



**VIKİNG**  
KAĞIT ve SELÜLOZ A.Ş.

for a better life

# VIKİNG KAĞIT ANNUAL REPORT 2020



**Yasar**

**Relevant Accounting Period of the Report**

01.01.2020 - 31.12.2020

**Trade Name**

Viking Kağıt ve Selüloz A.Ş.

**Trade Registry Office and Number**

Aliağa Trade Registry Office No: 4963

**Upper Limit of the Registered Capital**

80,000,000 TL

**Paid-in Capital**

42,000,000 TL

**Contact Information****Headquarters**

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**Website - Social Media**

[www.viking.com.tr](http://www.viking.com.tr)

[www.lily.com.tr](http://www.lily.com.tr)

[facebook.com/lilyturkiye](https://facebook.com/lilyturkiye)

[instagram.com/lilyturkiye](https://instagram.com/lilyturkiye)

[twitter.com/lilykagit](https://twitter.com/lilykagit)



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Viking Kağıt continues to make a difference in its industry with its rapid adaptation to the new trends and dynamic consumer expectations of the market.

# One of the Hard Working, Producing, and Leading Groups of Turkey...

Yaşar Group, which has been acting with the principle of “working, producing, and providing benefit to its country” since its establishment, adds value to the Turkish economy, society, environment, quality of life and human health without compromising on its corporate and ethical principles. One of the leading corporate groups in Turkey operating with 21 companies, 25 factories and facilities, 2 foundations and 7,500 employees today, the foundation of Yaşar Group was constituted by the “Durmuş Yaşar Enterprise”, which was established in Izmir by Durmuş Yaşar in 1927 to sell marine materials and paint.

FOOD AND BEVERAGE GROUP	COATINGS GROUP	SANITARY PAPERS GROUP	TRADE AND SERVICE GROUP	FOUNDATIONS
<p><b>Food</b></p> <ul style="list-style-type: none"> <li>• Pinar Süt</li> <li>• Pinar Et</li> <li>• Yaşar Birleşik Pazarlama</li> <li>• Pinar Foods GmbH</li> <li>• HDF FZCO</li> <li>• Hadaf Foods Industries LLC</li> </ul> <p><b>Beverage</b></p> <ul style="list-style-type: none"> <li>• Pinar Su ve İçecek</li> </ul> <p><b>Agriculture, Husbandry and Fisheries</b></p> <ul style="list-style-type: none"> <li>• Çamlı Yem Besicilik</li> </ul>	<ul style="list-style-type: none"> <li>• Dyo Boya Fabrikaları</li> <li>• AO Kemipeks</li> <li>• S.C. Dyo Balkan SRL</li> <li>• Dyo Africa Paints and Varnishes LLC</li> </ul>	<ul style="list-style-type: none"> <li>• Viking Kağıt</li> </ul>	<ul style="list-style-type: none"> <li>• Altın Yunus Çeşme</li> <li>• Bintur</li> <li>• Yaşar Dış Ticaret</li> <li>• Yaşar Bilgi</li> <li>• Yadex International GmbH</li> <li>• Desa Enerji</li> <li>• Desa Elektrik</li> </ul>	<ul style="list-style-type: none"> <li>• Yaşar Eğitim ve Kültür Vakfı</li> <li>• Selçuk Yaşar Spor ve Eğitim Vakfı</li> </ul>

## Most Known Brands in Different Industries

Pinar and DYO, the leading brands in the food, beverage and paint industries, which are the main business lines of Yaşar Group, are among the top brands in Turkey’s “most known brands by consumers” listing. Operating in the fields of sanitary papers, tourism, foreign trade and energy, as well as food, beverages and paint, the shares of Yaşar Holding A.Ş.’s subsidiaries Pinar Süt, Pinar Et, Pinar Su ve İçecek, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme are traded on Borsa Istanbul.

