Provision for employment termination benefits and actuarial gain/loss (Note 16)	2,437	5	-	2,442
- Provisions for doubtful receivables (Note 9)	1,133	-	-	1,133
- Provision for diminution in value of inventories (Note 10)	522	-	-	522
- Provision for litigations (Note 15)	62	-	-	62
- Expense accruals (Note 9)	1,567	-	-	1,567
	8,897	**3,278**	**-**	**12,173**

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

NOTE 4 - SEGMENT REPORTING (Continued)

Capital expenditures and non-cash expenses of segments as of 30 June 2019 (Continued):

1 January 2019 - 30 June 2019	**Health**	**Real estate development**	**Undistributed**	**Total**
Total sales	348,340	54,848	-	403,188
Elimination of sales within the Group (-)	(2)	(1,443)	-	(1,445)
Sales to third parties	348,338	53,405	-	401,743
Cost of sales (-)	(258,528)	(5,471)	-	(263,999)
Gross profit	**89,810**	**47,934**	**-**	**137,744**
General administrative expenses (-)	(19,646)	(7,151)	(4,077)	(30,874)
Marketing expenses (-)	(53,232)	(6,564)	-	(59,796)
Other operating income	20,172	482	83,000	103,654
Other operating expenses (-)	(15,826)	(305)	(18,020)	(34,151)
Operating profit	**21,278**	**34,396**	**60,903**	**116,577**

1 January 2018 - 30 June 2018	**Health**	**Real estate development**	**Undistributed**	**Total**
Total sales	297,447	63,564	-	361,011
Elimination of sales within the Group (-)	-	(1,196)	-	(1,196)
Sales to third parties	297,447	62,368	-	359,815
Cost of sales (-)	(210,831)	(13,572)	-	(224,403)
Gross profit	**86,616**	**48,796**	**-**	**135,412**
General administrative expenses (-)	(24,106)	(6,178)	(3,464)	(33,748)
Marketing expenses (-)	(57,098)	(6,963)	-	(64,061)
Other operating income	10,191	148	102,925	113,264
Other operating expenses (-)	(19,548)	(282)	(18,936)	(38,766)
Operating profit / (loss)	**(3,945)**	**35,521**	**80,525**	**112,101**

Reconciliation of operating profits related to operating segments with profit before tax:

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Operating profits related to operating segments	**55,674**	**19,710**	**31,576**	**5,779**
Undistributed income	60,903	25,903	80,525	47,612
Income from investing activities	113,022	79,572	72,153	72,153
Expenses from investing activities (-)	(6)	(6)	(1)	115
Shares from participation profit/losses (-)	(73,702)	1,578	15,957	10,338
Financial income	2,984	2,374	4,828	5,628
Financial expenses (-)	(44,632)	(17,952)	(4,653)	(3,349)
Profit before tax	**114,243**	**111,179**	**200,385**	**138,276**

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash in hand	11	14
Banks	604,733	619,885
- Demand deposits	46,468	3,101
- Time deposits	558,265	616,784
	604,744	**619,899**

The annual interest rate applied to the Turkish Lira denominated time deposits 23.50% (31 December 2018: 23.90% and 24.00%), and the maturity date is 1 July 2019. The annual interest rates applied to the foreign currency time deposits are between 1.00% and 3.90% (31 December 2018: 2.05% to 5.50%), and the maturity dates are between 1 July 2019 and 23 October 2019. The weighted annual interest rates of TL, USD and Euro denominated bank deposits are 23.50%, 3.78% and 1.22% respectively. (31 December 2018: 23.92%, 5.20% and 2.31%).

The details of the Group's time deposits are as follows:

	30 June 2019	31 December 2018
TL denominated time deposits	27,183	62,700
TL Equivalent of USD denominated time deposits	215,760	190,984
TL Equivalent of EUR denominated time deposits	315,322	363,100
	558,265	**616,784**

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 30 June 2019, 31 December 2018, 30 June 2018, and 31 December 2017 are presented below:

	30 June 2019	31 December 2018	30 June 2018	31 December 2017
Cash and cash equivalents	604,744	619,899	610,130	506,419
Interest accruals (-)	(516)	(1,328)	(1,322)	(1,168)
	604,228	**618,571**	**608,808**	**505,251**

NOTE 6 - FINANCIAL ASSETS

The details of financial investments included in current assets are as follows:

	30 June 2019	31 December 2018
Financial assets at fair value through profit and loss	1,233	1,146
Financial investments, current	**1,233**	**1,146**
Financial assets at fair value through other comprehensive income	3,019,650	3,019,743
Financial assets at fair value through profit and loss	3,648	3,392
Financial investments, non-current	**3,023,298**	**3,023,135**

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

NOTE 6 - FINANCIAL ASSETS (Continued)

TFRS 13 defines the classifications of valuation techniques.

The classification of financial instruments at fair value is shown as following:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

According to the observability of the data used in fair value measurement, the fair value hierarchy of the Group's financial assets at fair value is shown as follows:

30 June 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss	-	1,233	-	1,233
Financial investments, current	**-**	**1,233**	**-**	**1,233**
Financial assets at fair value through other comprehensive income	30,781	1,199,933	1,788,936	3,019,650
Financial assets at fair value through profit and loss	-	3,648	-	3,648
Financial investments, non-current	**30,781**	**1,203,581**	**1,788,936**	**3,023,298**

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss	-	1,146	-	1,146
Financial investments, current	**-**	**1,146**	**-**	**1,146**
Financial assets at fair value through other comprehensive income	30,874	1,199,933	1,788,936	3,019,743
Financial assets at fair value through profit and loss	-	3,392	-	3,392
Financial investments, non-current	**30,874**	**1,203,325**	**1,788,936**	**3,023,135**

Financial assets at fair value through profit and loss

Financial assets at fair value related to income statements portfolio consist of international financial investment instruments and national liquid funds.

The Company management has decided to transfer the assets in portfolio accounts considering their maturities and liquidity, to banks in Turkey in the second half of 2008. As of 31 December 2009, a significant portion of the funds have been transferred to banks in Turkey and transfer of remaining part of the funds is in progress. Total fair value of funds not yet transferred is TL 4,881 as of 30 June 2019 (31 December 2018: TL 4,538). As of 30 June 2019, Group estimates to transfer TL 1,233 (31 December 2018: TL 1,146) of these funds within one year and the remaining TL 3,648 (31 December 2018: TL 3,392) in long term. TL 4,881 (31 December 2018: TL 4,538) of the aforementioned funds are in the funds in North America.

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

NOTE 6 - FINANCIAL ASSETS (Continued)

Financial assets at fair value in other comprehensive income

Long-term financial assets at fair value in other comprehensive income

The list of long-term financial assets at fair value in other comprehensive income as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	(%)	31 December 2018	(%)
Publicly traded				
Türkiye İş Bankası A.Ş. (*)	-	-	93	<1
Ak Enerji Elektrik Üretim A.Ş. (*)	-	-	-	<1
	-		**93**	
Not publicly traded				
Eczacıbaşı Holding A.Ş. (**)	3,017,850	15	3,017,850	15
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (**)	1,774	14	1,774	14
Other (***)	26	<1	26	<1
	3,019,650		**3,019,650**	
Total	**3,019,650**		**3,019,743**	

(*) Fair values of financial assets in listed companies are calculated based on current market prices. As of 30 June 2019, the Group sold all of its shares in Türkiye İş Bankası and Ak Enerji Elektrik Üretim A.Ş. at BIST (As of 31 December, the current market price of Ak Enerji Elektrik Üretim A.Ş. TL 63).

