

**YATAŞ YATAK VE YORGAN
SANAYİ TİCARET ANONİM ŞİRKETİ
AND IT'S SUBSIDIARY**

**CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD ENDED
AT 30 SEPTEMBER 2019**

(CONVENIENCE TRANSLATION INTO ENGLISH OF
THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)

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YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

ASSETS	Note	Not Reviewed 30 September 2019	Audited 31 December 2018
CURRENT ASSETS			
Cash And Cash Equivalents	4	62.980.219	64.079.474
Financial Investments	10	956	956
Trade Receivables		139.073.912	114.778.342
<i>Due From Related Parties</i>	3-5	4.331.241	6.337.998
<i>Trade Receivables, Third Parties</i>	5	134.742.671	108.440.344
Other Receivables		354.216	231.557
<i>Due From Related Parties</i>	3-6	--	--
<i>Other Receivables, Third Parties</i>	6	354.216	231.557
Inventories	8	202.801.527	151.544.258
Prepaid Expenses	9	46.116.100	45.465.500
Assets Relevant To Current Period Taxes	30	--	--
Other Current Assets	7	8.104.172	852.253
TOTAL CURRENT ASSETS		459.431.102	376.952.340
NON-CURRENT ASSETS			
Financial Investments	10	1.000	1.000
Trade Receivables		--	--
<i>Due From Related Parties</i>	3-5	--	--
<i>Trade Receivables, Third Parties</i>	5	--	--
Other Receivables		815.591	756.054
<i>Due From Related Parties</i>	3-6	--	--
<i>Other Receivables, Third Parties</i>	6	815.591	756.054
Investment Properties	11	11.912.563	11.704.256
Tangible Fixed Assets	12	305.189.257	283.102.633
Right of Use Assets	12	55.642.126	--
Intangible Fixed Assets	13	19.642.605	17.879.769
Prepaid Expenses	9	7.196.478	13.523.101
Deferred Tax Assets	30	13.815.248	7.972.430
TOTAL NON-CURRENT ASSETS		414.214.868	334.939.243
TOTAL ASSETS		873.645.970	711.891.583

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		Not Reviewed	Audited
	Note	30 September 2019	31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Financial Liabilities	14	85.389.089	38.497.602
Short Term Portion Of Long Term Financial Liabilities	14	48.216.738	45.058.190
Lease Payables	14	22.303.546	--
Trade Payables		130.230.070	125.323.886
<i>Due To Related Parties</i>	3-5	--	--
<i>Trade Payables, Third Parties</i>	5	130.230.070	125.323.886
Employee Benefit Obligations	15	15.090.889	11.535.041
Other Payables		306.736	145.695
<i>Due To Related Parties</i>	3-6	110.000	--
<i>Other Payables, Third Parties</i>	6	196.736	145.695
Deferred Income	16	31.148.732	13.715.116
Current Income Tax Liabilities	30	6.589.388	--
Provisions	17	2.777.197	2.887.598
Other Current Liabilities	7	4.547.105	16.760.822
TOTAL CURRENT LIABILITIES		346.599.490	253.923.950
NON-CURRENT LIABILITIES			
Financial Liabilities	14	81.970.990	123.303.647
Lease Payables	14	36.233.846	--
Trade Payables		--	--
<i>Due To Related Parties</i>	3-5	--	--
<i>Trade Payables, Third Parties</i>	5	--	--
Provisions		13.414.382	11.083.958
<i>Provision For Employee Benefits</i>	18	13.414.382	11.083.958
Deferred Tax Liabilities	30	22.220.816	16.276.520
TOTAL NON-CURRENT LIABILITIES		153.840.034	150.664.125
EQUITY			
Paid-In Capital	20	149.798.932	149.798.932
Buy-Back Shares (-)	20	(14.486.269)	(14.486.269)
Other Comprehensive Income Not To Be Reclassified To Profit Or Loss		75.912.167	76.218.781
<i>Gains/ Losses On Revaluation And Remeasurement</i>	20	78.924.196	78.924.196
<i>Actuarial Gain/Loss Arising From Defined Benefit Plans</i>	20	(3.012.029)	(2.705.415)
Other Comprehensive Income To Be Reclassified To Profit Or Loss		(1.026.635)	(828.537)
<i>Currency Translation Differences</i>	20	(1.026.635)	(828.537)
Restricted Reserves	20	23.520.345	19.459.242
Retained Earnings		72.400.533	1.502.178
Net Income For The Period		67.087.373	75.639.181
EQUITY HOLDERS OF THE PARENT		373.206.446	307.303.508
TOTAL LIABILITIES		873.645.970	711.891.583

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ VE BAĞLI ORTAKLIĞI
CONSOLIDATED INTERIM STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 1 JANUARY-30 SEPTEMBER 2019 AND 2018

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

INCOME/LOSS	Note	Not Reviewed 1 January- 30 September 2019	Not Reviewed 1 July- 30 September 2019	Not Reviewed 1 January- 30 September 2018	Not Reviewed 1 July- 30 September 2018
Revenue	21	839.506.211	283.425.315	671.322.075	244.768.379
Cost Of Sales (-)	22	(495.146.662)	(167.203.438)	(387.413.937)	(145.932.763)
Gross profit		344.359.549	116.221.877	283.908.138	98.835.616
General Administrative Expenses (-)	23	(42.651.676)	(16.319.585)	(31.614.575)	(9.830.114)
Marketing, Selling And Distribution Expenses (-)	23	(197.111.991)	(69.548.534)	(168.129.437)	(54.197.552)
Research And Development Expenses (-)	23	(4.876.222)	(1.637.607)	(3.257.630)	(1.149.958)
Other Income From Operating Activities	24	64.295.896	16.700.237	39.627.895	16.544.737
Other Expenses From Operating Activities	25	(51.033.428)	(17.231.120)	(33.493.292)	(11.944.983)
Operating Profit / Loss		112.982.128	28.185.268	87.041.099	38.257.746
Income From Investment Activities	26	500.466	331.209	489.418	158.497
Expenses From Investment Activities (-)	27	--	--	(22.727)	--
OPERATING INCOME BEFORE FINANCIAL INCOME		113.482.594	28.516.477	87.507.790	38.416.243
Financial Expenses (-)	29	(31.165.127)	1.929.427	(56.138.623)	(37.953.917)
Financial Income	28	5.211.094	1.097.872	12.751.608	10.589.919
PROFIT BEFORE TAX		87.528.561	31.543.776	44.120.775	11.052.245
Tax income/(expense)		(20.441.188)	(6.689.174)	(3.144.015)	4.272.443
Taxes On Income	30	(20.263.057)	(6.599.116)	(4.194.031)	3.391.257
Deferred Tax Income/(Expense)	30	(178.131)	(90.058)	1.050.016	881.186
PERIOD PROFIT / LOSS		67.087.373	24.854.602	40.976.760	15.324.688
Earnings Per Share					
Earnings Per Share (Kr)	31	0,000448	0,000166	0,000274	0,000102
OTHER COMPREHENSIVE INCOME					
Other Comprehensive Income/Expense Not To Be Reclassified To Profit Or Loss		(306.614)	(28.678)	(301.484)	(363.668)
Actuarial Gain/Loss Arising From Defined Benefit Plans	18	(383.267)	(35.847)	(376.855)	(454.585)
Tax Income/(Expense)		76.653	7.169	75.371	90.917
Deferred Tax (Expense) Income	30	76.653	7.169	75.371	90.917
Other Comprehensive Income/Loss To Be Reclassified To Profit Or Loss		(198.098)	178.408	(1.005.198)	(547.183)
Currency Translation Differences		(198.098)	178.408	(1.005.198)	(547.183)
OTHER COMPREHENSIVE INCOME (LOSS)		(504.712)	149.730	(1.306.682)	(910.851)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		66.582.661	25.004.332	39.670.078	14.413.837

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED AS AT 1 JANUARY-30 SEPTEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

					Other Comprehensive Income/Expense Not To Be Reclassified To Profit Or Loss		Other Comprehensive Income/Loss To Be Reclassified To Profit Or Loss				
	Paid In Capital	Inflation Adjustments Of Shareholders' Equity	Buy-Back Shares	Share Premiums/ Discounts	Gains/ Losses On Revaluation And Remeasurement	Actuarial Gain/Loss Arising From Defined Benefit Plans	Currency Translation Differences	Restricted Reserves	Retained Earnings	Net Income For The Period	Total Equity
	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)	(Note 20)
Balance at 01 January 2018	42.799.695	25.090.345	(11.081.201)	999.353	79.374.196	(3.596.261)	(307.917)	12.789.314	19.725.898	69.349.999	235.143.421
Adjustment on errors	--	--	--	--	--	--	--	--	2.745.325	--	2.745.325
Buy-Back Shares	--	--	(3.405.068)	--	--	--	--	6.669.928	(6.669.928)	--	(3.405.068)
Transfer From Retained Profit	--	--	--	--	--	--	--	--	69.349.999	(69.349.999)	--
Period Profit / Loss (Net)	--	--	--	--	--	--	--	--	--	40.976.760	40.976.760
Other Comprehensive Income	--	--	--	--	--	(301.484)	(1.005.198)	--	--	--	(1.306.682)
Transfer to capital	106.999.237	(25.090.345)	--	(999.353)	--	--	--	--	(80.909.539)	--	--
Balance at 30 September 2018	149.798.932	--	(14.486.269)	--	79.374.196	(3.897.745)	(1.313.115)	19.459.242	4.241.755	40.976.760	274.153.756

Balance at 1 January 2019	149.798.932	--	(14.486.269)	--	78.924.196	(2.705.415)	(828.537)	19.459.242	1.502.178	75.639.181	307.303.508
Previous Period Tax Adjustments	--	--	--	--	--	--	--	--	(679.723)	--	(679.723)
Transfer From Retained Profit	--	--	--	--	--	--	--	4.061.103	71.578.078	(75.639.181)	--
Period Profit / Loss (Net)	--	--	--	--	--	--	--	--	--	67.087.373	67.087.373
Other Comprehensive Income	--	--	--	--	--	(306.614)	(198.098)	--	--	--	(504.712)
Balance at 30 September 2019	149.798.932	--	(14.486.269)	--	78.924.196	(3.012.029)	(1.026.635)	23.520.345	72.400.533	67.087.373	373.206.446