## A Deep-rooted Establishment that Introduced a Series of “FIRSTS” to Turkey

Yaşar Group has stamped its signature on many “firsts” in Turkey with its innovative approach:

- The first paint factory and brand, DYO
- The first private industrial dairy factory to international standards, PINAR SÜT
- The first premium-class holiday village with 1,100 beds, ALTIN YUNUS ÇEŞME
- The first private industrial paper mill, VİKİNG KAĞIT
- The first natural spring water offered in disposable packaging, PINAR SU VE İÇECEK
- The first private industry integrated meat facility, PINAR ET
- The first integrated turkey facility, PINAR HİNDİ
- The first aquaculture facility and the first aquaculture farmed-fish production, PINAR DENİZ
- The first organic fertilizer factory, ÇAMLI YEM

## An Approach That Values the Environment and Society

Yaşar Group, which adopts as one of its basic principles the monitoring and minimizing of the possible effects of all its activities on the environment and people, continues its activities in accordance with all laws and regulations. Yaşar Group support education, sports, culture and the arts with long-term corporate social responsibility projects; it carries out many projects through Yaşar Education and Culture Foundation and Selçuk Yaşar Sports and Education Foundation. Yaşar University, on the other hand, is progressing towards becoming one of the most successful universities in Turkey.

Yaşar Group, which joined the United Nations (UN) Global Compact on November 12, 2007, published Progress Reports for 2009 and 2010, and a Sustainability Report for 2011-2019. Signing the UN Women’s Empowerment Principles “Declaration of CEO Support” in 2012, the Group has also made commitments on gender policies with the “Equality at Work Declaration” in 2013.

The progress reports and sustainability reports published by the Group within the scope of the Global Compact are available on the corporate website at [www.yasar.com.tr](http://www.yasar.com.tr).



## Message from the Chairperson of the Board

In 2020, we achieved a turnover of 252.9 million TL as a result of our operations, and increased our gross profit to 56.5 million TL.

Dear Shareholders,

We have left behind a difficult year for the whole world, in which we witnessed many changes. While entering 2020, the world agenda was occupied by trade wars between countries and uncertainties regarding the Brexit process, while the rapidly spreading COVID-19 epidemic in China disrupted all routines by upsetting the world's economic balances. With the fight against the pandemic, we once again understood the importance of concepts like health, hygiene and family over the past year. In this process, the development of the vaccine, studies in the pharmaceutical industry and the results obtained gave hope to everyone.

Starting the year 2020 with a growth forecast of 2.9% for the global economy, the Organization for Economic Cooperation and Development (OECD), subsequently lowered its growth forecast to 2.4% - the lowest level since 2009 - as the COVID-19 epidemic turned into a serious crisis in March. However, in the last month of the year, the OECD announced its expectation that the world economy would shrink by 4.2% in 2020 due to the pressure of the epidemic on countries and the continuing decline in global production. On the other hand, in the Turkish economy, the effects of the epidemic were not felt much in the first quarter, while our economy contracted a little in the second quarter, with contraction in the industry and service sectors. With the impact of the normalization process, growth exceeding expectations was realized in the third quarter.

As Viking Kağıt in 2020, in the sanitary paper products industry where we serve with our five strong brands and a portfolio of over 70 products, we continued to offer products to the domestic consumer market with Premia, Lily, Senso and Puflla brand toilet paper, towels, napkins, box wipes and wet towels and to the out-of-home consumption market with our Select brand.

As the COVID-19 epidemic, which impacted the world as a whole in 2020, was effective in increasing the demand for cleaning products, this situation also brought an increase in the consumption of sanitary paper products. With the effect of the developments experienced, while America's sanitary paper product imports grew by 15% in 2020, the exports that China lost due to customs tariffs were replaced by different countries such as Turkey and Vietnam. In particular, China, as well as South America, has accelerated the growth momentum in the cleaning paper industry in recent years. Growth in the sanitary paper products industry is expected to continue over the next five years, depending on the capacity increases based on pulp production (RISI 2020).

In the fast-moving consumer goods (FMCG) market in 2020, the turnover of paper products increased to 7.6 billion TL, an increase of 9.3% compared to the previous year (Nielsen, 2020). These figures indicate that growth will continue in the sanitary paper products industry over the coming year. The shrinkage in the out-of-home consumption channel due



to the pandemic is expected to enter a growth trend with the increase in vaccination in 2021 and the resurgence of tourism.

### Changing Consumer Habits

In line with increasing hygiene and cleaning needs with the effect of the pandemic, consumers who allocate more money in their budgets for personal cleaning and hygiene products have started to prefer disposable products out of health concerns. With the prediction that the effects of the pandemic will continue in 2021, we have included Lily Lemon Cologne in our production plan in order to meet the personal cleaning and hygiene needs of consumers. We introduced our new product to our consumers in the first months of 2021.