(**) The Group believes that there is no indication that there is any depreciation of the financial assets available for sale that are not publicly traded in the interim period. In this framework, reasonable valuation studies on the related assets were made on 31 December 2018 and have not been updated interim periodically.

(***) These financial assets at fair value through other comprehensive income are carried at their acquisition costs since they are not listed and fair values cannot be reliably measured.

NOTE 7 - FİNANCIAL LIABILITIES

	30 June 2019		31 December 2018	
	Effective interest rate per annum (%) (*)	TL	Effective interest rate per annum (%) (*)	TL
TL denominated bank borrowings	14.95 - 21.05	74,605	14.95 - 15.40	35,870
Finance lease payables		10,399		32
Short-term bank borrowings		**85,004**		**35,902**
TL denominated bank borrowings	24.20	23,000	21.05 - 24.20	48,076
Finance lease payables		11,967		-
Long-term bank borrowings		**34,967**		**48,076**
Total financial liabilities		**119,971**		**83,978**

(*) Annual weighted average interest rate of TL denominated short-term bank borrowings is 19.20% (31 December 2018: 15.18%).

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of borrowings at is as follows:

	30 June 2019	31 December 2018
1 year	85,004	35,902
1 - 2 years	34,967	48,076
Total	**119,971**	**83,978**

As of 30 June 2019 and 2018, the details of financial liabilities are as follows:

	2019	2018
1 January	83,978	18,632
Financial liabilities received	43,848	61,947
Cash outflows on debt payments	(13,272)	-
Exchange difference expense	2,746	-
Change in interest accruals	2,671	-
As of 30 June,	**119,971**	**80,579**

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 30 June 2019 and 31 December 2018:

Short-term trade receivables from related parties	30 June 2019	31 December 2018
Due from shareholders		
Eczacıbaşı Holding A.Ş.	890	446
	890	**446**
Due from joint ventures		
Eczacıbaşı Monrol Nükleer Ürünler San. ve Tic. A.Ş.	3	-
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	2	-
	5	**-**
Due from associates		
Vitra Karo San. ve Tic. A.Ş.	2	-
Ekom Eczacıbaşı Dış Tic. A.Ş.	1	1
Eczacıbaşı Sağlık Hizmetleri A.Ş.	-	5
	3	**6**
Due from other related parties		
İntema Yaşam Ev ve Mutfak Ürünleri Pazarlama ve Tic. A.Ş.	87	1
Eczacıbaşı Tüketim Ürünleri Sanayi ve Tic. A.Ş.	69	-
Other	40	15
	196	**16**
Short-term due from related parties	**1,094**	**468**

Average maturity of the Group's receivables from related parties is 30 days (31 December 2018: 30 days) and is amortised at 20.75% per annum (31 December 2018: 21.51%).

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

a) Balances with related parties at 30 June 2019 and 31 December 2018 (Continued):

	30 June 2019	31 December 2018
Short-term trade receivables from related parties		
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	100	-
Eczacıbaşı Holding A.Ş.	-	370
Short-term trade receivables from related parties	**100**	**370**
Long-term trade receivables from related parties		
Eczacıbaşı Holding A.Ş.	-	331
Long-term trade receivables from related parties	**-**	**331**
Short-term trade payables to related parties		
Due to shareholders		
Eczacıbaşı Holding A.Ş.	4,159	4,161
	4,159	**4,161**
Due to joint ventures		
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	34	19
	34	**19**
Due to associates		
Vitra Karo San. ve Tic. A.Ş.	2	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	-	3
	2	**3**
Due to other related parties		
ESİ Eczacıbaşı Sigorta Acentalığı A.Ş.	2,145	31
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	401	1,532
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	306	366
İntema Yaşam Ev ve Mutfak Ürünleri Pazarlama San. ve Tic. A.Ş.	91	77
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	3	-
Eczacıbaşı Spor Kulübü Derneği	-	600
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	-	278
	2,946	**2,884**
	7,141	**7,068**
Deferred credit finance expenses (-)	(1)	(3)
Short-term due to related parties	**7,140**	**7,065**

Average maturity of the Group's payables to related parties is 30 days (31 December 2018: 30 days) and is amortised at 20.66% per annum (31 December 2018: 21.11%).

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	30 June 2019	31 December 2018
Short term lease due to related parties		
Eczacıbaşı Holding A.Ş.	2,442	-
Short term lease due to related parties	**2,442**	**-**
Long term lease due to related parties		
Eczacıbaşı Holding A.Ş.	4,645	-
Long term lease due to related parties	**4,645**	**-**
Deferred income from related parties		
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş. (*)	19,498	19,498
Deferred income from related parties	**19,498**	**19,498**

(*) EBX has decided the distribution of advance on liquidation to the shareholders at the extraordinary general assembly meeting dated 18 June 2018 in the court decision of 8 May 2018. Since the liquidation process of EBX has not completed yet, the distributed advance on liquidation has shown under deferred revenue

b) Other transactions with related parties for the interim periods ended 30 June:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Product sales				
Eczacıbaşı Tüketim Ürünleri San. ve Tic. A.Ş.	61	34	75	75
Other	33	13	10	10
	94	**47**	**85**	**85**
Service sales				
Eczacıbaşı Holding A.Ş.	1,775	920	1,425	712
	1,775	**920**	**1,425**	**712**
Product purchases				
İntema İnşaat ve Tesisat Malz. Yatırım ve Paz. A.Ş.	6	1	2	2
Other	-	-	1	1
	6	**1**	**3**	**3**
Service purchases				
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	4,496	2,225	2,978	1,368
Eczacıbaşı Spor Kulübü Derneği	1,307	582	1,251	616
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	571	261	595	320
İntema Yaşam Ev ve Mutfak Ürünleri Paz. San. ve Tic. A.Ş.	77	77	-	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	18	7	37	20
Eczacıbaşı Holding A.Ş.	3	-	-	-
Other	-	-	5	5
	6,472	**3,152**	**4,866**	**2,329**

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Other transactions with related parties for the interim periods ended 30 June (Continued):

The Group purchases sanitary ware and related consumable products from İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş..

The Group renders services related to administration of Kanyon complex from Kanyon Yönetim İşletim ve Pazarlama A.Ş.; advertisement services from Eczacıbaşı Spor Kulübü; health services from Eczacıbaşı Sağlık Hizmetleri A.Ş.; and various other services from other group companies.

Within the scope of Ormanada project which is jointly carried out within the scope of real estate activities, the Group provides supervision, monitoring and sub-contracting services to Eczacıbaşı Holding A.Ş..

As of 30 June 2019 and 2018, the Group does not have any contingent assets or liabilities arising from transactions with related parties.

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Dividend income from related parties (*)				
Eczacıbaşı Holding A.Ş.	79,409	79,409	71,469	71,469
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	100	100	100	100
ESİ Eczacıbaşı Sigorta Acentalığı A.Ş.	2	-	-	-
	79,511	**79,509**	**71,569**	**71,569**

(*) Dividend income is included in income from investment activities.