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED AS AT 1 JANUARY-30 SEPTEMBER 2019 AND 2018
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Not Reviewed</i>	<i>Not Reviewed</i>
	Note	1 January – 30 September 2019	1 January – 30 September 2018
A. Cash Flow From Operating Activities :			
Profit / (Loss) Of The Period		67.087.373	40.976.760
Adjustments Related To Reconciliation Of Profit/(Loss)			
Adjustments Related To The Increase/Decrease In Amortization And Depreciation	12-13	22.888.313	18.262.281
Adjustment To Unearned Interest On Receivables	5-24	(11.251.073)	(9.024.800)
Adjustment To Unearned Interest On Payables	5-25	10.124.386	7.933.562
Adjustment To Interest Expenses	14	3.381.374	2.104.264
Adjustments Related To Provision (Reversal) For Employee Benefits	18	2.330.424	2.194.150
Adjustment To Provision For Lawsuits	17	–	1.500.000
Adjustment To Provision For Doubtful Receivables	5	625.317	(735.262)
Adjustment To Fair Value Increase / (Decrease)	20-26	–	(6.492)
Adjustment To Tax Income (Expenses)	30	20.441.188	3.068.643
		115.627.302	66.273.106
Changes In Operating Assets And Liabilities			
Changes In Trade Receivables	5	(13.669.814)	(36.393.894)
Changes In Other Receivables	6	(182.196)	205.051
Changes In Other Assets	7	(7.251.919)	6.264.043
Changes In Inventories	8	(51.257.269)	(54.183.282)
Changes In Prepaid Expenses	9	5.676.023	(21.477.569)
Changes In Trade Payables	5	(5.218.202)	21.177.647
Changes In Other Payables	6	161.041	(1.214.938)
Changes In Employee Benefit Liabilities	15	3.249.234	6.422.447
Changes In Other Liabilities	7	(12.324.118)	14.732.289
Changes In Deferred Income	16	17.433.616	3.763.021
Taxes Returns (Payments)	30	(14.430.045)	(9.919.120)
Interest Paid	29	21.897.515	14.753.933
Interest Received	28	(553.830)	(71.678)
Total		59.157.338	10.331.056
B. Cash Flow From Investing Activities			
Changes In Financial investment	10	(290.000)	240.257
Cash Inflows From Sales Of Tangible And Intangible Assets	12-13	18.882.595	7.456.538
-Cash Inflows From Sales Of Tangible Assets		18.882.595	6.768.767
-Cash Inflows From Sales Of Intangible Assets		–	687.771
Cash Outflows From Purchases Of Tangible And Intangible Non-Current Assets	12-13	(65.538.675)	(66.011.673)
-Cash Outflows From Purchases Of Intangible Assets		(60.998.276)	(51.935.702)
-Cash Outflows From Purchases Of Intangible Assets		(4.540.399)	(14.075.971)
Collections From Advances Given	6	–	3.225.587
-Collections From Related Parties		–	3.225.587
Total		(46.946.080)	(55.089.291)
C. Cash Flow From Financial Activities			
Cash Inflows / (Outflows) From Borrowings	14	64.129.925	146.316.881
Cash Outflows From Payables	14	(55.672.351)	(39.398.177)
Cash Inflows / (Outflows) From Leasing Payments	14	(226.304)	(102.406)
Interest Paid	29	(21.897.515)	(14.753.933)
Interest Received	28	553.830	71.678
Cash Outflows Related To Buy-Back Shares	20	–	(3.405.068)
Total		(13.112.415)	88.728.975
Foreign Currency Translatiın Differences of Cash and Equivalents Before Effect of Net Increase / Decrease (A + B + C)		(901.157)	43.970.740
D.The Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents	20	(198.098)	(1.005.198)
Net Increase In Cash And Cash Equivalents in / Decrease (A + B + C + D)		(1.099.255)	42.965.542
E. Beginning Of The Period Cash And Cash Equivalents	4	64.079.474	34.502.481
Cash And Cash Equivalents At The End Of The Period (A+B+C+D+E)	4	62.980.219	77.468.023

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

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

(Currency - Turkish Lira unless expressed otherwise.)

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS, ORIGINALLY ISSUED IN TURKISH)

NOTE 1 – ORGANIZATION OF THE GROUP

Yataş Yatak ve Yorgan Sanayi Ticaret Anonim Şirketi (“Parent Company”) and its subsidiary are referred as “Group” on the notes to the consolidated financial statements.

The summarized information of entities which are consolidated with “complete consolidation method” is comprised of the following;

Yataş Yatak ve Yorgan Sanayi Ticaret Anonim Şirketi

Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş. (“Company”) was established in 1987. The Company’s engaged in the production of bed, furniture, quilt, armchair, sofa, home textile and home furniture. The Company acquired and merged with İstanbul Pazarlama Yatak ve Yorgan Sanayi Ticaret A.Ş (“Yataş İstanbul Pazarlama A.Ş.”) on 28 February 2011. The Company established ‘Yatas Europe GMBH’ On 10.07.2015 as owner of 100% shares. Therefore the Company begin to prepare its consolidated financial statements in complete consolidation method.

For the period ended at 30 September 2019, 2.247 personnel are employed at the Company (31 December 2018: 2.096).

Company registered on the Kayseri Chamber of Industry with the number of 14222 and its legal adres Organize Sanayi Bölgesi 18. Cadde No:6 Melikgazi / Kayseri. The Company’s operating activities located on the Turkey. The Company has 78 stores located on Turkey.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul (“BIST”) since 1996.

Company’s shareholding structure is mentioned in Note 20.

Yatas Europe GMBH

Yatas Europe Gmbh (“Yatas Europe”) was established in 10.07.2015 in Germany. The Company’s engaged in export and import of Bed, Furniture, Quilt, Armchair, Sofa, Home Textile and Home Furniture.

For the period ended at 30 September 2019, 5 personnel are employed by the Company (31 December 2018: 5 Personnel). Yatas Europe’s shareholding structure as of 30 September 2019 in EUR are as following;

	30 September 2019		31 December 2018	
	Share Percentage	Share Amount	Share Percentage	Share Amount
Shareholders				
Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş.	%100.00	100.000	%100.00	100.000
Total	%100.00	100.000	%100.00	100.000

Yatas Rus Ltd.

Yatas Rus Limidet Şirketi (“Yatas Rus”), was established in 03.07.2019 in Russia. The Company’s engaged in export and import of Bed, Furniture, Quilt, Armchair, Sofa, Home Textile and Home Furniture. For the period ended at 30 September 2019, 4 personnel are employed by the Yatas Rus. Yatas Rus’s shareholding structure as of 30 September 2019 in RUBLE is as following;

	30 September 2019	
	Share Percentage	Share Amount
Shareholders		
Yataş Yatak ve Yorgan Sanayi Ticaret A.Ş.	%100.00	3.500.000
Total	%100.00	3.500.000

NOTE 2 – BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.a. Basis of Presentation

Compatibility Statement

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/IFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries and associates operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The consolidated financial statements, except for the financial asset/liabilities and land, buildings presented with their fair values, are maintained under historical cost conversion in TRY. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS/IFRS.

Going Concern

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

Approval of Consolidated Financial Statements

Consolidated financial statements of the Group are approved by the Board of Directors and granted authority to publish on August 15, 2019. With no intention, the Board of Directors and some regulative agencies have the right to change the financial statements that were prepared according to legal regulations after they have been published.

Financial Statements Correction in High Inflation Period

Group was abolished inflation accounting application for 1 January 2005

Currency

The financial statements and the prior period financial statements for comparison purpose, in the accompanying statements are prepared in terms of Turkish Lira (TRY).

Subsidiaries Operating in Countries Other Than Turkey's Financial Statements

Financial statements of subsidiaries, operating in countries other than Turkey, are prepared properly according to their laws and to regulations and are adjusted Turkish Accounting Standards and Turkish Financial Reporting Standards for the purpose of fair presentation by the Public Oversight Accounting and Audited Standards Authority. The related Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Foreign exchange differences arising from the use of the average and balance sheet date rates are included in the "currency translation difference" under the shareholders' equity.

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

(Currency - Turkish Lira unless expressed otherwise.)

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS, ORIGINALLY ISSUED IN TURKISH)

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a basis, or realize the asset and settle the liability simultaneously.

Basis of Consolidation

The companies are subject to "Complete Consolidation Method" if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding companies' operations are belonging to the Parent Company. Parent Company has controlling rights if it is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The companies which have continuous relationship on management and power to govern Parent Company's policies and/or which have direct or indirect capital and management relationship or which have voting share of Parent Company between the rates 20-50% are accounted by using equity pick-up method.

Complete Consolidation Method

The principles of consolidation followed in the preparation of the accompanying financial statements are as follows:

- The financial statements of the consolidated subsidiaries have been equipped according to the accounting principles of the Parent Company.
- The share of the Parent Company in the shareholders equity of subsidiaries is eliminated from the financial of subsidiaries these are adjusted according to the accounting principles of financials of the Parent Company.
- The income statements of the Parent Company and the subsidiaries are consolidated a line by line basis and the transaction between companies are eliminated mutually. Consolidation of income statements of subsidiaries held in an audit period are based on the investment date and the items after the holding date are included.
- The minority part of shareholders' equity including paid capital of the companies subject to consolidation is classified as "Minority Interest" in accompanying financial statement.

The portion of the third parties other than consolidated companies in the net profit or losses of the subsidiaries are classified as "Minority Interest" in the income statements. The 100% shares of the subsidiary is owned by the Parent Company therefore minority interest is not occurred.

As of 30 September 2019 and 31 December 2018 the Company that are subject to "Complete Consolidation Method" if directly or indirectly 50% or more than 50% of their shares or over 50% of their voting rights or the controlling rights regarding companies' operations are belonging to the Parent Company are as below;

Subsidiaries	Ownership of the Parent Company		Minority Interest
	(Direct)	(Direct+ Indirect)	
Yatas Europe Gmbh	100.00%	100.00%	-
Yatas Rus Limidet	100.00%	100.00%	-

2.b. Changes in Accounting Policies

A Group may change its accounting policy only in the following situation;

- If it is required by a Standard or Exercise or
- If it assures to present financial status, performance of The Group or transaction effects on the cash flow and effects of events on the financial statements more reliable and consistent.

The user of financial statements should be able to compare financial statements of a Group within the time period to determine the financial status, performance of The Group or transaction effects on the cash flow. Due to this reason, unless there is a change in accounting policy as stated above, it has to apply same accounting policy in every interim and fiscal period.

The Group has initially adopted IFRS 16 Leases from 1 January 2019.

The accounting policies used in preparation of condensed consolidated financial statements as at 30 September 2019 except for described below are consistent with those used in the preparation of consolidated statements for the year ended 31 December 2018.