### Full-Time Production

Carrying out its production full-time during the outbreak and effectively distributing its products with more than 50 dealers and more than 200 direct sales points in Turkey, as Viking Kağıt we continued to fully meet demand. In 2020, when we increased our sales volume to 30,079 tons, we achieved a turnover of 252.9 million TL as a result of our operations, and in return we increased our gross profit to 56.5 million TL.

### Expanding Export Market

As Viking Kağıt, we vigorously continued our export activities throughout the year and increased the number of countries we export to 27. While exporting USD 9.9 million in total, the share of our exports in net sales was 26.7%. Israel, England and Greece had a significant share in our international sales.

### Environmentally Friendly Production

We attach importance to the realization of concrete studies on a global scale in a time where awareness on the fight against climate change, efficient use of natural resources and the topic of sustainability are on the increase. While we made an investment of 16.9 million TL for the modernization and renovation of our Company's production lines throughout the year, we continued our efforts for the efficient use of raw materials and water. In this context, with the project we carried out at the converting facility, we made the napkins produced from edge scrapes in the drum cuts ready for sale. With this project, we won third place in the Yaşar Sustainability Competition. Within the scope of R&D studies, we continued with process optimization, raw material, packaging, and alternative chemical material studies, as well as product and semi-finished product development studies, in addition to evaluating recycling technologies and wastes.

Carrying out environment and human-friendly activities in all our production processes, our Company prevents the felling of approximately 232,250 trees annually with its "nature friendly" cleaning paper products. While the industry imports cellulose pulp because it is not produced in our country, as Viking Kağıt, we use pulp obtained from scrap paper in production, thus contributing to the environment and the economy. We ensure the recycling and disposal of the wastes generated at our facilities in accordance with prevailing laws.

With our studies on projects that reduce carbon emissions, we achieved a 32% reduction in our water footprint in 2020 compared to the base year of 2015. With the aim of reducing greenhouse gas emissions, we reduced our carbon footprint by 19.8% compared to the base year of 2010. Within the scope of our project carried out with ÇEVKO, we reclaimed 60% of paper/cardboard packaging materials and 55% of plastic packaging materials to the economy in 2020.

### Certified Quality Understanding

Our Company, which has registered its production quality and its responsible producer identity with the certificates received, successfully completed the TSE inspections with the measures it took, and the practices and regulations it enforced in 2020, when the pandemic was experienced, and was entitled to receive the COVID-19 Safe Production Certificate. Already holding the ISO 9001: 2015 Quality Management System Certificate, ISO 50001: 2011 Energy Management System Certificate, A GRADE, HYGIENIC PRODUCT GC MARK Certificate, which is a BRC CP Certificate, hygienic production in EU norms, ISEGA Food Contact Conformity Certificate, DERMATEST Dermatological Compliance Certificate, TSE Certificate (SELECT PROFESSIONAL) and Domestic Goods Certificate, it is proud of being the first company to receive FSC-CoC (Forest Stewardship Council - Chain of Custody) Management System Certificate among the Turkish paper-cardboard manufacturers.

As Viking Kağıt, we see long-term business partnerships as an integral part of our sustainable business model, and we work with over 50 dealers and 686 suppliers. Our Company, which prioritizes health and hygiene in the supply area during the pandemic process, reviewed order deadlines and made the necessary adjustments to ensure supply security.

Our Company takes advantage of technological developments in order to provide operational excellence in the field of Human Resources as well; we actively use online orientation and e-learning systems. During the pandemic, we made necessary arrangements in all working environments for the health of our employees. In addition, we provided our employees with a total of 3,294 hours of training on the topics of occupational safety and personal development, as well as offering vocational trainings throughout the year.

I take this opportunity to thank our customers, employees, business partners and shareholders who have always stood by us, offering their support and trust in all the work we have carried out in 2020, and in advancing our goals.