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Copyright and administrative fees paid to related parties				
Eczacıbaşı Holding A.Ş. (*)	3,821	1,768	4,167	2,220
	3,821	**1,768**	**4,167**	**2,220**

(*) Management fees paid to Eczacıbaşı Holding A.Ş. comprise law, financial corporate identity, budget planning, audit and human resource services received from Eczacıbaşı Holding A.Ş.. These expenses are billed for relevant services in proportion to the time spent by the relevant department of Eczacıbaşı Holding A.Ş.

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Rent income received from related parties				
Eczacıbaşı Holding A.Ş.	3,229	1,615	2,472	1,401
İntema Yaşam Ev ve Mutfak Ürünleri Pazarlama Sanayi ve Ticaret A.Ş.	229	72	245	128
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	167	83	129	73
Other	39	20	34	19
	3,664	**1,790**	**2,880**	**1,621**
Rent expenses paid to related parties				
Eczacıbaşı Bilişim San. ve Tic A.Ş.	183	104	108	55
Eczacıbaşı Holding A.Ş.	38	(4)	1,856	819
	221	**100**	**1,964**	**874**

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Other expenses paid to related parties				
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	327	164	449	251
Eczacıbaşı Holding A.Ş.	95	(198)	162	81
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	43	29	14	14
Other	1	-	80	5
	466	**(5)**	**705**	**351**
Asset acquisitions from related parties				
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	384	111	413	294
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	3	3	-	-
İntema İnşaat ve Tesisat Malz. Yatırım ve Paz. A.Ş.	-	-	42	42
Other	-	-	2	2
	387	**114**	**457**	**338**

Benefits provided to top management

The Company has determined key management personnel as board members, group presidents, vice-presidents and general manager the Company and its subsidiaries.

Short term benefits provided to key management personnel consists of salaries, premiums, social insurance related payments, health insurance and seniority incentive award. Long term benefits provided to key management personnel consists of employee termination benefits paid to discharged key management personnel due to retirement and/or transfer and service award payments.

Details of compensation provided to key management personnel for the year ending as of 30 June 2019 and 30 June 2018 are as follows:

	2019	2018
Benefits provided to key management personnel	3,700	4,418
	3,700	**4,418**

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

a) Trade recevivables from third parties

Short term trade receivables	**30 June 2019**	**31 December 2018**
Trade receivables	159,060	128,558
Notes receivables	67,084	45,150
Income accruals	3,256	17,396
	229,400	**191,104**
Deferred credit finance income (-)	(5,876)	(1,970)
Provision for doubtful receivables (-)	(3,460)	(3,467)
Short-term trade receivables, net	**220,064**	**185,667**

Average maturity of the Group's receivables is 42 days (31 December 2018: 41 days) and TL denominated trade receivables are amortised at 20.56% per annum (31 December 2018: 21.11%).

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of provision for doubtful receivables is presented below:

	2019	2018
As of 1 January	3,467	2,358
Current year additions	-	1,133
Reversal of provisions (-)	(7)	(28)
As of 30 June	**3,460**	**3,463**

Maximum credit risk and aging analysis related to trade receivables are included in Note 26.

b) Trade payables to third parties

Short-term trade payables	30 June 2019	31 December 2018
Trade payables	195,885	186,352
Expense accruals	596	1,660
Deferred credit finance expenses (-)	(1,723)	(1,396)
Short-term trade payables, net	**194,758**	**186,616**

Average maturity of the Group's payables is 114 days (31 December 2018: 64 days) and TL denominated trade payables are amortised at 20.67% per annum (31 December 2018: 21.02%), EUR denominated trade payables are amortised at 0% per annum (31 December 2018: 0%) and USD denominated payables are amortised at 1.68% per annum (31 December 2018: 2.12%).

NOTE 10 - INVENTORIES

	30 June 2019	31 December 2018
Raw materials and supplies	10,632	11,895
Work in progress	19,784	30,192
Finished goods	18,353	14,947
Trade goods	16,722	18,319
Other inventories	4,276	2,603
Lands and houses (*)	13,077	13,076
	82,844	**91,032**
Provision for diminution in value of inventories (-)	(3,407)	(3,496)
	79,437	**87,536**

(*) Lands and houses contains undelivered houses cost of land of purchased by the Group in Zekeriyaköy as part of real estate development activities and project development costs incurred.

The movements in the provision for impairment of inventories during the period are as follows:

	2019	2018
As of 1 January	3,496	2,037
Current year additions	-	522
Provisions related to discontinuous operations	(89)	-
As of 30 June	**3,407**	**2,559**

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

NOTE 11 - DERIVATIVE INSTRUMENTS

The Group utilizes currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets. At the end of the reporting periods, the total notional amount and fair values of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	30 June 2019		31 December 2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives for trading	-	18,611	-	-
	-	**18,611**	**-**	**-**

	30 June 2019			31 December 2018		
	Contract	**Fair values**		**Contract**	**Fair values**	
	amount (*)	**Assets**	**Liabilities**	**amount (*)**	**Assets**	**Liabilities**
Trade purposes:						
Forward currency transactions	221,925	-	18,611	-	-	-
	221,925	**-**	**18,611**	**-**	**-**	**-**

(*) Represents the sum of the purchase and sale contracts of the related derivative instruments.

For trading purposes:

Derivative financial instruments provide effective protection against risks for the Group, but are not accounted for as trading derivative instruments in the consolidated financial statements when they do not meet the requirements for risk accounting.

NOTE 12 - INVESTMENT PROPERTIES

	1 January 2019	Additions	Transfers	Disposals	30 June 2019
Cost					
Kanyon	237,568	828	-	-	238,396
Buildings	54,853	50	-	(1,751)	53,152
Lands and land improvements	153,094	550	-	-	153,644
	445,515	**1,428**	**-**	**(1,751)**	**445,192**
Accumulated depreciation					
Kanyon	66,160	2,671	-	-	68,831
Buildings	21,732	322	-	(53)	22,001
Lands and land improvements	440	-	-	-	440
	88,332	**2,993**	**-**	**(53)**	**91,272**
Carrying amount	**357,183**				**353,920**

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

NOTE 12 - INVESTMENT PROPERTIES (Continued)

	1 January 2018	Additions	Transfers	Disposals	30 June 2018
Cost					
Kanyon	230,475	342	-	-	230,817
Buildings (*)	61,690	401	4,936	(4,198)	62,829
Lands and land improvements	152,544	550	-	-	153,094
	444,709	**1,293**	**4,936**	**(4,198)**	**446,740**
Accumulated depreciation					
Kanyon	60,988	2,583	-	-	63,571
Buildings	21,492	438	-	(54)	21,876
Lands and land improvements	440	-	-	-	440
	82,920	**3,021**	**-**	**(54)**	**85,887**
Carrying amount	**361,789**				**360,853**

(*) Residencies given to rent amounting to TL 4,936 are classified from inventory.

For the period ended at 30 June 2019, total rent income of Kanyon shopping center and office complex is amounted to TL 44,993 (30 June 2018: TL 39,212) and repair and maintenance expense of the related period is amounted to TL 31 (30 June 2018: TL 82).

Total rent income from other investment properties is amounting to TL 3,103 (30 June 2018: TL 3,379) for the period ending at 30 June 2019.

As of 30 June 2019 and 31 December 2018, there are no pledges or liens on Group's investment property.

Fair value

Kanyon

As of 31 December 2018, fair value of Kanyon is approximately TL 847 million which consist of fair value of Kanyon shopping centre amounting TL 350 million and fair value of Kanyon Office complex amounting TL 497 million which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex by the Group Management.