Impacts of Consolidated Financial Statement

The Group applied TFRS 9 – Leases effective from 1 January 2019 and financial statements effects of the these standards are explained below; applied actual accounting policy is explained on Note 2.d.

The Group has adopted TFRS 16 “Lease” instead of TAS 17 from 1 January 2019 with simplified approach. The Group has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach. 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 recognized 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 Effect of the adoption of TFRS 16

	Right of Use Assets	Lease Payables
Right of use assets	75.226.086	--
Lease payables	--	75.226.086
Depreciation charge	(19.583.961)	--
Lease payments and interest accruals (net)	--	(16.688.694)
Balance at September 30	55.642.125	58.537.392

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at September 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Standards, amendments and interpretations effective as of 1 January 2019:

- TFRS 9 - Financial Instruments (Amendments)
- TAS 28 - Investments in Associates and Joint Venture (Amendments)
- TFRS 16 – Leases
- TFRS 19 Employee Benefits (Amendments)

Standards, amendments and improvements issued but not yet effective and not early adopted:

- TAS 1 AND TAS 8 (Amendments)
- TFRS 3 - Business Combinations (Amendments)
- TFRS 17 - Insurance contracts (Amendments)

The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

2.c. Changes in Accounting Estimates and Errors

The accompanying consolidated financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by the Group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements. Changes in accounting estimates and errors explained in title of "Comparative Information and Previous Periods Financial Statements Adjustments".

Comparative Information and Previous Periods Adjustments

For the purpose of conducting a comparison of financial position and performance trend, Group's current financial statements are prepared comparative with previous periods. Comparative information is reclassified to be compatible with the presentation of current financial statements, when necessary.

2.d. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalent values contain cash on hand, bank deposits and high liquidity investments. Cash and cash equivalents are showed with obtaining costs and the total of accrued interests.

Financial Instruments

Classification and Measurement

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

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

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

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

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

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

Financial assets	Classification under TAS 39	Classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Financial assets	Fair value through profit or loss	Fair value through profit or loss
Financial liabilities	Classification under TAS 39	Classification under TFRS 9
Borrowings	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

Impairment

"Expected credit loss model" defined in TFRS 9 "Financial Instruments" superseded the "incurred credit loss model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group.

Trade Receivables

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

Buy-Back Shares

The buy back shares are reflected in the "Buy-Back Shares disclosure" account under shareholders' equity in the Consolidated Financial Statements in accordance with the II-22.1 of the CMB's Communiqué on "Acquisition of Buy Back Shares". In addition, the shares are classified in "Restricted reserves" in accordance with the related communiqué.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All of the other borrowing costs are recorded in the income statement in the period in which they are incurred. For the periods ended there is no capitalized borrowing cost.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the "weighted average" method. Cost elements included in inventories are materials, labor and factory overheads. The cost of borrowings is not included in the costs of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

Tangible Fixed Assets and Amortisations

Tangible fixed assets except lands, buildings are carried at cost, restated by deduction of the yearly accumulated depreciation. Land and buildings are valued with their fair values. Borrowing costs are recognized in accordance with TAS-23 as an element of the book value of assets that are manufactured by the entity. Entities may subject their tangible assets to revaluation. Depreciation is calculated on a straight-line basis over the adjusted amounts and at the rates that reflect the economic useful lives of the following assets Land is considered as limitless useful life, so it is not subject to depreciation. Expected useful life, residual value and amortization method are reviewed for possible effects of changes in estimates and are accounted for prospectively if there is a change in estimates.

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

	<u>Useful Life</u>
Buildings	25-50 years
Land improvements	8-25 years
Property, plant and equipment	5-14 years
Motor vehicles	4-10 years
Furniture, fixtures and office equipment	5-25 years
Leasehold improvements	Rental Period - 5-10 years

Property, plant and equipment are reviewed for possible impairment and the carrying value of the tangible asset is reduced to its recoverable amount if the recoverable amount is greater than its recoverable amount. The recoverable amount is recognized as the higher of net cash flows from the current use of the property, plant and equipment and net selling price.

Appraisal reports containing fair value of property, plant and equipment held for sale is not obtained, Therefore method of deducting selling prices from fair value has not been applied. Property, plant and equipment held for sale are stated at cost in the financial statements.

Intangible Fixed Assets

Intangible fixed assets comprise of rights and they are recorded at acquisition cost. Intangible fixed assets are amortized on a straight-line method with prorated basis over period of between 3-10 years from the date of acquisition.

Investment Property

Investment properties, which are properties, held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal

TFRS 16 Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of 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 (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
- ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) amount of the initial measurement of the 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 Group; 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 applies the straight-line method to depreciate the right of use. 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 insubstance fixed lease payments.

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 rightof- 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:

- 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.

Leases with a lease term of 12 months or less and leases of low-value assets determined by the Group are evaluated in scope of the exemption of TFRS 16 and payments associated with those leases are recognised on a straight-line basis as an expense in profit or loss.

Impairment of Assets

The Group evaluates whether there is an indicator for the decrease in value related to the asset for the rest of every assets of financial assets which are shown with the deferred tax and fair value, or not, at the every financial statement date. If there is an indicator, the regain amount of this asset is estimated. Impairment occurred if the topic assets or the net book value of unit which is belong to assets that produce cash is higher than the regain amount which was gained with the help of using or sale. In the related period, impairment lost is accounted in the income statement. Impairment loss of assets is reversed in the manner of not passing the amount of impairment which was saved before, in the situation of association an amount which was occur at the period which is following registration of impairment with the following increase in regain amount of this assets.

Severance Pay Provision / Employee Benefits

• Severance Pay

Under Turkish Labor Law, Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies.

The Group has reflected the severance pay liability calculated on the balance sheet date on the financial statements using the expected inflation rate and the real discount rate based on the principles stated above for the financial statements as of 30 September 2019.

The Group has calculated severance pay liability on the financial statements in the accompanying consolidated financial statements using the "Projection Method" based on the experience gained over the past years by the Group in completing the personnel service period and entitlement to termination indemnity and discounting it with the government treasury rate at the balance sheet date. All calculated gains and losses are reflected in the income table.

• Social Insurance Premium

Group pays social security contribution to social security organization compulsorily. So long as Group pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

Fair value estimation:

The Group's various accounting policies and footnote disclosures require fair value for both financial and non-financial assets and liabilities. The fair values are determined by the following methods for valuation and / or disclosure purposes. Where feasible, the assumptions used in the determination of fair value are presented in the footnotes related to the asset or liability as additional information. Level-by-level valuation methods are defined as follows:

- Level 1: Quoted prices (unadjusted) 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 (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Tax

In the accompanying Consolidated Financial Statements, the tax consists of corporate tax provision and deferred tax. The corporation tax that will be arise from the results of the period's operations have set aside a provision for the income tax liabilities at the statutory tax rates that are valid at the balance sheet date.

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset.

Revenue recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - "Revenue from Contracts with Customers Standard" effective from 1 January 2018:

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the goods or perform services, are determined as separate performance obligations

Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group's collection right of the consideration for the goods or services,
- b) customer's ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer's ownership of significant risks and rewards related to the goods or services,
- e) customer's acceptance of goods or services.

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

Interest income

Interest income is accrued in proportion as effective interest rate which reduces estimated cash addition to recorded value of the asset in corresponding period.

Dividend and other incomes

Dividend income which obtained from share investments, is recorded when shareholders' have the right to get dividend.

Other incomes are recorded with the possibility of having the worth giving service or accrual of the facts related with income, making the transfer of risk and benefit, determination of income amount and enrollment of economic benefits related with the procedure.

Accounting Estimates

The accompanying consolidated financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by the Group management to be compatible with statements required by Public Oversight Accounting and Auditing Standards Authority. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

Comments those would have significant effect on balances reflected in the financial statements and important expectations and valuations considering present or future expectation as of report date, are as following.

Provision for inventories

Inventories are valued at the lower of cost or net realizable value. The Group management has determined that some of its inventories cost value are higher than the their net realizable value as of the balance sheet date. Management of the company has estimated the future cash flow amounts, replacement costs and the sales prices may be generated in the ordinary business activity from the sale of inventories in the calculation of the impairment.

Provision for doubtful receivables

Provision for doubtful receivables reflects the future loss that the Group anticipates to incur from the trade receivables as of the balance sheet date which is subject to collection risk considering the current economical conditions. During the impairment test for the receivables, the debtors are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is presented in Note 5.

Useful lifetime of tangible and intangible assets

Group reserves provision for depreciation regarding to footnote 2.d that refers to useful lifetime on fixed assets. Information about useful lifetime is described in footnote 2.d.

Provision for lawsuits

While setting provision for lawsuits, it has considered probability to lose lawsuit, then the consequences of losing case by the legal advisor of the Group. Details of the lawsuits provisions are in Note 19 based on the estimation by utilizing information given by Group Management.

Severance pay provision

Severance pay provision is calculated with actuarial expectation based on assumptions like discount rates, salary increase in the future and probability to quit the job. This planning covers long term concerns. Hence assumptions involve vital uncertainty. Provisions for employee benefits are given in detail in Note 18.

Deferred Tax

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with IFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and IFRS financial statements. The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances.

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The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring, the carry-forward period associated with the deferred tax assets, future reversals of existing taxable temporary differences that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. As a result of the revaluation, as of 30 September 2019, temporary differences due to tax incentives can be foreseen and the fraction falls in continuity of tax incentives within the context of tax legislations, can be benefited from and is to be tax assets and accounted. As of balance sheet date, the details regarding deferred tax calculations are stated in Note 30.

Provisions, Contingent Liabilities and Assets

Provisions

Provisions are recognized when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent Liabilities and Assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of the Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Foreign Currency Assets and Liabilities

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange profit and loss are reflected to the income statements.

USD, EUR and GBP are used at the end of the period as follows:

	30 September 2019	31 December 2018
USD	5,6591	5,2609
EUR	6,1836	6,0280
GBP	6,9487	6,6528

Effects of Change in Currency Rate

Assets and liabilities in foreign currency and purchase and sale commitments create exchange risk. Foreign exchange risk stemming from depreciation or appreciation of Turkish Lira managed by top management by following the currency position of Group and taking position according to approved limits

Earnings Per Share

Earnings per share in the consolidated income statements are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making distribution of "bonus shares" to existing shareholders from inflation adjustment difference in shareholder's equity. For the purpose of the earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of "bonus shares" issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

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Other Balance Sheet Items

Other balance sheet items are mainly reflected at book value.