Respectfully Yours,

**İdil Yiğitbaşı**  
**Chairperson of the Board of Directors**

## Board of Directors

**İDİL YİĞİTBAŞI**  
CHAIRPERSON



**MUSTAFA SELİM YAŞAR**  
VICE CHAIRPERSON



**EMİNE FEYHAN YAŞAR**  
MEMBER



**YILMAZ ATTİLA**  
INDEPENDENT MEMBER



**FEYZİ ONUR KOCA**  
INDEPENDENT MEMBER



**YILMAZ GÖKOĞLU**  
MEMBER



**CENGİZ EROL**  
MEMBER



\* Resumes of the Board of Directors are included on pages 31-32.



# Senior Management and Committees

## BOARD OF DIRECTORS AND TERMS OF OFFICE

NAME AND LAST NAME	TITLE	TERM OF OFFICE
İDİL YİĞİTBAŞI	CHAIRPERSON	26.03.2020 - 1 YEAR
MUSTAFA SELİM YAŞAR	VICE CHAIRPERSON	26.03.2020 - 1 YEAR
EMİNE FEYHAN YAŞAR	MEMBER	26.03.2020 - 1 YEAR
YILMAZ ATTİLA	INDEPENDENT MEMBER	26.03.2020 - 1 YEAR
FEYZİ ONUR KOCA	INDEPENDENT MEMBER	26.03.2020 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	26.03.2020 - 1 YEAR
CENGİZ EROL	MEMBER	26.03.2020 - 1 YEAR

### Authority Limits:

Both the Chairperson and the Members of the Board of Directors have the powers specified in the relevant articles of the Turkish Commercial Code and articles 10 and 11 of our Articles of Association.

## SENIOR MANAGEMENT

NAME AND LAST NAME	POSITION
AHMET ABDULLAH AKÇASIZ	GENERAL MANAGER
SÜLEYMAN SEZER	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

## COMMITTEE RESPONSIBLE FOR AUDITS

NAME AND LAST NAME	POSITION
FEYZİ ONUR KOCA	HEAD OF COMMITTEE
YILMAZ ATTİLA	MEMBER

## CORPORATE MANAGEMENT COMMITTEE

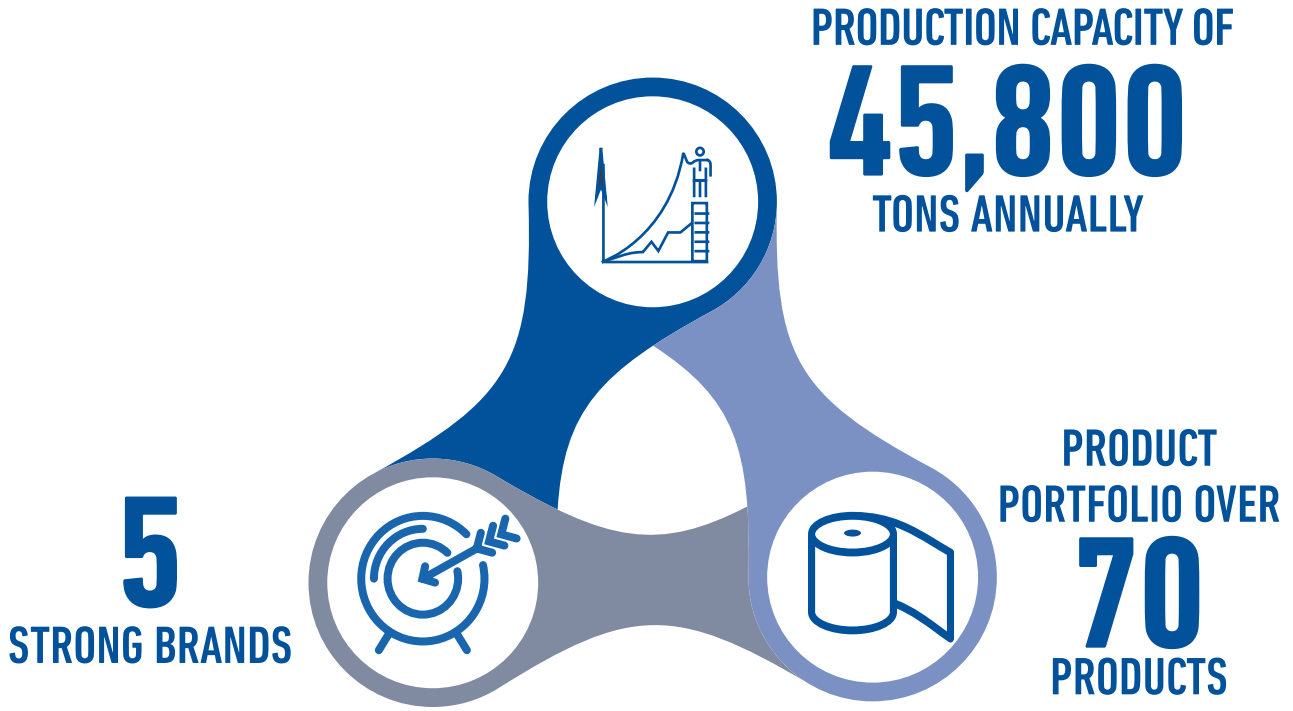
NAME AND LAST NAME	POSITION
YILMAZ ATTİLA	HEAD OF COMMITTEE
CENGİZ EROL	MEMBER
YILMAZ GÖKOĞLU	MEMBER
SÜLEYMAN SEZER	MEMBER