Other

As of 31 December 2018, fair value of other investment properties is amounting to TL 579,908. Aforementioned fair values are determined for properties that generating rent income from the net present value "of anticipated rent income by the Company Management, whereas they are estimated for lands, which are purchased in current period by an independent evaluation company. This evaluation company that authorised by CMB, provides real estate valuation services pursuant to capital market legislation and has adequate experience and demonstrable knowledge in valuation of relevant areas. Upon valuation report, fair value of acquired properties is determined by comparing the imputed values that is reflected the actual transaction values of similar properties.

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

NOTE 13 - TANGIBLE ASSETS

	1 January 2019	Additions	Disposals	30 June 2019
Cost				
Machinery, plant and equipment	9,920	5	-	9,925
Motor vehicles	612	-	-	612
Furniture and fixtures	4,922	832	(27)	5,727
Leasehold improvements	2,060	-	-	2,060
Construction in progress	90	-	-	90
Other tangible assets	12,826	71	(5)	12,892
	30,430	**908**	**(32)**	**31,306**
Accumulated depreciation				
Machinery, plant and equipment	9,732	15	-	9,747
Motor vehicles	187	12	-	199
Furniture and fixtures	3,160	440	(19)	3,581
Leasehold improvements	1,888	123	-	2,011
Other tangible assets	9,415	505	(3)	9,917
	24,382	**1,095**	**(22)**	**25,455**
Carrying amount	**6,048**			**5,851**

Allocation of depreciation and amortisation expenses for quarter period 30 June 2019 relating with tangible and intangible assets, investment properties and right of usage assets under TFRS 16 as follows; TL 3,070 included in cost of goods sold, TL 2,544 included in general and administrative expenses, TL 5,130 included in marketing.

	1 January 2018	Additions	Disposals	30 June 2018
Cost				
Machinery, plant and equipment	9,791	131	-	9,922
Motor vehicles	485	2	-	487
Furniture and fixtures	4,605	342	(11)	4,936
Leasehold improvements	1,971	75	-	2,046
Other tangible assets	11,549	1,221	(3)	12,767
	28,401	**1,771**	**(14)**	**30,158**
Accumulated depreciation				
Machinery, plant and equipment	9,702	15	-	9,717
Motor vehicles	184	-	-	184
Furniture and fixtures	2,403	377	(2)	2,778
Leasehold improvements	1,595	146	-	1,741
Other tangible assets	8,451	454	(1)	8,904
	22,335	**992**	**(3)**	**23,324**
Carrying amount	**6,066**			**6,834**

Allocation of depreciation and amortisation expenses for quarter period 30 June 2018 is as follows: TL 3,082 included in cost of goods sold, TL 689 included in general and administrative expenses, TL 1,406 included in marketing expenses.

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

NOTE 14 - INTANGIBLE ASSETS

	1 January 2019	Additions	Disposals	30 June 2019
Cost				
Rights	8,232	102	-	8,334
Computer software	7,175	396	-	7,571
Construction in progress	9,487	604	-	10,091
Other intangible assets	282	122	-	404
	25,176	**1,224**	**-**	**26,400**
Accumulated amortisation				
Rights	4,594	689	-	5,283
Computer software	5,955	478	-	6,433
Other intangible assets	231	25	-	256
	10,780	**1,192**	**-**	**11,972**
Net book value	**14,396**			**14,428**

	1 January 2018	Additions	Disposals	30 June 2018
Cost				
Rights	7,037	501	-	7,538
Computer software	6,414	403	-	6,817
Construction in progress	5,299	4,464	-	9,763
Other intangible assets	226	28	-	254
	18,976	**5,396**	**-**	**24,372**
Accumulated amortisation				
Rights	3,092	728	-	3,820
Computer software	5,074	436	-	5,510
Other intangible assets	190	-	-	190
	8,356	**1,164**	**-**	**9,520**
Net book value	**10,620**			**14,852**

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

a) Provisions:

	30 June 2019	31 December 2018
Provision for litigations	1,438	1,453
	1,438	**1,453**

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TL 1,438 (31 December 2018: TL 1,453) based on the legal opinions taken on juridical, labour, commercial and administrative litigations and the assessment of similar litigations' consequences in the past. Movement of the provision for litigations are stated below:

	2019	2018
As of 1 January	1,453	894
Charge for the period (Note 21)	64	62
Provisions related to discontinuous operations (-)	(79)	-
As of 30 June	**1,438**	**956**

b) Contingent assets

Appeal for return of tax penalty paid:

The Competition Authority decided to conduct an inquiry for 8 companies, including EİP, regarding tender of the Training Hospitals. As a result of the inquiry, a decision was made by the Competition Board at 19 January 2007 and announced to the parties. With this decision, an administrative penalty amounting to TL 1,211, equivalent of 0.75% of the net sales of 2001, has been imposed on EİP. Regarding the penalty mentioned a reduced payment of TL 908 has been made for early payment; there are no additional liabilities attributable to the penalty. The Group has applied to the Council of State for the refund of the penalty.

On 20 August 2014, as a result of an investigation initiated by the Competition Board, 2 companies, including EİP were fined amounting to TL 930, based on the grounds that the Company violated competition rules. The Company benefited from the early payment option in 2015 and paid TL 698.

There are no additional liabilities attributable to the penalty. The Company filed a lawsuit for the cancellation of the Competition Board's decision and the reimbursement of the aforementioned amount.

c) Contingent liabilities

I- Tax and tax related penalties of the Company

Tax penalty notified as at 7 April 2011

On 29 December 2011, a VAT report is prepared by tax inspectors of Ministry of Finance in connection with tax inspection report related to 2006 which was resulted in favour of the Company. Based on that report, TL 3,113 regarding the tax and TL 3,113 regarding the penalty have been levied against the Company by the Büyük Mükellefler Tax Administration.

Büyük Mükellefler Tax Administration has applied to the Council of State for the appeal of this lawsuit. The Company responded to the petition of the defendant and sent to the State Council. The decision of the Council of State was concluded in favor of the company. The Tax Office has requested a correction of the decision and the final stage of the legal process has been reached.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

c) Contingent liabilities (Continued)

II- Tax and tax related penalties and litigation of the Group's subsidiary EİP

The lawsuit related to price differences from market values

Various public hospitals governed by Turkish Ministry of Health ("MoH") claimed approximately TL 1,749 for the refund of price differences determined between the prices of medical supplies at which the Group sold to these public hospitals and the market values which were determined by Market Value Settlement Committee established by Social Security Institution Health Administration Department based on the vesting deed given by the Group in 1998. The Group faced lawsuits filed against it by the MoH for the collection of these claims amounting to approximately TL 403; preliminary hearings and discovery proceedings in these lawsuits are in progress. Considering the continuing legal process and uncertainty regarding the ultimate outcome of the matter, no provision has been provided in the consolidated financial statements.

d) Guarantees given and taken

	30 June 2019		
	USD	**TL**	**Total**
Guarantees given			
Letters of guarantee	-	1,629	1,629
	-	**1,629**	**1,629**
Guarantees received			
Letters of guarantee	10,120	47,462	57,582
Guarantee bill	846	290	1,136
	10,966	**47,752**	**58,718**

	30 June 2018		
	USD	**TL**	**Total**
Guarantees given			
Letters of guarantee	-	1,639	1,639
	-	**1,639**	**1,639**
Letters of guarantee			
Letters of guarantee	9,671	45,301	54,972
Guarantee bill	773	290	1,063
	10,444	**45,591**	**56,035**