Cash Flow Statement

The Group prepares statement of cash flows to inform users of financial statements about changes in net assets and ability to direct financial structure, amounts and timing of cash flows according to changing situations. In the statement of cash flows, current period cash flows are grouped according to operating, financing, and investing activities. Operating cash flows resulting from activities in scope of Group's main operating scope. Cash flows related to investing activities are cash flows resulting from investing activities (fixed investments and financial investments) of the company. Cash flows related to financing activities comprise of funds used in financing activities of the Group and their repayments. Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant change in value.

Post Balance Sheet Events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the consolidated financial statements. In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 35).

Reporting of Financial Information by Segments

The Group does not have an activity area to report activity according to the departments.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Group's Board of Directors and their families. In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms:

Süntaş Sünger ve Yatak Sanayi Ticaret Anonim Şirketi (in liquidation)

Süntaş Sünger ve Yatak Sanayi Ticaret Anonim Şirketi (in liquidation) was established in 1976 in Kayseri. The Company engaged in trade of polyurethane foam and quilt bed quilts and so on. The company have gone to into liquidation since march 2019.

NOTE 3– RELATED PARTY TRANSACTIONS

	30 September 2019		31 December 2018	
	Trading	Non- Trading	Trading	Non- Trading
Short Term Trade Receivables (Note 5)				
Süntaş Sünger ve Yatak San.Tic. A.Ş. (in liquidation)	4.331.241	--	6.337.998	--
Total	4.331.241	--	6.337.998	--

YATAŞ YATAK VE YORGAN SANAYİ TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY
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	30 September 2019		31 December 2018	
	Trading	Non-Trading	Trading	Non-Trading
Short Term Other Payables (Note 6)				
Hacı Nuri Öztaşkın	--	110.000	--	--
Total	--	110.000	--	--

Sales to and / or income from related parties:

	1 January – 30 September 2019	
	Goods and Services Sales	Maturity Income
Süntaş Sünger ve Yatak San.Tic. A.Ş. (in liquidation)	7.328.975	--
Total	7.328.975	--

	1 January – 30 September 2018	
	Goods and Services Sales	Maturity Income
Süntaş Sünger ve Yatak San.Tic. A.Ş. (in liquidation)	11.985.279	198.714
Total	11.985.279	198.714

Purchases and / or expenses from related parties:

	1 January – 30 September 2019	
	Goods and Services Purchases	Rent Expenses
Süntaş Sünger ve Yatak San.Tic. A.Ş. (in liquidation)	778.851	655.932
Yavuz Altop	--	609.348
Yılmaz Öztaşkın	--	609.348
Diğer ortaklar	--	1.218.696
Toplam	778.851	3.093.324

	1 January – 30 September 2018	
	Goods and Services Purchases	Rent Expenses
Süntaş Sünger ve Yatak San.Tic. A.Ş. (in liquidation)	530.966	564.407
Yavuz Altop	--	559.366
Yılmaz Öztaşkın	--	559.366
Diğer ortaklar	--	1.118.732
Toplam	530.966	2.801.871

The total amount of benefits provided to the senior management such as the chairman and members of the board of directors, general manager, general coordinator and general manager of the Group for the period ended 30 September 2019 is TRY 24.425.417 (30 September 2018: TRY 11.129.110).

4 - CASH AND CASH EQUIVALENTS

As of 30 September 2019 and 31 December 2018, the details of cash and cash equivalents are as follows:

	30 September 2019	31 December 2018
Cash	120.271	81.292
Banks	10.611.304	22.754.150
Time deposits	10.611.304	22.754.150
Liquid funds(*)	52.248.644	41.244.032
Total	62.980.219	64.079.474

(*) Liquid funds consist of receivables arising from credit card sales.

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5 - TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Short Term Trade Receivables

	30 September 2019	31 December 2018
Trade Receivables	116.807.150	85.236.878
- Trade Receivables from related parties (note 3)	2.840.841	2.721.698
- Other trade Receivables	113.966.309	82.515.180
Notes Receivables	28.528.780	31.766.968
- Notes receivables from related parties (note 3)	1.490.400	3.616.300
- Other notes Receivables	27.038.380	28.150.668
Unearned Interest (-)	(6.262.018)	(3.856.611)
Doubtful trade receivables	15.577.622	16.583.412
Provision for doubtful trade receivables (-)	(15.577.622)	(14.952.305)
Total	139.073.912	114.778.342

Long Term Trade Receivables

None.

The maturity schedule of receivables are as follows:

	30 September 2019	31 December 2018
Overdue	35.000	95.500
Up to 3 months	118.571.650	87.318.496
3 to 12 months	26.729.280	29.589.850
1 to 5 years	--	--
Total	145.335.930	117.003.846

The maturity schedule of overdue receivables are as follows:

	30 September 2019	31 December 2018
0 to 3 months	35.000	95.000
6 months and older	--	500
Total	35.000	95.500

The movement schedule of provision for doubtful receivables is as follows:

	30 September 2019	31 December 2018
Opening balance	14.952.305	9.417.739
Additional provisions in the period	658.200	5.942.722
Cancellation of provision in period (-)	(32.883)	(408.156)
Total (End of the period)	15.577.622	14.952.305

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Trade Payables

Short Term Trade Payables

	30 September 2019	31 December 2018
Trade payables	110.377.077	78.458.806
Notes payables	28.170.091	51.680.083
Unearned interest (-)	(8.347.098)	(4.815.003)
Other	30.000	--
Total	130.230.070	125.323.886

Long Term Trade Payables

None.

As of 30 September 2019 and 31 December 2018 maturity schedule of payables are as follows:

	30 September 2019	31 December 2018
Up to 3 months	27.640.392	124.108.006
3 to 12 months	110.936.776	6.030.883
Total	138.577.168	130.138.889

6 - OTHER RECEIVABLES AND PAYABLES

Short Term Other Receivables

	30 September 2019	31 December 2018
Receivables from personnel	320.332	231.557
Other	33.884	--
Total	354.216	231.557

Long Term Other Receivables

	30 September 2019	31 December 2018
Deposits and guarantees given	815.591	756.054
Total	815.591	756.054

Short Term Other Payables

	30 September 2019	31 December 2018
Other payables to related parties (note 3)	110.000	--
Other sundry payables	196.736	145.695
Total	306.736	145.695

7 - OTHER ASSETS AND LIABILITIES

Other Current Assets

	30 September 2019	31 December 2018
VAT carried forward	7.310.486	364.286
Receivables from tax office	793.686	487.967
Total	8.104.172	852.253

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Other Current Liabilities

	30 September 2019	31 December 2018
Taxes and dues payable	1.246.664	8.474.921
Overdue or deferred taxes and dues payable	2.799.714	7.823.804
Other liabilities	500.727	462.097
Total	4.547.105	16.760.822

8 – INVENTORIES

	30 September 2019	31 December 2018
Raw materials	22.170.733	14.475.129
Work in process	7.248.262	11.475.884
Finished goods	153.712.776	102.678.200
Merchandises	18.101.299	22.543.465
Other inventories (*)	1.568.457	371.580
Total	202.801.527	151.544.258

(*) Other inventories consist of goods on transit.

As of 30 September 2019, there is insurance coverage amounting to TRY 171.605.000 on inventories (31 December 2018: 169.605.000)

9 – PREPAID EXPENSES

Short-Term Prepaid Expenses

	30 September 2019	31 December 2018
Order advances given	28.967.415	29.813.790
Prepaid expenses	12.847.054	13.400.219
Advances given for business purposes	3.429.402	1.221.516
Advances given to personnel	872.229	1.029.975
Total	46.116.100	45.465.500

Long-Term Prepaid Expenses

	30 September 2019	31 December 2018
Prepaid expenses	7.196.478	6.880.541
Advances given for purchases of property, plant and equipment	--	6.642.560
Total	7.196.478	13.523.101

10 – FINANCIAL INVESTMENTS

The fair values of financial investments are classified as follows due to the data used to determine the levels.

As of 30 September 2019 and 31 December 2018 financial investments is as following;

Short term financial investmens

	30 September 2019	31 December 2018
Alternatif Menkul Kıymetler (ALFN2)	956	956
Toplam	956	956

As at 30 September 2019, short-term financial assets are reflected to the financial statements at their fair value.

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Long term financial investments (Available-for-sale financial assets)

	30 September 2019		31 December 2018	
	(%)	TRY	(%)	TRY
Kay-Ser A.Ş.	< 1	1.000	< 1	1.000
Total		1.000		1.000

The fair values of financial investments are classified as follows due to the data used to determine the levels.

30 September 2018	Level 1	Level 2	Level 3
Funds	956	--	--
Kay-Ser A.Ş.	--	--	1.000
31 December 2018	Level 1	Level 2	Level 3
Funds	956	--	--
Kay-Ser A.Ş.	--	--	1.000

11 –INVESTMENT PROPERTIES

Cost	Lands	Buildings	Total
1 January 2018	--	--	--
Transfer (*)	6.715.872	5.317.317	12.033.189
31 December 2018	6.715.872	5.317.317	12.033.189
Addition	--	290.000	290.000
Disposals	--	--	--
30 September 2019	6.715.872	5.607.317	12.323.189
Accumulated depreciation			
1 January 2018	--	--	--
Charge for the period	--	106.346	106.346
Transfer (*)	--	222.587	222.587
31 December 2018	--	328.933	328.933
Charge for the period	--	81.693	81.693
30 September 2019	--	410.626	410.626
Net book value, 31 December 2018	6.715.872	4.988.384	11.704.256
Net book value, 30 September 2019	6.715.872	5.196.691	11.912.563

(*) The Company reconsidered its tangible fixed assets and has reclassified the tangible fixed assets which will not be expected to be used in the production or supply of goods and services or which is intended to be sold in the ordinary course of business or for development and resale or used for the purpose of earning rentals into investment properties. The related investment properties were reported with their revalued amounts in the financial statements dated 31 December 2017. In this context, the classification is based on the net book values of the related assets shown in the financial statements.