## EARLY DETECTION OF RISKS COMMITTEE

NAME AND LAST NAME	POSITION
FEYZİ ONUR KOCA	HEAD OF COMMITTEE
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

# Viking Kağıt at a Glance and 2020

Viking Kağıt continued to grow and produce in 2020.



60% of the cardboard and 55% of the plastic packaging materials put on the market by the Company were reclaimed for the economy.

**51** YEARS OF INDUSTRIAL EXPERIENCE

## FINANCIAL PERFORMANCE IN 2020

(Million TL)	01.01.2020-31.12.2020	01.01.2019-31.12.2019
Net Sales	252.9	224.0
Gross Profit	56.5	41.8
Gross Profit Margin	22.3%	18.7%
(Million TL)	31.12.2020	31.12.2019
Shareholder's Equity	(23.9)	4.8
Total Assets	315.4	284.3
Total Liabilities/ Equity Ratio	(14.20)	57.72

**252.9**  
million TL  
TURNOVER

**56.5**  
million TL  
GROSS PROFIT

**16.9**  
million TL  
Investment  
in 2020

EXPORT TO  
**27**  
COUNTRIES

**7.6** billion TL

paper products  
market turnover in  
Turkey (Nielsen)



**7.95** kg

per capita  
cleaning paper  
consumption in  
Turkey in 2020  
(SKSV)

**79%**  
in-home consumer  
products

**21%**  
out-of-home  
consumer  
products

Sanitary paper products market  
in Turkey on tonnage basis

**30,079** tons  
2020 Sales  
Tonnage



Total Exports in  
2020  
**9.9** million  
US dollars



A total of 3,294 hours of  
training for employees

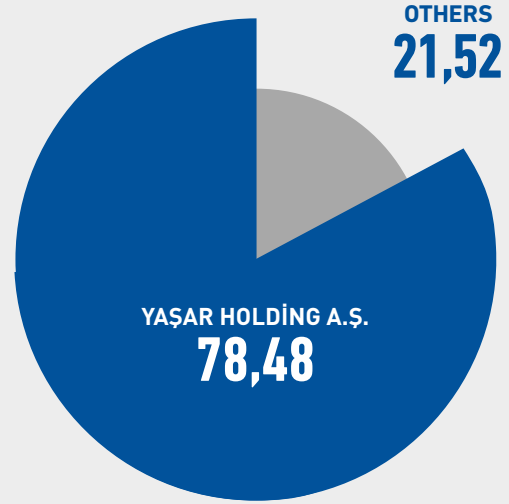
**208**  
Average number of  
employees



## Company Profile

Viking Kağıt, which was established in Izmir in 1969 as the “first private industrial paper mill” of Turkey, continues to expand its product range.

## SHAREHOLDING STRUCTURE OF VİKİNG KAĞIT (%)



Shareholders	Share Percentage (%)	Share Total (TL)
YAŞAR HOLDİNG A.Ş.	78.48	32,962,048.70
OTHERS	21.52	9,037,951.30
<b>Total</b>	<b>100.00</b>	<b>42,000,000.00</b>

Viking Kağıt's shares are traded on the Borsa Istanbul Main Market under the ticker symbol "VKING".

While the entire capital of the Company consists of bearer shares, there are no privileged Company shares.