Letters and guaranteed bills of exchange were given to suppliers and government institutions. Mortgages, cheques and guaranteed bills of exchange were taken from customer for trade receivables of the Group.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

d) Guarantees given and taken (Continued)

Collateral/pledge/mortgage ("CPM") position of the Group. as of 30 June 2019 and 31 December 2018 is as follows:

		30 June 2019	31 December 2018
A.	CPMs given for Company's own legal personality	188	189
	- *Collateral (Fully denominated in TL)*	*188*	*189*
	- *Pledge*	-	-
	- *Mortgage*	-	-
B.	CPMs given on behalf of fully consolidated companies	-	-
	- *Collateral*	-	-
	- *Pledge*	-	-
	- *Mortgage*	-	-
C.	CPMs given in the normal course of business activities on behalf of	-	-
	Third parties	-	-
D.	Total amount of other CPMs	-	-
	i. Total amount of CPMs given on behalf of the parent	-	-
	- *Collateral*	-	-
	- *Pledge*	-	-
	- *Mortgage*	-	-
	ii. Total amount of CPMs given to on behalf of other Group companies	-	-
	which are not in scope of B and C	-	-
	iii. Total amount of CPMs given on behalf of third parties	-	-
	which are not in scope of C	-	-
		188	**189**

Proportion of other CPMs given to the Group's equity as of 30 June 2019 is 0% (31 December 2018: 0%).

NOTE 16 - EMPLOYEE BENEFITS

Employee benefit obligations	30 June 2019	31 December 2018
Social security premiums payable	2,339	941
Wages payable to employees	113	119
	2,452	**1,060**

Short term provisions for employee benefits

Provision for unused vacations	4,286	2,956
	4,286	**2,956**

Provision for unused vacations

Movements in the provision for unused vacation are as follows as of 30 June:

	2019	2018
As of 1 January	2,956	2,751
Charge for the period	1,494	1,272
Payments during the period (-)	(164)	(112)
As of 30 June	**4,286**	**3,911**

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Long term provisions for employee benefits

	30 June 2019	31 December 2018
Provision for employment termination benefit	4,089	4,079
	4,089	**4,079**

Provision for employment termination benefits:

Under Turkish Labour Law, the Company and its Turkish Subsidiaries and Joint Ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

As of 30 June 2019, the amount payable consists of one month's salary limited to a maximum of TL 6,017.60 (31 December 2018: TL 5,434.42) for each year of service. As of 30 June 2019, the maximum amount of TL 6,389.86 which is effective from 1 July 2019 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

The liability is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company and its subsidiaries and joint ventures registered in Turkey arising from the retirement of employees.

TAS 19 "Employee Benefits" published by POA require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2019	31 December 2018
Discount rate (%)	4.78	4.78
Turnover rate to estimate the probability of retirement (%) (*)	93 - 98	93 - 98

(*) For the estimation of the probability of retirement, the turnover rate was used for employees with services up to 15 years, and for employees with 16 years of service and over, it was taken as 100%.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. The discount rate thus applied represents the expected rate of actual inflation.

Movements in the provision for employment termination benefits are as follows as of 30 June:

	2019	2018
As of 1 January	4,079	2,953
Charge for the period (Note 20)	916	2,442
Payments during the period (-)	(906)	(372)
As of 30 June	**4,089**	**5,023**

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

NOTE 17 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr 1. There are no privileged shares, EİS Eczacıbaşı İlaç, Sanayi ve Ticaret A.Ş.'s subscribed, historical and authorised share capital for the years ended at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
Limit on registered share capital (historical value)	1,920,000	1,920,000
Authorised share capital approved with nominal value	685,260	685,260

At 30 June 2019 and 31 December 2018, the shareholders of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and their proportion of ownership interests in historical share capital are as follows:

Shareholders	**(%)**	**30 June 2019**	**(%)**	**31 December 2018**
Eczacıbaşı Holding A.Ş.	50.62	346,845	50.62	346,845
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	29.67	203,295	29.67	203,295
Diğer (halka açık kısım) (*)	19.72	135,120	19.72	135,120
Total	**100.00**	**685,260**	**100.00**	**685,260**
Adjustment to share capital		105,777		105,777
Total authorised share capital		**791,037**		**791,037**

(*) Within the framework of Capital Markets Board's decision, dated 23 July 2010 and numbered 21/655, actual rates of the shares in circulation of the listed companies in BIST are announced on a weekly basis starting from the period ended 30 September 2010, became effective as of 1 October 2010 by the Central Registry Agency ("CRA"). According to the report published by CRA on 30 June 2019 19.64% (31 December 2018: 19.70%) of the Group's shares in circulation are presented in the other group.

Adjustment to share capital represents the difference between the cash contributions adjusted for inflation and the cash contributions prior to adjustment for inflation.

Retained earnings in statutory accounts can be distributed except jurisdiction stated below related to legal reserves.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital. Total amount of legal reserves of the Company is TL 180,110 (31 December 2018: TL 149,854).

The aforementioned legal reserves and special reserves shall be classified in "Restricted reserves" in accordance with POA Financial Reporting Standards. Details of the restricted reserves as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	**31 December 2018**
Legal reserves	180,110	149,854
Gain on sale of shares of associates	48,843	48,843
Corporate tax deduction	2,200	1,000
	231,153	**199,697**

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

NOTE 18 - REVENUE

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Domestic sales	493,185	246,961	436,317	205,867
Exports	830	380	341	157
Gross profit	**494,015**	**247,341**	**436,658**	**206,024**
Sales returns (-)	(2,732)	(2,051)	(2,506)	(1,234)
Sales discounts (-)	(89,540)	(51,819)	(74,337)	(38,063)
Net sales	**401,743**	**193,471**	**359,815**	**166,727**
Cost of sales (-)	(263,999)	(131,746)	(224,403)	(106,137)
Gross profit	**137,744**	**61,725**	**135,412**	**60,590**

NOTE 19 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
General administrative expenses				
Personnel expenses	12,309	6,642	12,571	6,577
Consultancy expenses	5,396	2,835	6,139	3,261
Tax, duties and cahrges	2,714	2,568	2,456	2,406
Depreciation and amortisation expenses (Notes 12,13,14 and 2.2.1)	2,544	1,832	689	357
Provision for unpaid vacation (Note 16)	1,330	706	1,160	870
Rent expenses	758	563	2,651	1,282
Maintenance expenses	575	299	518	319
Provision for employment termination benefits (Note 16)	10	(528)	2,070	1,825
Other	5,238	2,845	5,494	2,230
	30,874	**17,762**	**33,748**	**19,127**
Marketing expenses				
Personnel expenses	27,092	13,526	28,841	13,565
Advertisement, presentation and promotion expenses	17,057	10,055	19,672	10,295
Depreciation and amortisation expenses (Notes 12, 13, 14 and 2.2.1)	5,130	2,025	1,406	624
Transportation, distribution and warehousing expenses	4,793	2,494	3,998	1,980
Fuel, energy and water expenses	1,606	822	1,837	991
Travelling expenses	1,209	610	1,365	684
Technical support, license and know-how expenses	685	382	457	238
Education expenses	374	228	1,792	282
Rent expenses	287	(68)	3,264	1,831
Outsourcing services expenses	229	120	309	-
Consultancy expenses	147	74	154	75
Other	1,187	674	966	756
	59,796	**30,942**	**64,061**	**31,321**