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12-1 TANGIBLE FIXED ASSETS

Cost	Lands	Land improvements	Buildings	Plants, machinery and equipment	Vehicles	Fixtures and fittings	Leasehold improvements	Construction in progress	Total
1 January 2018	57.926.617	115.734	107.083.629	66.616.635	6.242.824	54.412.730	44.922.303	5.402.360	342.722.832
Addition	4.526.772	--	4.765.168	42.054.308	469.787	10.570.007	9.100.896	15.990.161	87.477.099
Transfer (*)	(6.715.872)	--	(5.317.317)	--	--	--	--	--	(12.033.189)
Disposals	(1.300.000)	(11.654)	--	(162.778)	(432.375)	(2.323.648)	(6.805)	(10.645.884)	(14.883.144)
31 December 2018	54.437.517	104.080	106.531.480	108.508.165	6.280.236	62.659.089	54.016.394	10.746.637	403.283.598
Addition	--	--	12.863.892	15.762.855	22.538	9.078.466	15.473.488	7.797.037	60.998.276
Disposals	--	--	--	(389.628)	(484.878)	(439.598)	(63.518)	(18.246.201)	(19.623.823)
30 September 2019	54.437.517	104.080	119.395.372	123.881.392	5.817.896	71.297.957	69.426.364	297.473	444.658.051
Accumulated depreciation									
1 January 2018	--	75.866	10.700.028	33.412.888	2.649.348	25.405.246	27.640.776	--	99.884.152
Charge for the period	--	3.359	2.092.545	6.138.296	756.003	5.730.949	7.711.122	--	22.432.274
Transfer (*)	--	--	(222.587)	--	--	--	--	--	(222.587)
Disposals	--	(6.604)	--	(144.125)	(357.028)	(1.401.894)	(3.222)	--	(1.912.873)
31 December 2018	--	72.621	12.569.986	39.407.059	3.048.323	29.734.301	35.348.676	--	120.180.966
Charge for the period	--	2.410	1.692.735	6.707.435	577.189	5.096.407	5.952.881	--	20.029.057
Disposals	--	--	--	(208.581)	(288.890)	(229.125)	(14.633)	--	(741.228)
30 September 2019	--	75.031	14.262.721	45.905.913	3.336.622	34.601.583	41.286.924	--	139.468.794
Net book value, 31 December 2018	54.437.517	31.459	93.961.494	69.101.106	3.231.913	32.924.788	18.667.718	10.746.637	283.102.633
Net book value, 30 September 2019	54.437.517	29.050	105.132.651	77.975.479	2.481.274	36.696.373	28.139.440	297.473	305.189.257

As of 30 September 2019 there is insurance amounting to TRY 430.215.577 on property, plant and equipment. The liability amounts for fixed assets are mentioned in Note 19.

(*)Please See, Note 11 above.

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12-2 RIGHT OF USE ASSETS

The Group has adopted the TFRS 16 “Leases” as at 1 January 2019 for the first time. Right of use assets and receivables from subleases are measured at an amount equal to lease liability adjusted by the amount of any prepaid or accrued lease payments for lease liabilities which had previously been classified as “operating leases” under the principles of TAS 17 in the interim condensed consolidated financial statements.

The amount of the right of use assets and the depreciation expenses as of September 30, 2019 are as follows:

	30 September 2019	31 December 2018
Balance at January 1	62.898.060	--
Effect of changes	12.328.027	--
Depreciation Charge	(19.583.961)	--
Toplam	55.642.126	--

13 - INTANGIBLE FIXED ASSETS

Cost	Patents	Trademarks	Licences	Computer Software	Other Rights	Total
1 January 2018	2.628.499	292.012	4.136.844	2.663.189	1.863.072	11.583.616
Addition	2.809.067	10.022.505	590.752	1.341.377	--	14.763.701
Disposals	--	--	(17.535)	(731.114)	--	(748.649)
31 December 2018	5.437.566	10.314.517	4.710.061	3.273.452	1.863.072	25.598.668
Addition	3.862.737	252.457	144.095	269.010	16.204	4.544.503
Disposals	--	--	--	--	--	--
30 September 2019	9.300.303	10.566.974	4.854.156	3.542.462	1.879.276	30.143.171
Accumulated depreciation						
1 January 2018	516.921	55.388	2.046.700	1.116.852	1.780.625	5.516.486
Charge for the period	1.184.828	58.765	598.362	393.851	27.486	2.263.292
Disposals	--	--	(11.469)	(49.410)	--	(60.879)
31 December 2018	1.701.749	114.153	2.633.593	1.461.293	1.808.111	7.718.899
Charge for the period	1.945.052	49.591	428.187	339.318	19.519	2.781.667
Disposals	--	--	--	--	--	--
30 September 2019	3.646.801	163.744	3.061.780	1.800.611	1.827.630	10.500.566
Net book value, 31 December 2018	3.735.817	10.200.364	2.076.468	1.812.159	54.961	17.879.769
Net book value, 30 September 2019	5.653.502	10.403.230	1.792.376	1.741.851	51.646	19.642.605

14 - FINANCIAL BORROWINGS

As of 30 September 2019 and 31 December 2018 the details of short term financial borrowings are as follows:

Short Term Financial Borrowings

	30 September 2019	31 December 2018
Turkish Lira financial borrowings	42.447.510	16.456.706
Foreign currency financial borrowings	42.941.579	22.040.896
Lease payables	22.303.546	--
Total	107.692.635	38.497.602

Current Installments of Long-Term Financial Liabilities

	30 September 2019	31 December 2018
Current installment of long term Turkis Lira financial borrowings	23.406.057	22.169.448
Current installment of long term foreign currency financial borrowings	24.652.208	22.503.965
Financial leasing payables	158.473	384.777
Total	48.216.738	45.058.190

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Long Term Financial Borrowings

	30 September 2019	31 December 2018
Turkish lira financial borrowings Lease payables	21.859.567	35.412.523
Foreign currency financial borrowings	60.111.423	87.829.060
Financial leasing payables	36.233.846	--
Lease payables	--	62.064
Total	118.204.836	123.303.647

As of September 30, 2019, the interest rates average of financial liabilities are 3,83 % in EUR and 27,54 % in TRY (31 December 2018: EUR – 3,42%, TRY – 22,74%) .

Liabilities given for bank borrowings are mentioned in note 19.

Maturity schedule of banks borrowings are as follows:

	30 September 2019	31 December 2018
Up to 3 months	39.963.006	17.905.943
Up to 12 months	114.170.370	65.649.849
1 to 5 years	115.809.713	117.582.527
Over 5 years	4.171.120	5.721.120
Total	274.114.209	206.859.439

15 – EMPLOYEE BENEFIT LIABILITIES

	30 September 2019	31 December 2018
Due to personnel	8.707.421	6.536.612
Social security and Taxes and dues payable	6.383.468	4.998.429
Total	15.090.889	11.535.041

16 – DEFERRED INCOME

	30 September 2019	31 December 2018
Advances received	31.148.732	13.715.116
Total	31.148.732	13.715.116

17 – PROVISIONS

	30 September 2019	31 December 2018
Expense accruals	12.077	122.478
Provisions for litigation expenses	2.765.120	2.765.120
Total	2.777.197	2.887.598

18 – PROVISIONS FOR EMPLOYEE BENEFITS

	30 September 2019	31 December 2018
Provision for severance pay	13.414.382	11.083.958
Total	13.414.382	11.083.958

The movement of the provision for employee benefits is as follows;

	30 September 2019	31 December 2018
Balance at the beginning	11.083.958	8.362.308
Cost of services	5.163.543	8.504.710
Interest cost	331.738	396.029
Actuarial profit / (loss)	383.267	(1.113.558)
Severance pay paid in the period	(3.548.124)	(5.065.531)
Total	13.414.382	11.083.958

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19 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

The movement of the provision for litigation is as follows;

	30 September 2019	31 December 2018
Opening balance	2.765.120	3.124.591
Provisions reversed during the period	--	(765.000)
Provisions within period	--	405.529
Closing balance	2.765.120	2.765.120

Contingent Liabilities

Given GSM (Guarantee-Security-Mortgage) by Group	30 September 2019	31 December 2018
A. Total Amount of GSM Given on Behalf of Legal Entity	311.145.203	300.034.132
B. Total Amount of GSM Given for Partnerships which are Included in Full Consolidation	Yoktur	Yoktur
C. Total Amount of GSM Given for the Purpose of Guaranteeing Third Party Loans to Carry the Regular Trade Activities	Yoktur	Yoktur
D. Total Amount of Other GSM Given	Yoktur	Yoktur
i. Total Amount of GSM Given for the Parent Company	Yoktur	Yoktur
ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses	Yoktur	Yoktur
iii. Total Amount of GSM Given for Third Parties not Included in C Clause	Yoktur	Yoktur
Total	311.145.203	300.034.132

Letters of guarantee - As of September 30, 2019, the Group has given letters of guarantee amounting to TRY 61.932.059 to the suppliers and other corporations. The details of the letters of guarantee are as below:

	Foreign currency	Amount	FX Rate	TRY equivalent
Electricity Distribution Companies	TRY	100.660	1,0000	100.660
Executive Directorate	TRY	3.046.163	1,0000	3.046.163
Customs Directorate	TRY	94.796	1,0000	94.796
Gas Distribution Companies	TRY	133.000	1,0000	133.000
Private Sector	TRY	1.167.407	1,0000	1.167.407
Private Sector	EUR	590.297	6,1836	3.650.159
Private Sector	USD	302.914	5,6591	1.714.221
Export Credit Bank of Turkey	EUR	8.352.250	6,1836	51.646.973
Government Supplies Office	TL	50.000	1,0000	50.000
Disaster and Emergency Situation of Ministry of Interior	TL	328.680	1,0000	328.680
Total				61.932.059

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The details of the letters of guarantee and surety bonds given are as follows;

	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	Foreign currency		TRY equivalent	
Bills given (EUR)	3.090.000	3.430.000	19.107.324	20.676.040
Surety bond (TRY)	--	2.000.000	--	2.000.000
Total			19.107.324	22.676.040

As at 30 September 2019, mortgages on various tangible assets of the Group amounting to TRY 230.105.820 (31 December 2018: TRY 224.431.300).

Contingent Asset

	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	Foreign currency		TRY equivalent	
Letters of Guarantee (TRY)	80.959.000	65.543.000	80.959.000	65.543.000
Letters of Guarantee (USD)	3.725.000	3.000.000	21.080.148	15.782.700
Letters of Guarantee (EUR)	805.000	910.000	4.977.798	5.485.480
Mortgages	96.687.500	66.737.500	96.687.500	66.737.500
Mortgages (Abroad)	2.985.000	2.804.000	13.817.408	13.761.445
Total			217.521.854	167.310.125

20 – SHARE CAPITAL

20.1 Paid in Capital

The registered capital of the parent company is TRY 150.000.000 (31 December 2018: TRY 150.000.000).

In accordance with the decision of the Board of Directors dated 27.03.2018 the Company increased TRY 95.988.292 to TRY 149.798.933 in order to be covered by the paid capital ceiling.