Viking Kağıt, which was established in İzmir Aliağa in 1969 as the “first private industrial paper mill” of Turkey, started its operations in 1971 with the production of wrapping, printing and laminated paper with a capacity of 13,500 tons/year. Having commenced the process of growth after joining Yaşar Group in 1982, the Company continues its activities in the sanitary paper products industry, where it started in 1996, with an annual production capacity of 45,800 tons.

Viking Kağıt, which adopts the principle of sustainable quality, offers products to the in-home and out-of-home consumption markets with its wide product range consisting of toilet paper, towels, napkins, box wipes and wet towels. Viking Kağıt focuses on in-home consumption with Premia, Lily, Senso and Pufla branded toilet paper, towels, napkins, box wipes and wet towel products, and stakes its place in the out-of-home consumption market with Select branded products.

Developing innovative products in both channels to suit the different demands and needs of consumers, Viking Kağıt distributes products across Turkey with over 50 dealers and more than 200 direct sales points.

Viking Kağıt, one of the strongest names in the industry with 5 strong brands and more than 70 products, continues to grow with its innovative outlook and environmentally friendly practices, while contributing to the development of the industry. Closely following the dynamics and changing living conditions

of the industry, the Company continues to develop innovative projects in line with consumer needs and expectations, and to add new products to its range. Viking Kağıt also continues to work in the field of personal cleaning and hygiene with new breakthroughs.

### ENVIRONMENTALLY SENSITIVE PRODUCTION

Within the framework of a sustainability-oriented understanding, Viking Kağıt acts to fulfill its responsibilities towards people and nature alike in all its business processes, and realizes its production in line with the principles of process efficiency, product quality, customer satisfaction and environmental awareness. Carrying out environment and human-friendly activities at all production stages, the Company prevents an average of 232,250 trees from being felled annually with its “environmentally friendly” cleaning paper products.

Inspecting business processes at every step with its production approach that does not compromise on quality, Viking Kağıt’s high standards are confirmed by the certification documents it has received.

Viking Kağıt, whose corporate carbon footprint and water footprint calculations are made, continues to develop projects that reduce carbon emissions in reporting its 2020 results.



## Competitive Advantages

Quality-oriented process management, an expanding product portfolio, strong brand awareness and environmentally friendly production approach stand out among the competitive qualities of Viking Kağıt.

### TRUSTED AND WELL-KNOWN BRAND

- Correct brand identities for different consumer groups and sales channels
- High brand reliability
- High customer satisfaction

### WIDE RANGING PRODUCT PORTFOLIO

- More than 70 products of 5 different brands, suitable for the demands of in-home and out-of-home consumption channels
- Product portfolio enriched by an innovative vision
- Technological and industrial knowledge
- The ability to respond quickly to market needs

### CERTIFIED PRODUCTION

- ISO 9001: 2015 Quality Management System Certificate
- ISO 50001: 2013 Energy Management System Certificate
- BRC CP Certificate B GRADE
- HYGIENIC PRODUCT GC MARK Certificate; Hygienic production meeting EU norms
- ISEGA Food Contact Compliance Certificate
- PIRA Migration Analysis and compliance reports
- DERMATEST Dermatological Conformity Certificate Excellent level
- TSE Certificate (SELECT PROFESSIONAL)
- Domestic Goods Certificate
- Zero Waste Certificate

### PRODUCT DEVELOPMENT SUITABLE TO THE NEED

The global impact of the COVID-19 pandemic has reminded us once again of the importance of hygiene and cleanliness. In this unique period, as the needs of the consumers in this respect have diversified and their demands have increased, Viking Kağıt has continued to analyze their needs and expectations with its well-founded industrial experience and innovative line of vision. Shaping its production processes and product portfolio according to new consumption preferences, the Company expands its product range by offering solutions tailored to changing needs.

Having commenced its development studies in 2020, our new product "Lily Eau de Cologne Lemon", met with consumers at the start of 2021 in this context. This product, offered in 4 different SKUs as 150 ml, 200 ml, 400 ml and 1L, meets the personal hygiene needs of our customers today with its traditional lemon-scented eau de cologne that bears a nostalgic trace of the past.

### "CONTINUOUS GROWTH AND HAVING STRONG BRANDS" TARGET

Continuing to work with a quality, environmentally and people-oriented, responsible production approach in all its business processes, Viking Kağıt carries out its activities in line with its goal of "continuous growth and having strong brands" with an innovative vision in order to best meet dynamically changing consumer expectations.