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

NOTE 20 - EXPENSES BY NATURE

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Purchase and consumption of inventories	260,617	126,349	193,505	87,658
Personnel expenses	39,401	20,168	41,412	20,142
Advertisement and promotion expenses	18,589	10,772	21,153	10,295
Depreciation and amortisation expense (Notes 12,1,14 and 2.2.1)	10,743	5,391	5,175	2,066
Consultancy expense	5,543	2,909	6,293	3,336
Transportation, distribution and warehousing expenses	4,793	2,494	3,998	1,980
Rent expenses	1,045	495	5,915	3,113
Outsourcing services expenses	229	120	309	0
Provision for employment termination benefits (Note 16)	10	(528)	2,070	1,825
Changes in commercial inventories	(1,597)	3,782	17,244	9,362
Other	15,296	8,498	25,138	16,808
	354,669	**180,450**	**322,212**	**156,585**

NOTE 21 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Other operating income				
Foreign exchange gains from bank deposits	68,866	34,495	91,147	60,546
Credit finance income	17,268	10,058	8,744	4,801
Interest income from bank deposits	14,462	7,689	12,255	6,289
Foreign exchange gains from trade receivables and payables	2,554	846	567	502
Other	504	325	551	(137)
	103,654	**53,413**	**113,264**	**72,001**
Other operating expense				
Foreign exchange losses from bank deposits	16,814	13,582	17,506	15,683
Foreign exchange losses on trade payables and receivables	12,179	4,612	16,787	13,873
Credit finance expense	4,271	2,029	2,744	1,364
Donation expenses	428	362	128	91
Provision expense for legal case (Note 15)	64	35	62	21
Other	395	201	1,539	(2,280)
	34,151	**20,821**	**38,766**	**28,752**

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

NOTE 22 - INCOME FROM INVESTING ACTIVITIES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Dividend income from associates	79,511	79,509	71,569	71,569
Earnings from disposal of subsidiaries (Note 3)	33,126	(1)	19	19
Earnings from disposal of fixed assets	46	3	6	6
Other	341	61	559	559
	113,024	**79,572**	**72,153**	**72,153**

NOTE 23 - FINANCIAL INCOME / EXPENSES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Financial income				
Foreign currency differences income	2,024	1,414	-	-
Derivative transactions income	960	960	4,828	5,628
	2,984	**2,374**	**4,828**	**5,628**
Financial expenses				
Derivative transactions expenses	30,678	9,630	-	-
Interest expense from bank borrowings	9,563	5,143	3,608	2,462
Foreign exchange losses	3,687	2,814	759	726
Commissions of letter of guarantees	226	113	216	119
Other	478	252	70	42
	44,632	**17,952**	**4,653**	**3,349**

NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

a) Current income tax on profits

	30 June 2019	31 December 2018
Corporate and income taxes payable (Company)	23,439	53,075
Prepaid taxes (Company)	(15,751)	(64,949)
	7,688	**(11,874)**
Corporate and income taxes payable (Subsidiary)	-	-
Prepaid taxes (Subsidiary)	(112)	(1,936)
	(112)	**(1,936)**
Current income tax liabilities / (assets), (net)	**7,576**	**(13,810)**

NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

a) Current income tax on profits (Continued)

Turkish tax legislation does not permit a parent company and its Subsidiaries, Joint Ventures and Associates to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Corporate Tax Law is changed with Law No, 5520 dated 13 June 2006, and most of the articles of mentioned law have become effective as of 1 January 2006. Accordingly, corporate tax rate in Turkey is 22% for 2019 (2018: 22%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income by preparing tax declaration within the period of two months and 14 days subsequent to the corresponding quarter. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No, 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment was not applied as these conditions were not fulfilled in the interim period ended 2019 and year ended 2018.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

Turkish Corporate Tax Law No, 5422 on "Exemption of real estate and investment sales gains" has been amended by Law No: 5520 effective from 1 January 2006. A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years is exempt from corporate tax.

In accordance with Article 32/A4 added with the New Corporate Tax Law No. 5838 Article 9, the discounted rate is applied to the earnings derived from capacity expansion investment, when these earnings could be accounted separately in the books of a company. When these earnings could not be accounted separately in the books, the earnings, to which the discounted rate will be applied, is determined by using the percentage of the amount of capacity expansion investment to the carrying amount of registered total tangible asset (including amounts relating to construction in progress) that company at period end. For this calculation, the carrying amount of registered total tangible asset in the company assets is taken into consideration with their revalued amounts. The application of the discounted rate commences in the advance tax period in which the investment partly or fully starts to its operations.

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

NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

a) Current income tax on profits (Continued)

The taxes on income reflected to the consolidated income statement of the interim periods ended 30 June 2019 and 2018 are summarized below:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Current income tax expenses (-)	(23,439)	(11,952)	(24,832)	(15,027)
Deferred tax income/(expenses)	10,531	7,661	(1,880)	(1,154)
Total tax expense (-)	**(12,908)**	**(4,291)**	**(26,712)**	**(16,181)**

The reconciliation as of 30 June corporation tax expense included in the consolidated statement of income to the tax expense calculated with the current tax rate on the consolidated income before taxes is as follows:

	30 June 2019	30 June 2018
Profit before tax	**114,243**	**200,385**
Current year corporation tax expense	(25,133)	(44,085)
Tax effect of disallowable expenses	(162)	(38)
Exemptions (dividend income)	17,492	16,389
Items disregarded in the calculation of deferred tax	4,429	-
Loss not subject to deferred tax calculation	1,447	-
Equity method accounting	(16,214)	3,511
Financial losses non subject to tax	(120)	(1,625)
Tax losses disregarded in the calculation of deferred tax	-	(818)
Other	5,353	(46)
Total tax expenses (-)	**(12,908)**	**(26,712)**

b) Deferred tax

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with TAS / TFRS and the tax financial statements. Such temporary differences generally arise due to revenues and expenses being recognised in different fiscal periods in accordance with tax regulations and TAS / TFRS. The tax rate used for deferred tax assets and liabilities is 22% (31 December 2018: 22%).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017," Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 30 June 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards, however since the effect of change in tax rate on financial statements is immaterial, calculated amount is not accounted in financial statements as of 30 June 2019.

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

NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

b) Deferred tax (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 30 June 2019 and 31 December 2018 using the enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
Derivative financial instruments	(18,611)	-	4,094	-
Difference between the tax base and carrying amount of investment property plant and equipment and intangible assets	(14,953)	(10,701)	3,290	2,356
Carry forward tax losses	(8,627)	(7,379)	1,898	1,623
Deferred revenue	(5,876)	(1,970)	1,293	433
Provision for unused vacation	(4,286)	(2,956)	943	650
Provision for employment termination benefits	(4,089)	(4,079)	900	897
Provision for doubtful receivables	(2,890)	(2,873)	636	632
Difference between the tax base and carrying amount of inventories	(3,407)	(3,496)	750	769
Provision for litigations	(1,387)	(1,453)	305	320
Liabilities from financial lease	(2,260)	-	496	-
Other	(127)	-	28	-
Deferred tax assets (**)			**14,633**	**7,680**
Fair value differences of available for-sale financial assets (*)	2,863,679	2,863,679	(143,184)	(143,184)
Deferred credit finance expenses	1,723	17,986	(379)	(3,957)
Deferred tax liabilities (-) (**)			**(143,563)**	**(147,141)**
Deferred tax assets / (liabilities), net			**(128,930)**	**(139,461)**

(*) Difference between fair value and book value amounts to TL 2,863,679 (31 December 2018: TL 2,863,679) and based on the 75% exemption from the corporate tax denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No, 5520, deferred tax is calculated by applying 5% effective tax rate.