Paid-in capital of the parent company each 1 kr. of the total shares of the Company with a nominall amount of TRY 149.798.932 (31 December 2018: TRY 149.798.932).

The shareholding structure of the parent company as of 30 September 2019 and 31 December 2018 is as follows;

	30 September 2019		31 December 2018	
	Amount TRY	Share (%)	Amount TRY	Share (%)
Hacı Nuri Öztaşkın	12.427.403	8,30%	12.427.403	8,30%
Yılmaz Öztaşkın	10.940.192	7,30%	10.940.192	7,30%
Bostancı Otelcilik ve Turizm İşletmesi A.Ş	8.467.847	5,65%	8.467.847	5,65%
Other (*)	117.963.490	78,75%	117.963.490	78,75%
	149.798.932	%100,00	149.798.932	%100,00
Inflation Adjustment (**)	--		--	
Total	149.798.932		149.798.932	

(*) includes buy back shares nominal amount of TRY 3.871.458 mentioned in note 20.7

(**) Inflation adjustment is total difference between statutory capital amount to adjusted capital amount. Inflation adjustment restricted to be added on capital. The Company has been added to the capital in the interest of the decision of the board of directors dated March 27, 2018.

20.2 Previous Years Profits, Restricted Reserves, Fair Value Reserves and Other Capital Reserves

BIST Companies (Public Quoted Companies on Turkish Capital Market Board) distribute dividends according to the Communiqué No: II-19.1 on the dividend distribution effective from 01 February 2014 of the CMB. The arrangements and explanations in the Dividend Communiqué are summarized below.

The profit distribution will be distributed again with the decision of the General Assembly within the framework of the Dividend Distribution Policy to be determined by the General Assembly. While partnerships determine profit distribution policies, they will also decide whether to distribute dividends. In this framework, profit distribution is in principle an elderly person. The SPK will be able to set different principles for profit distribution policies according to the qualifications of the companies.

In the profit distribution policies of the partnership:

- Whether the profit is not to be distributed and distributed,
- Profit share ratios and the account to be applied to these ratios,
- Payment methods and time,
- Whether the dividend will be distributed as cash or bonus shares (for companies traded on the stock exchange)
- There are issues to be distributed and not to distribute profit share advance.

The upper limit of the profit share to be distributed is the distributable amount of the relevant profit distribution resources included in the statutory records. The dividend is distributed equally to all of the existing shares as a rule at the date of distribution. The acquisition and export dates of the shares are not taken into account. It can not be decided to allocate another reserves and to transfer the profit to the next year unless reserve is made in accordance with the Turkish Commercial Law and the dividend foreseen for the shareholders in the articles of association and profit distribution policy.

On condition that whether it is in the Articles of incorporation, dividends distributable to privileged shareholders or non-beneficial owner of the shares, members of the board of directors, employees. However, dividends can not be distributed to usufruct shareholders, members of the board of directors, employees and other people without paying cash dividends determined for shareholders. In principle, the Communiqué presumes that the amount to be distributed may be up to ¼ of the profit share distributed to the shareholders, unless a determination is made in the main agreement regarding the amount of the dividends to be paid to the listed persons, except for the preferential shares. If the dividend is to be distributed to people outside the shareholder and payment by installments is in question, the installment amounts shall be paid according to the installments to be paid to the shareholders and according to the same principles.

The new Capital Markets Law and the new Communiqué provide the opportunity for donations from partnerships. However, it is sought to make provision in the substantive contracts. The CMB will be able to set an upper limit, as the amount of donations can be determined by the general assemblies.

Companies whose shares are quoted in the stock exchange:

- Proposal of board of directors for dividend distribution
- Or the decision of the board of directors on the distribution of dividends
- Dividend distribution table or profit share advance distribution table

announced to the public. It is obligatory for the dividend distribution chart to be disclosed to the public at the latest when the ordinary general assembly schedule is announced.

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Restricted reserves

	30 September 2019	31 December 2018
Legal reserves	9.034.076	4.972.973
Reserves for buy back shares	14.486.269	14.486.269
Total	23.520.345	19.459.242

Actuarial gain on severance pay/ loss

	30 September 2019	31 December 2018
Actuarial gain on severance pay/ loss of fund	3.765.035	3.381.768
Deferred tax	(753.006)	(676.353)
Total	3.012.029	2.705.415

Revaluation Fund

Group's "buildings and lands" are stated in the financial statements at expertise value determined by Makro Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 29-30 December 2017, which is accredited by Capital Market Board as of 30 September 2019 with deducted accumulated depreciation.

	30 September 2019	31 December 2018
1 January 2018	78.924.196	87.209.339
Disposals	--	(500.000)
Deferred tax	--	(7.785.143)
Total	78.924.196	78.924.196

Foreign currency conversion differences

Currency conversion differences as of 30 September 2019 and 31 December 2018 are as follows;

	30 September 2019	31 December 2018
Foreign currency conversion differences	(1.026.635)	(828.537)
Total	(1.026.635)	(828.537)

Foreign currency translation differences consist of foreign currency exchange differences arising from the translation of foreign currency financial statements from the current currency to the reporting currency.

Buy back shares

As 30 September 2019 and 31 December 2018 buy back shares as following;

	30 September 2019	31 December 2018
Beginning of the period	(14.486.269)	(11.081.201)
Buy back shares (*)	--	(3.405.068)
Total	(14.486.269)	(14.486.269)

(*) Parent Company is authorised if it is necessary to buy back shares without any approval of the General Assembly, to the decision made in the Board of Directors meeting dated 01.09.2015. The decision is based on the scope of Communiqué on "Buy back shares numbered II-22.1 article 5 preventing "immediate and serious loss" issued by the CMB and it has been determined that there is a significant loss of 20% over the weighted average prices in the share prices of the Parent Company during the one month prior to the decision of the Board of Directors.

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In accordance with II-22.1 "Communiqué on Buy Back Shares" issued by the CMB, the Group has purchased the shares quoted in the Exchange Market. As of 30 September 2019, the Group has Purchased 3.871.458 shares amounting to TRY 14.486.269 that is 2,58 % of its total capital and reflected it in the accompanying financial statements under "Buy back shares in Equity". In addition, in accordance with the related communiqué, the amount of buy back shares is reclassified in "restricted reserves".

21 – REVENUE

For the periods ended at 30 September 2019 and 2018, the details of sales are as following:

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Domestic sales	1.258.699.210	411.895.745	995.023.025	354.076.378
Export sales	107.414.163	48.551.399	52.090.358	21.525.022
Other sales	7.335.047	2.405.396	6.807.572	2.592.580
Gross Sales	1.373.448.420	462.852.540	1.053.920.955	378.193.980
Sales returns (-)	(43.217.723)	(15.930.450)	(26.776.586)	(9.293.163)
Sales discounts (-)	(490.263.013)	(163.272.798)	(355.281.426)	(123.961.740)
Other discounts (-)	(461.473)	(223.977)	(540.868)	(170.698)
Sales returns and Discounts (-)	(533.942.209)	(179.427.225)	(382.598.880)	(133.425.601)
Net Sales	839.506.211	283.425.315	671.322.075	244.768.379

22 – COST OF SALES (-)

For the periods ended at 30 September 2019 and 2018, the details of cost of sales are as following:

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Cost of finished goods sold	(375.251.025)	(85.157.996)	(284.280.372)	(110.839.846)
Cost of merchandise	(105.245.961)	(77.011.526)	(90.271.866)	(30.458.218)
Cost of services sold	(14.649.676)	(5.033.916)	(12.861.699)	(4.634.699)
Total	(495.146.662)	(167.203.438)	(387.413.937)	(145.932.763)

23 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (-)

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Research and development expenses	4.876.222	1.637.607	3.257.630	1.149.958
Marketing, sales and distribution expenses	197.111.991	69.548.534	168.129.437	54.197.552
General administrative expenses	42.651.676	16.319.585	31.614.575	9.830.114
Total	244.639.889	87.505.726	203.001.642	65.177.624

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EXPENSES BY NATURE (-)

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July– 30 September 2018
Personnel expenses	68.545.310	25.275.543	58.333.658	18.276.958
Advertising expenses	39.785.825	8.048.269	37.282.155	9.181.252
Transportation expenses	33.874.199	13.711.796	27.576.437	10.681.161
Rent expenses	33.362.393	14.118.419	29.496.299	10.386.810
Amortization expenses	14.257.554	5.572.982	12.437.531	4.114.196
Retailer opening supports	13.033.270	7.727.098	8.336.081	1.224.551
Tax, duties and fee expenses	9.145.367	3.160.198	8.745.780	3.049.165
Travel and accommodation expenses	3.708.107	1.221.486	2.677.951	532.632
Consultancy expenses	3.374.964	1.397.696	2.363.850	1.208.809
Electricity, water, climate expenses	2.829.234	982.107	2.351.210	879.258
Retailers common area rent expenses	2.765.372	977.938	2.247.256	862.942
Retirement pay provision expenses	1.947.157	497.986	2.118.779	1.398.031
Material expenses	1.785.916	625.889	1.455.414	432.058
Maintenance and repair expenses	1.122.056	406.975	1.047.948	280.222
Insurance expenses	1.023.636	333.402	810.432	313.546
Provision for doubtful receivables	658.200	--	903.120	253.682
Communication expenses	465.504	158.670	295.881	96.067
Other expenses	12.955.825	3.289.272	4.521.860	2.006.284
Total	244.639.889	87.505.726	203.001.642	65.177.624

24 – OTHER INCOME

	1 January – 30 September 2019	1 July – 30 September 2019	1 January– 30 September 2018	1 July– 30 September 2018
Foreign exchange income	20.616.195	9.780.257	20.576.933	12.291.173
Maturity difference income	17.583.097	2.319.759	476.996	61.124
Rediscount income	11.251.073	255.603	9.024.800	1.375.239
Incentive income	5.348.047	2.123.276	2.307.161	541.421
Bank commission income	3.302.734	300.578	--	--
Union incentive income	1.325.184	522.120	1.205.101	235.749
Discounts, and premiums	570.945	--	1.118.391	398.298
Rent income	43.273	14.424	37.664	3.462
Reversal of unnecessary provision	32.883	(171.903)	1.638.382	4.331
Other income	4.222.465	1.556.123	3.242.467	1.633.940
Total	64.295.896	16.700.237	39.627.895	16.544.737

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25 – OTHER EXPENSES (-)