Never compromising on quality, responding quickly to market needs, providing the highest level of customer and consumer satisfaction, and expanding the range of its environmentally friendly and recyclable products, are among Viking Kağıt's future targets.





## Viking Kağıt Products

As with the 5 different brands in its portfolio, Viking Kağıt develops new products to meet consumer needs, manufactured with consideration for quality, hygiene, durability and absorbency.

### IN-HOME CONSUMPTION

Viking Kağıt, which has strong brand recognition in the in-home consumption market with its "Premia, Lily, Senso and Pufla" brands, offers effective and high-performance solutions by considering the needs of different consumer groups.

#### Premia

##### Superior Absorbency and Softness

- Premia Toilet Paper
- Premia Paper Towels

Manufactured from 100% pure cellulose, three-ply Premia branded products have the ability to easily absorb liquid and moisture with their specially designed embossed high-quality texture. The Premia paper towel proves its suitability for contact with foodstuffs with its International ISEGA certification, while Premia toilet paper makes a difference by holding the Excellent level Dermatest Dermatological Conformity Certificate.

5

BRANDS

70+

NUMBER OF PRODUCTS







## Lily

### Two-ply Durability

- Lily Toilet Paper
- Lily Paper Towels
- Lily Massive Paper Napkins
- Lily Boxed Tissues
- Lily Wet Wipes
- Lily Eau de Cologne Lemon

Offered to the consumer as a 2-ply, high-performance brand suitable for frequent use, Lily brand products are produced from 100% pure cellulose. Lily's toilet papers, paper towels, massive napkins, boxed napkins and wet wipes draw attention with their embossed patterns, and with softness, durability and absorbency values increased by special production technique. Lily is happening the consumers' choice especially because of the convenience and hygienic properties it provides in the kitchen.

## Senso

### Affordable Quality

- Senso Toilet Paper
- Senso Paper Towels
- Senso Paper Napkins
- Senso Wet Wipes

Senso, which stands out with its absorbent feature and durability, offers consumers budget-friendly products with quality in toilet paper, paper towel and napkin products.

## Pufla

### Environmentally Friendly

- Pufla Toilet Paper
- Pufla Paper Towels
- Pufla Paper Napkins

Pufla brand products are produced by recycling used magazines, notebooks and books, supporting the concepts of recycling and being nature friendly. These products, which are recycled to the economy, offer their consumers the comfort of cellulose products.



## OUT-OF-HOME CONSUMPTION

The TSE certified Select brand, which offers the most suitable solutions for the various needs of restaurants, cafes and hotels with its wide product range, remains the staple choice of customers in the out-of-home consumption market.

## Select

### Advantageous Solutions for Professionals

- Select Expert Toilet Paper
- Select Smart Toilet Paper
- Select Center Pull Toilet Paper
- Select Mini Jumbo Toilet Paper
- Select Expert Paper Towels
- Select Expert Dispenser Paper Towels
- Select Smart Dispenser Paper Towels
- Select Expert Active Paper Towels
- Select Smart Active Paper Towels
- Select Center Pull Paper Towels
- Select Expert Paper Napkins
- Select Expert Massive Paper Napkins
- Select Smart Paper Napkins
- Select Expert Standard Dispenser Paper Napkins
- Select Expert Economic Dispenser Paper Napkins
- Select Smart Economic Dispenser Paper Napkins
- Select Expert Toilet Seat Cover
- Select Facial Tissue

## SEMI-FINISHED PRODUCTS

Viking Kağıt, one of the key market players in the toilet paper, paper towel and napkin product segments, also offers semi-finished products to manufacturers in different sectors. In this regard, the share of semi-finished products in Viking Kağıt's sales in 2020 was realized at 24.5%.

## PRIVATE LABEL PRODUCTS

Foreseeing continued growth in private label products, Viking Kağıt continues to develop its existing collaborations in 2020 and aims to increase its exports for both in-home and out-of-home consumption in 2021.



## Industry Overview

While out-of-home consumption decreased in 2020 due to the impact of COVID-19, the consumption of sanitary paper products increased.