(**) Since deferred tax assets and deferred tax liabilities in the schedule above are summarized by nature of the temporary differences subject to deferred tax, they express the offset of deferred tax liability amounting to TL 143,563 (31 December 2018: TL 147,141) and deferred tax asset amounting to TL 14,633 (31 December 2018: TL 7,680) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

As a result of the evaluations made, it is probable that the Group will be able to deduct the temporary differences that can be deducted from the deductible temporary differences amounting to TL 5,382 (31 December 2018: TL 4,931) as of 30 June 2019 from the deductible temporary differences amounting to TL 1,184 (31 December 2018: TL 986) have not been recognized in the deferred tax asset.

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

NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

b) Deferred tax (Continued)

The expiry date of the right to use deferred tax assets for which no deferred tax asset is allocated is as follows:

	30 June 2019	**31 December 2018**
Ends in 2020	1,183	1,183
Ends in 2021	1,634	1,634
Ends in 2022	2,114	2,114
Ends in 2023	451	-
	5,382	**4,931**

Since each of the Subsidiaries is taxpayers separately, a net deferred tax asset or liability is calculated for each taxpayer, but these amounts are not offset in the statement of financial position.

The movement of deferred tax liabilities in the period is as follows:

	2019	**2018**
As of 1 January	(139,461)	(115,845)
Current year deferred tax income / (expense)	10,531	(1,880)
As of 30 June	**(128,930)**	**(117,725)**

NOTE 25 - EARNINGS PER SHARE

	30 June 2019	**30 June 2018**
Net gain attributable to equity holders of the Company	**101,340**	**173,675**
Profit from continuous operations	101,340	173,675
Weighted average number of ordinary shares with face value of Kr 1 each	68,526,000,000	68,526,000,000
Earning per share (TL)	**0.1479**	**0.2534**
Basic earnings per share from continuous operations	0.1479	0.2534

For the six months period ended, consolidated net period gain decreased by TL 1,764 and earnings per share decreased by TL 0.000026 as a result of transition to TFRS 16.

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is carried out by the Subsidiaries and Joint Ventures of the Group under policies approved by their own Boards of Directors.

a) Credit risk

The ownership of financial assets is exposed to the risk that the counterparty complies with contractual terms. These risks are managed by credit evaluation and distribution of the total risk of a single counterparty. Credit risk is distributed via the number of institutes that form the customer database and their different fields of business activities. The Group collects its receivables before their maturity with factoring practices, as may be required. This is an application parallel to irreversible risk management.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Details of credit and receivable risk as of 30 June 2019 are as follows:

	Receivables					
	Trade receivables		Other receivables			
Credit risks exposed by types of financial instruments	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of 30 June 2019 (A+B+C+D) (**)	**1,094**	**220,064**	**100**	**188**	**604,733**	**4,881**
- *Secured portion of the maximum credit risk by guarantees*	-	*143,500*	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired	1,094	213,541	100	188	604,733	4,881
B. Carrying value of financial assets that are past due but not impaired (***)	-	6,523	-	-	-	-
C. Net book value of the impaired assets						
- Past due (gross carrying amount)	-	3,460	-	-	-	-
- Impairment (-)	-	(3,460)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(*) Item contains the financial assets measured at fair value and attributable to income statements.
(**) The area implies the sum of A, B, C, and D. Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.
(***) As of 30 June 2019, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Details of credit and receivable risk as of 31 December 2018 are as follows:

	Receivables					
	Trade receivables		**Other receivables**			
Credit risks exposed by types of financial instruments	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of 31 December 2018 (A+B+C+D) (**)	**468**	**185,667**	**701**	**132**	**619,885**	**4,538**
- *Secured portion of the maximum credit risk by guarantees*	-	*64,870*	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired	468	180,988	701	132	619,885	4,538
B. Carrying value of financial assets that are past due but not impaired (***)	-	4,679	-	-	-	-
C. Net book value of the impaired assets						
- Past due (gross carrying amount)	-	3,467	-	-	-	-
- Impairment (-)	-	(3,467)	-	-	-	-
- Secured portion of the net carrying value by guarantees. etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees. etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(*) Item contains the financial assets measured at fair value and attributable to income statements.
(**) The area implies the sum of A, B, C, and D. Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.
(***) As of 31 December 2018, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Details of the past due but not impaired receivables for the years ended at 30 June 2019 and 31 December 2018 are as follows:

	Trade receivables from		
30 June 2019	**Related parties**	**Other**	**Other**
Past due up to 30 days	-	2,300	-
Past due 1 - 3 months	-	1,058	-
Past due 3 - 12 months	-	1,418	-
Past due 1 - 5 year (*)	-	1,747	-
	-	**6,523**	**-**

	Trade receivables from		
31 December 2018	**Related parties**	**Other**	**Other**
Past due up to 30 days	-	2,169	-
Past due 1 - 3 months	-	576	-
Past due 3 - 12 months	-	80	-
Past due 1 - 5 year (*)	-	1,854	-
	-	**4,679**	**-**

(*) The most of past due 1 - 5 year receivables consist of the legal authorities and the Group does not expect any recoverability risk on receivables.

b) Liquidity risk

Liquidity risk management consists of the holding sufficient cash and cash equivalents, funding via loans and capability to close short positions. Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

The analysis of the Group's financial liabilities with respect to their maturities is as follows:

	30 June 2019					
Non-derivative financial liabilities	**Carrying value**	**Total contractual cash outflow (I+II+III+IV)**	**Up to 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Payables from leases	22,366	23,462	3,431	8,939	11,092	-
Financial liabilities	97,605	116,120	20,579	71,047	24,494	-
Trade payables due to related parties	7,140	7,140	7,140	-	-	-
Other trade payables	194,758	196,481	139,553	50,500	6,428	-
Other payables and liabilities	9,323	9,323	-	9,323	-	-
Total non-derivative financial liabilities	**331,192**	**352,526**	**170,703**	**139,809**	**42,014**	**-**

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk (Continued)

	31 December 2018					
Non-derivative financial liabilities	**Carrying value**	**Total contractual cash outflow (I+II+III+IV)**	**Up to 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Other financial liabilities	83,978	108,565	23,679	21,218	63,668	-
Trade payables due to related parties	7,065	7,068	7,068	-	-	-
Other trade payables	186,616	188,012	188,012	-	-	-
Other payables and liabilities	7,295	7,295	-	7,295	-	-
Total non-derivative financial liabilities	**284,954**	**310,940**	**218,759**	**28,513**	**63,668**	**-**

c) Market risk

i) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets, these exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

The Group is exposed to interest rate risk through floating interest rates bank borrowings. The Group is also exposed to fair value interest risk through fixed rate bank borrowings.