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Foreign exchange losses	21.215.240	10.857.786	15.758.820	8.488.644
Maturity difference expenses	12.289.331	3.065.463	4.757.101	519.292
Rediscount expenses	10.124.386	686.317	7.933.562	1.185.048
Previous periods losses and expenses	2.062.632	322.297	1.578.220	531.799
Donation expenses	543.766	23.734	--	--
Litigation provision expenses	--	--	1.500.000	--
Other expenses	4.798.073	2.275.523	1.965.589	1.220.200
Total	51.033.428	17.231.120	33.493.292	11.944.983

26 – INCOME FROM INVESTMENT ACTIVITIES

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Profit on sale of fixed assets	461.166	291.909	482.926	158.497
Fair value of financial investment	--	--	6.492	--
Fund Profit	39.300	39.300	--	--
Total	500.466	331.209	489.418	158.497

27 – INVESTMENT ACTIVITIES EXPENSES (-)

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Other expenses	--	--	22.727	--
Total	--	--	22.727	--

28 – FINANCIAL INCOME

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Foreign exchange income	4.657.264	1.033.018	12.679.930	10.523.209
Interest income	553.830	64.854	71.678	66.710
Total	5.211.094	1.097.872	12.751.608	10.589.919

29 – FINANCIAL EXPENSES (-)

	1 January – 30 September 2019	1 July – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Interest expenses	17.256.989	7.277.888	9.654.561	4.733.912
Foreign exchange losses	5.924.141	(7.400.640)	41.384.690	31.488.957
Bank commission	4.019.337	(94.035)	4.295.727	1.532.452
Lease payables interest accruals	3.343.471	(1.712.640)	--	--
Guarantee letter commison expenses	361.906	--	217.917	69.873
Other financial expenses	259.283	--	585.728	128.723
Total	31.165.127	(1.929.427)	56.138.623	37.953.917

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30 – TAX ASSETS AND LIABILITIES

In Turkey, the corporate tax rate is 22% as of 30 September 2019 (31 December 2018: 20%). According to the law "Law on the Amendment of Some Tax Acts and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the related law, deferred tax assets and liabilities in the financial statements as of September 30, 2019 are calculated with the tax rate of 22% for the portion of temporary differences that will have tax effect in 2018, 2019 and 2020.

As of 30 September 2019, provisional tax is payable at the rate of 22% (31 December 2018: 20%) on the income generated for the three-month periods according to tax legislation and the amounts paid in this way are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Declarations and related accounting records can be examined within five years of the tax year, and tax accounts can be revised by tax office. Companies in Turkey obligated to pay 15% income tax for dividend payments whether shareholders located in Turkey or not whether legal entity or not unless if company or person have exempt or non-obliged to pay corporate tax or income tax. The companies located in Turkey exempted if dividend pays to an other company. Also If profit not distributed or profit add to capital there is none corporate tax occur.

Exemption for Real Estate and Subsidiary Share Sales Gains

Dividend income (excluding profits from investment funds 'participation certificates and investment trusts' shares) obtained from participating in the capital of another corporation which is fully taxpayer is exempt from corporation tax. In addition, 75% of the profits arising from the sale of founders' shares, redeemable shares and preferential rights of real estates (immovables) owned by the same duration as the participation shares included in the assets of the institutions for at least two full years are exempt from corporate taxation as of 30 September 2019. However, with the amendment made by Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% in tax declarations to be prepared from 2018. In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made. There are many exceptions to the Corporate Tax Law. The following are the exceptions to the Company regarding these exceptions:

If the property that reflected balance sheet for two years and sold, thier income's 75% as of 31 December 2018 non-obliged to corporate tax for this reason Group's properties which are taxable might be occur temporary differences thus accepted 5% for previous periods corporate tax's (31 December 2018: 20%) 75% used exempt. As of 30 September 2019 the exemption rate was set at 50%, the exemption was applied and the new deferred tax rate was taken as 10%.

As of 30 September 2019 and 31 December 2018 assets relevant current period tax is as following;

	30 September 2019	31 December 2018
Prepaid taxes and funds	--	--
Total	--	--

Taxes in balance sheet

	30 September 2019	31 December 2018
Corporation tax	30.311.202	10.048.145
Prepaid taxes and funds (-)	(23.721.814)	(10.048.145)
Total	6.589.388	--

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Dereffred Taxes in balance sheet

	30 September 2019	31 December 2018
Asstes	13.815.248	7.972.430
Liabilities	(22.220.816)	(16.276.520)
Total	(8.405.568)	(8.304.090)

For the periods ended at 30 September 2019 and 2018, the details of tax income / expense are as following;

	1 January – 30 September 2019	1 January – 30 September 2018
Corporation tax	(20.263.057)	(4.194.031)
Deferred taxes in income statement	(178.131)	1.050.016
Total	(20.441.188)	(3.144.015)

	1 January – 30 September 2019	1 January – 30 September 2018
Recognized in other comprehensive income	76.653	75.371
End of term	76.653	75.371

Accorindg to the law “Law on the Amendment of Some Tax Acts and Some Other Laws” numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the related law, deferred tax assets and liabilities in the financial statements as of 30 September 2019 are calculated with the tax rate of 22% for the portion of temporary differences that will have tax effect in 2018, 2019 and 2020.

	30 Sep. 2019 Cumulative temporary difference	31 Dec. 2018 Cumulative temporary difference	30 Sep. 2019 Deferred tax assets / (liabilities)	31 Dec. 2018 Deferred tax assets / (liabilities)
Deffered taxes:				
Right of use assets	19.583.960	--	4.308.471	--
Retirement pay provision	14.527.940	12.197.516	2.905.587	2.439.503
Maturity diffenrece and adjustments on inventories	9.192.819	9.642.885	2.022.421	2.121.435
Provisions for doubtful receivables	6.773.317	6.219.952	1.490.130	1.368.390
Rediscount on receivables	6.262.018	2.903.975	1.377.644	638.875
Capitalized brand cancellations	3.424.305	3.424.305	684.861	684.861
Interest accruals	3.381.374	1.954.529	743.902	429.997
Fixed asset valuation decrease	500.000	500.000	50.000	50.000
Provision for costs	405.529	405.529	89.216	89.216
Adjustment of investment properties	188.039	106.346	41.369	23.396
Other	462.031	576.170	101.647	126.757
Deffered tax assets	64.701.332	37.931.207	13.815.248	7.972.430
Fixed asset valuation increases	(78.351.428)	(78.351.428)	(7.835.143)	(7.835.144)
Adjustment of tangible and intangible assets	(41.649.557)	(38.568.311)	(7.233.000)	(6.616.752)
Lease payables	(16.688.694)	--	(3.671.513)	--
Rediscount on payables	(8.347.098)	(3.800.822)	(1.836.362)	(836.181)
Adjustment on Prepaid expenses	(4.222.193)	(449.386)	(928.885)	(98.865)
Interest accruals	(2.172.709)	(1.569.147)	(477.996)	(345.212)
Retirement pay provision	(1.113.558)	(1.113.558)	(222.712)	(222.712)
Adjustment on advances given	--	(1.392.952)	--	(306.449)
Other	(69.114)	(69.114)	(15.205)	(15.205)
Deffered tax liabilities	(152.614.351)	(125.314.718)	(22.220.816)	(16.276.520)
Deferred tax assets / (liabilities), net	(87.913.019)	(87.383.511)	(8.405.568)	(8.304.090)

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31 – EARNING PER SHARE

Earnings / loss per share is determined by dividing the weighted average number of shares in the current year by the weighted average.

	1 January – 30 September 2019	1 July– 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2018
Net period profit	67.087.373	24.854.602	40.976.760	15.324.688
Weighted average number of shares	149.798.932.000	149.798.932.000	149.798.932.000	149.798.932.000
Earnings per Share (Kr)	0,000448	0,000166	0,000274	0,000102
Earnings per 1000 Share (TRY)	0,448	0,166	0,274	0,102

32 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial Instruments

Credit risk

Credit risk is defined as the risk that a financial instrument will cause a financial loss to the Group because one party can not fulfill its contractual obligation. The Group is exposed to credit risk as a result of trade receivables arising from forward sales and deposits held in banks. The Group management reduces the credit risk related to customers' receivables by setting credit limits separately for each customer and taking collateral if necessary and selling only through cash collection to customers who are considered risky. The collective risk of the Group mainly arises from its commercial receivables. Trade receivables are assessed by considering their past experience and current economic condition and are shown net in the statement of financial position after the provision for doubtful receivables is appropriated.

The Group's exposure to credit risk as of 30 September 2019 is as follows:

	Receivables				Bank Deposit	Financial Investment
	Trade receivables		Other receivables			
	Related Party	Other	Related Party	Other		
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	4.331.241	141.004.689	--	1.169.807	10.611.304	956
- The part of maximum risk under guarantee with collateral	--	--	--	--	--	--
A. Net book value of financial assets that are neither overdue nor impaired	4.331.241	140.969.689	--	1.169.807	10.611.304	956
B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired	--	--	--	--	--	--
C. Book value of financial assets that are overdue but not impaired	--	35.000	--	--	--	--
-The part under guarantee with collateral etc	--	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value amount)	--	15.577.622	--	--	--	--
- Impairment (-)	--	(15.577.622)	--	--	--	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--
Non overdue (gross book value amount)	--	--	--	--	--	--
Impairment (-)	--	--	--	--	--	--
- The part of net value under guarantee with collateral	--	--	--	--	--	--
E. Factors Including Off-Balance Sheet Risk	--	--	--	--	--	--

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The Group's exposure to credit risk as of 31 December 2018 is as follows:

	Receivables				Bank Deposit	Financial Investment
	Trade receivables		Other receivables			
	Related Party	Other	Related Party	Other		
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	6.337.998	112.296.955	--	987.611	22.754.150	956
- The part of maximum risk under guarantee with collateral	--	1.631.107	--	--	--	--
A. Net book value of financial assets that are neither overdue nor impaired	6.337.998	110.665.848	--	987.611	22.754.150	956
B. Net book values of financial assets that are renegotiated, if not that will be accepted as overdue or impaired	--	--	--	--	--	--
C. Book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
-The part under guarantee with collateral etc	--	--	--	--	--	--
D. Net book value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value amount)	--	13.321.198	--	--	--	--
- Impairment (-)	--	(14.952.305)	--	--	--	--
- The part of net value under guarantee with collateral etc	--	1.631.107	--	--	--	--
Non overdue (gross book value amount)	--	--	--	--	--	--
Impairment (-)	--	--	--	--	--	--
- The part of net value under guarantee with collateral	--	--	--	--	--	--
E. Factors Including Off-Balance Sheet Risk	--	--	--	--	--	--

Liquidity risk

Fair liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Group aims at maintaining flexibility in funding by keeping committed credit lines. The Group management manages liquidity risk by distributing the funds and by keeping sufficient cash and cash equivalents resources to cover the current and possible liabilities.