Financial instruments with fixed interest rates	**30 June 2019**	**31 December 2018**
Financial assets		
Cash and cash equivalents	604,744	619,899
Financial liabilities		
Financial liabilities	97,605	83,946

As disclosed above the Group's financial instruments have fixed interest rates. However as indicated in Note 5, 7, the maturities of cash and cash equivalents are 1 month or less, while the maturity of financial liabilities is 2 years or less. Therefore those financial instruments are interest sensitive and the impact on the profit or loss of 100 basis points change in the interest rates is as follows:

At 30 June 2019, if interest rates at contractual re-pricing dates of TL denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TL with all other variables held constant, profit before tax would have been TL 51 (31 December 2018: TL 54) higher / lower as a result of interest expenses.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

ii) Foreign exchange risk

The Group is exposed to foreign exchange risk through conversion of liabilities to functional currency. The risks get under control via analysing foreign exchange positions.

The Group is exposed to foreign exchange rate risk for EUR and USD, in this context, the exchange risk analysis related with main foreign currencies as follows:

	30 June 2019			
	Profit/(loss)		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case of 20% change in USD against TL:				
USD net asset / (liability)	29,748	(29,748)	29,748	(29,748)
Secured position (-)	-	-	-	-
USD net effect	**29,748**	**(29,748)**	**29,748**	**(29,748)**
In case of 20% change in EUR against TL:				
EUR net asset / (liability)	55,942	(55,942)	55,942	(55,942)
Secured position (-)	-	-	-	-
EUR net effect	**55,942**	**(55,942)**	**55,942**	**(55,942)**
In case of 20% change in other foreign exchange rates against TL:				
Other foreign currency net asset / (liability)	(4)	4	(4)	4
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(4)**	**4**	**(4)**	**4**
Total	**85,686**	**(85,686)**	**85,686**	**(85,686)**

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

ii) Foreign exchange risk (Continued)

	30 June 2018			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 20% change in USD against TL:				
USD net asset / (liability)	30,872	(30,872)	30,872	(30,872)
Secured position (-)	-	-	-	-
USD net effect	**30,872**	**(30,872)**	**30,872**	**(30,872)**
In case of 20% change in EUR against TL:				
EUR net asset / (liability)	49,208	(49,208)	49,208	(49,208)
Secured position (-)	-	-	-	-
EUR net effect	**49,208**	**(49,208)**	**49,208**	**(49,208)**
Total	**80,080**	**(80,080)**	**80,080**	**(80,080)**

TL equivalents of assets and liabilities held by the Group denominated in foreign currency at 30 June in consideration of foreign exchange rates are as follows:

	30 June 2019	**30 June 2018**
USD	5.7551	4.5607
EUR	6.5507	5.3092
GBP	7.2855	5.9810
CHF	5.8894	4.5790

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TL equivalents as of 30 June 2019 were as follows:

	30 June 2019			
		Original amounts		
	Total TL equivalent	**USD**	**EUR**	**CHF**
Trade receivables	1,074	-	164	-
Monetary financial assets	571,296	39,123	52,840	-
Other	-	-	-	-
Current assets	**572,370**	**39,123**	**53,004**	**-**
Monetary financial assets	3,649	634	-	-
Non-current assets	**3,649**	**634**	**-**	**-**
Total assets	**576,019**	**39,757**	**53,004**	**-**
Trade payables	96,834	12,328	3,949	3
Monetary financial liabilities	3,775	656	-	-
Financial liabilities	19,763	305	2,749	-
Short term liabilities	**120,372**	**13,289**	**6,698**	**3**
Financial liabilities	7,717	-	1,178	-
Monetary financial liabilities	19,498	623	2,429	-
Long term liabilities	**27,215**	**623**	**3,607**	**-**
Total liabilities	**147,587**	**13,912**	**10,305**	**3**
Net asset / (liability) position of derivative financial assets (A-B)	(221,925)	(17,500)	(12,300)	(6,900)
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	(221,925)	(17,500)	(12,300)	(6,900)
Net foreign currency asset/ (liability) position	**206,507**	**8,345**	**30,399**	**(6,903)**
Net foreign currency asset / (liability) position of monetary items	**428,432**	**25,845**	**42,699**	
Export	-	-	-	-
Import	70,544	7,932	3,800	-

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TL equivalents as of 31 December 2018 were as follows:

	30 June 2018			
		Original amounts		
	Total TL equivalent	USD	EUR	CHF
Trade receivables	142	-	24	-
Monetary financial assets	555,603	36,581	60,244	-
Other	-	-	-	-
Current assets	**555,745**	**36,581**	**60,268**	**-**
Monetary financial assets	3,392	645	-	-
Non-current assets	**3,392**	**645**	**-**	**-**
Total assets	**559,137**	**37,226**	**60,268**	**-**
Trade payables	99,413	14,187	3,241	983
Monetary financial assets	3,449	656	-	-
Short term liabilities	**102,862**	**14,843**	**3,241**	**983**
Financial assets	-	-	-	-
Monetary financial liabilities	19,498	682	2,640	-
Long term liabilities	**19,498**	**682**	**2,640**	**-**
Total liabilities	**122,360**	**15,525**	**5,881**	**983**
Net asset / (liability) position of derivative financial assets (A-B)	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**436,777**	**21,701**	**54,387**	**(983)**
Net foreign currency asset / (liability) position of monetary items	**436,777**	**21,701**	**54,387**	**(983)**
Export	19	-	3	-
Import	248,735	28,864	16,073	-

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

d) Categories and fair values of financial instruments

30 June 2019	Financial assets at fair value through profit or loss	Financial liabilities stated at amortised cost	Financial assets at fair value in other comprehensive income	Carrying amount	Notes
Financial assets					
Cash and cash equivalents	-	604,744	-	604,744	5
Trade receivables	-	220,064	-	220,064	9
Receivables from related parties	-	1,094	-	1,094	8
Financial investments	4,881	-	3,019,650	3,024,531	6
Financial liabilities					
Financial liabilities	-	97,605	-	97,605	7
Payables from leases	-	22,366	-	22,366	7
Derivatives financial instruments	-	18,611	-	18,611	11
Trade payables	-	194,758	-	194,758	9
Payables to related parties	-	7,140	-	7,140	8

Group Management believes that the carrying amount of financial instruments represent their fair values.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

d) Categories and fair values of financial instruments (Continued)

30 June 2018	**Financial assets at fair value through profit or loss**	**Financial liabilities stated at amortised cost**	**Financial assets at fair value in other comprehensive income**	**Carrying amount**	**Notes**
Financial assets					
Cash and cash equivalents	-	619,899	-	619,899	5
Trade receivables	-	185,667	-	185,667	9
Receivables from related parties	-	468	-	468	8
Financial investments	4,538	-	3,019,743	3,024,281	6
Financial liabilities					
Financial liabilities	-	83,946	-	83,946	7
Trade payables	-	186,616	-	186,616	9
Payables to related parties	-	7,065	-	7,065	8

Group Management believes that the carrying amount of financial instruments represent their fair values.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debts including the borrowings and other debts disclosed in Notes 7, 8 and 9, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 17.

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

The Group controls its capital using the net debt/total equity ratio. This ratio is the calculated as net debt divided by the total equity amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing 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 ratio is detailed as follows:

	30 June 2019	**31 December 2018**
Financial liabilities	119,971	83,978
Less: cash and cash equivalents and current financial investments	(604,744)	(619,899)
Net debt	**(484,773)**	**(535,921)**
Total equity	3,894,903	3,997,844
Total capital	3,410,130	3,461,923
Net debt/Total capital	**(14%)**	**(15%)**

The general strategy of the Group does not differ from the previous period.

NOTE 27 - EVENTS AFTER THE REPORTING PERIOD

None.

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