As of 30 September 2019 liquidity risk table of the Group is as following;

Maturities According to Contract	Book Value	Cash outflow	Less than 3 months	Between 3- 12 months	Between 1- 5 years	More than 5 years
Non-Derivative Financial Liabilities	274.114.209	295.175.533	40.186.846	126.496.035	123.799.296	4.693.356
Financial liabilities	274.114.209	295.175.533	40.186.846	126.496.035	123.799.296	4.693.356
Expected Maturities						
Non-Derivative Financial Liabilities	130.536.806	138.883.904	27.947.128	110.936.776	--	--
Trade payables	130.230.070	138.577.168	27.640.392	110.936.776	--	--
Other payables	306.736	306.736	306.736	--	--	--
Total	404.651.015	434.059.437	68.133.974	237.432.811	123.799.296	4.693.356

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The table below shows the liquidity risk of the Group as of 31 December 2018;

Maturities According to Contract	Book Value	Cash outflow	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Non-Derivative Financial Liabilities	206.859.439	230.802.734	18.184.375	75.067.019	131.183.676	6.367.663
Financial liabilities	206.859.439	230.802.734	18.184.375	75.067.019	131.183.676	6.367.663
Expected Maturities	Book Value	Cash outflow	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
Non-Derivative Financial Liabilities	125.469.581	130.284.584	124.253.701	6.030.883	--	--
Trade payables	125.323.886	130.138.889	124.108.006	6.030.883	--	--
Other payables	145.695	145.695	145.695	--	--	--
Total	332.329.020	361.087.318	142.438.076	81.097.902	131.183.676	6.367.663

Interest rate risk

Fluctuations may occur in the value of financial instruments by changing prices in the market. Such fluctuations may be due to price changes in securities or factors specific to the issuer of such securities or affecting the entire market. The Group's interest rate risk is mainly due to bank loans.

Although the interest rates of interest bearing financial liabilities vary, interest bearing financial assets have a fixed interest rate, and future cash flows do not change with the size of these assets. First of all, the Group's risk exposure to changing market interest rates depends on the Group's floating interest rate debt obligations. The Group's policy in this regard is to manage interest cost by using fixed and floating rate debts.

Interest Rate Risk Sensitivity Analysis

If the interest rates of the loans with variable interest rates were TRY and all other variables were 100 basis points (1%) higher / lower, the profit before tax for the period would be TRY 840.722 at 30 September 2019 due to higher / lower interest expenses it would be lower / higher. (31 December 2018 TRY 1.503.746)

The Group's interest position is as follows;

	30 September 2019	31 December 2018
Fixed-rate financial instrument		
Financial assets		
-Assets of at fair value through profit or loss	956	956
-Time Deposits	--	--
- Amortised cost	139.073.912	114.778.342
- Other	64.151.026	65.068.085
Financial liabilities		
Financial liabilities	255.006.885	172.683.399
- Amortised cost	130.230.070	125.323.886
- Other	306.736	145.695
Floating interest financial instrument		
Financial assets	--	--
Financial liabilities	19.107.324	34.176.040

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Capital risk management

In capital management, the Group aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Group follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount (as shown in balance sheet, trade and other payables and loans). Total capital, as shown in balance sheet, is calculated by adding up equity and net debt.

As of 30 September 2019 and 31 December 2018 net debt / total equity ratio is as follows:

	30 September 2019	31 December 2018
Total debts	500.439.524	404.588.075
Less: Liquid assets	(62.980.219)	(64.079.474)
Net debt	437.459.305	340.508.601
Total capital	373.206.446	307.303.508
Net Debt/Total Equity ratio	117%	111%

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Foreign currency risk

The carrying amounts of foreign currency assets and liabilities held by the Group as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019				
	TRY equivalent functional currency	USD	EUR	GBP	SEK
1. Trade Receivables	57.880.689	6.227.761	3.640.612	18.000	--
2a. Monetary Financial Assets (including cash, banks)	4.035.988	605.839	98.140	90	--
2b. Non-monetary financial assets	--	--	--	--	--
3. Other	13.640.407	1.548.277	788.950	--	--
4. Current Assets (1+2+3)	75.557.083	8.381.877	4.527.702	18.090	--
5. Trade Receivables	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--
7. Other	323.259	57.122	--	--	--
8. Non-Current Assets (5+6+7)	323.259	57.122	--	--	--
9. Total Assets (4+8)	75.880.342	8.438.999	4.527.702	18.090	--
10. Trade Payables	39.633.272	1.158.019	5.348.031	1.416	--
11. Financial Liabilities	67.752.260	--	10.956.766	--	--
12a. Other monetary financial liabilities	2.490.199	240.954	182.195	--	--
12b. Other non-monetary financial liabilities	--	--	--	--	--
13. Current Liabilities (10+11+12)	109.875.731	1.398.973	16.486.992	1.416	--
14. Trade Payables	--	--	--	--	--
15. Financial Liabilities	60.111.423	--	9.721.105	--	--
16a. Other monetary financial liabilities	--	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--	--
17. Non-Current Liabilities (14+15+16)	60.111.423	--	9.721.105	--	--
18. Total Liabilities (13+17)	169.987.154	1.398.973	26.208.097	1.416	--
19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)	--	--	--	--	--
19a. Hedged amount of assets	--	--	--	--	--
19b. Hedged amount of liabilities position	--	--	--	--	--
20. Net foreign currency position asset / liabilities (9-18+19)	(94.106.811)	7.040.026	(21.680.395)	16.674	--
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(94.106.811)	7.040.026	(21.680.395)	16.674	--

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	31 December 2018				
	TRY equivalent functional currency	USD	EUR	GBP	SEK
1. Trade Receivables	40.967.316	5.544.003	1.937.810	18.000	--
2a. Monetary Financial Assets (including cash, banks)	14.094.875	911.012	1.543.140	13	--
2b. Non-monetary financial assets	--	--	--	--	--
3. Other	27.100.416	658.669	3.920.906	--	--
4. Current Assets (1+2+3)	82.162.607	7.113.684	7.401.856	18.013	--
5. Trade Receivables	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--
7. Other	--	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--	--
9. Total Assets (4+8)	82.162.607	7.113.684	7.401.856	18.013	--
10. Trade Payables	38.632.514	503.458	5.967.776	1.416	1.199
11. Financial Liabilities	46.921.694	--	7.783.956	--	--
12a. Other monetary financial liabilities	1.000.483	117.908	63.069	--	--
12b. Other non-monetary financial liabilities	--	--	--	--	--
13. Current Liabilities (10+11+12)	86.554.691	621.366	13.814.801	1.416	1.199
14. Trade Payables	--	--	--	--	--
15. Financial Liabilities	88.206.637	--	14.632.820	--	--
16a. Other monetary financial liabilities	--	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--	--
17. Non-Current Liabilities (14+15+16)	88.206.637	--	14.632.820	--	--
18. Total Liabilities (13+17)	174.761.327	621.366	28.447.621	1.416	1.199
19. Net asset / liability position of off- balance sheet derivative instruments (19a-19b)	--	--	--	--	--
19a. Hedged amount of assets	--	--	--	--	--
19b. Hedged amount of liabilities position	--	--	--	--	--
20. Net foreign currency position asset / liabilities (9-18+19)	(92.598.721)	6.492.318	(21.045.765)	16.597	(1.199)
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(92.598.721)	6.492.318	(21.045.765)	16.597	(1.199)

Details of the import and export amounts of the Group as of 30 September 2019 and 2018 are as follows;

	1 January – 30 September 2019		1 January – 30 September 2018	
	Import	Export	Import	Export
USD	3.883.950	8.153.925	1.323.864	5.206.369
EUR	2.230.820	5.249.811	11.228.791	3.827.644
TRY	--	901.472	--	608.275
GBP	23.288	--	41.511	--
TRY equivalent	36.461.967	79.915.012	67.304.824	46.064.292

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Foreign Currency Risk Sensitivity Analysis

As of 30 September 2019, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure is as below:

Foreign Currency Risk Sensivity Analysis Table		
30 September 2019		
	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of appreciation / depreciation of USD against TRY at 10%		
1- USD net asset / liability	3.984.021	(3.984.021)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	3.984.021	(3.984.021)
In case of appreciation / depreciation of EUR against TRY at 10%		
4- EUR net asset / liability	(13.406.289)	13.406.289
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	(13.406.289)	13.406.289
In case of appreciation / depreciation of GBP against TRY at 10%		
7-GBP net asset/liability	11.587	(11.587)
8-Part of hedged from GBP risk (-)	--	--
9-GBP net effect (7+8)	11.587	(11.587)
In case of appreciation / depreciation of GBP against TRY at 10%		
7-SEK net asset/liability	--	--
8-Part of hedged from SEK risk (-)	--	--
9-SEK net effect (7+8)	--	--
Total (3+6+9)	(9.410.681)	9.410.681

Foreign Currency Risk Sensivity Analysis Table		
31 December 2018		
	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In case of appreciation / depreciation of USD against TRY at 10%		
1- USD net asset / liability	3.415.543	(3.415.543)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	3.415.543	(3.415.543)
In case of appreciation / depreciation of EUR against TRY at 10%		
4- EUR net asset / liability	(12.686.387)	12.686.387
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	(12.686.387)	12.686.387
In case of appreciation / depreciation of GBP against TRY at 10%		
7-GBP net asset/liability	11.042	(11.042)
8-Part of hedged from GBP risk (-)	--	--
9-GBP net effect (7+8)	11.042	(11.042)
In case of appreciation / depreciation of GBP against TRY at 10%		
7-SEK net asset/liability	(70)	70
8-Part of hedged from SEK risk (-)	--	--
9-SEK net effect (7+8)	(70)	70
Total (3+6+9)	(9.259.872)	9.259.872

NOTE 33 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Company using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

Financial Assets

Balances denominated in foreign currencies are converted at period exchange rates. The fair value of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying amounts in the financial statements. The carrying value of trade receivables, net of allowances for possible non-recovery of uncollectible are considered to approximate their fair values

Financial Liabilities

The fair value of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings, which are denominated in foreign currencies and translated at period/year-end exchange rates, are considered to approximate their carrying values. The carrying amount of accounts payable and accrued expenses reported in the financial statements for estimated third party payer settlements approximates its fair values.

NOT 34 – OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSURE FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

None. (31 December 2018: None).

NOTE 35 – POST BALANCE SHEET EVENTS

None. (31 December 2018: None).