According to the latest data announced in 2019, the consumption of sanitary paper products grew by 4.4%. Approximately 64.1% of this consumption was in North America, Europe and China. Especially in recent years, the growth momentum of China and South America has accelerated. Growth in the sanitary paper industry is expected to continue over the next five years, depending on the capacity increases based on pulp production (RISI 2020). In the industry, despite the decrease in out-of-home consumption in the 5-10% range in the industry, with the effect of the worldwide COVID-19 pandemic in 2020 and the rise in global hygiene standards, the consumption of sanitary paper products has increased. With the impact of COVID-19, America's cleaning paper imports grew by 15% in 2020. Due to the increasing import demand of the United States and the customs tariffs applied to China, lost exports to China were compensated for by other countries such as Turkey and Vietnam.

While the total consumption of sanitary paper products per person was 25 kg in the USA, it was 18 kg in the EU. (Istanbul Chamber of Industry, 2018). Consumption specific to Turkey reached 7.95 kg (SKSV, 2020 Report). In the fast-moving consumer goods (FMCG) market in 2020, paper products turnover rose to 7.6 billion TL, an increase of 9.3% compared to the previous year (Nielsen, 2020). This increase indicates that the sanitary paper products industry will continue to grow in the coming year. The shrinkage in the out-of-home consumption channel due to COVID-19 in 2020 is expected to enter a growth trend with the rise in vaccination in 2021 and the resurgence of tourism.

### NEW TRENDS

COVID-19, which entered our lives at a great pace, impacting all aspects of daily life and social needs, also transformed the habits of consumers established over many years.

According to the report in which KPMG examines consumer habits transformed by the pandemic, COVID-19 has started to significantly change consumer behavior and reshape the retail industry. While physical stores were adversely affected by the pandemic due to measures taken and customer preferences, online retailers and e-commerce sites increased their sales volume and steadily gained customers. Prominent consumer choices when shopping were hygiene products, cleaning materials, dry food, and personal care products. While social distancing was a major reason why consumers turned rapidly to online shopping, price sensitivity was also a determining factor during this period.

The growth trend seen in private label products in the field of fast-moving consumer goods in Turkey in recent years continued in 2019 as well. In 2020, private label products posted 23% turnover growth compared to the previous year, claiming a 22% share in total trade (Nielsen, 2020).

27

NUMBER OF COUNTRIES  
EXPORTED

30,079 tons

TOTAL SALES  
VOLUME

## 2020 Activities

Reaching a sales volume of 30.1 thousand tons in 2020, Viking Kağıt earned an income of US \$ 9.9 million with exports to 27 countries.

Operating in the sanitary paper products industry, Viking Kağıt achieved a turnover of 252.9 million TL in 2020. Increasing its sales volume to 30,079 tons, the Company achieved a gross profit of 56.5 million TL. Of the Company's total sales in 2020 75.5% was made up of finished products such as toilet paper, napkins and towels.

### EXPORTS TO 27 COUNTRIES

In 2020, when the COVID-19 epidemic was in effect, Viking Kağıt managed to add new countries to its foreign markets while continuing its already existing export activities steadily. Reaching 27 countries in different geographies with its products, Viking Kağıt kept in touch with potential buyers in countries where new market opportunities are foreseen. Maintaining the title of the company with the highest share of exports in net sales among the companies of Yaşar Group, the total exports of the Company in 2020 were at 9.9 million USD. The share of exports in net sales was 26.7%. Israel, England and Greece accounted for a significant share of the Company's foreign sales.





## Customers and Consumers of Viking Kağıt

In 2020, when the concepts of health, hygiene and cleanliness gained in significance, Viking Kağıt continued to improve its consumers' quality of life by means of its well-functioning and powerful logistics network planned according to demand.

## HEALTH, ENVIRONMENT AND FAMILY-FOCUSED COMMUNICATION

As the awareness of cleanliness and hygiene is increasing, Viking Kağıt, which determines its communication plans accordingly, has communicated effectively with its customers and consumers on diverse platforms throughout the year. Conveying information and offering suggestions to its consumers on hygiene and healthy living issues through its social media accounts, Viking Kağıt continued to give health, environment and family-focused messages in its brand communication activities.

While "Premia", "Lily", "Senso" and "Pufla" branded toilet paper, towel, napkin, wet wipe and box tissue products are available in the market for Viking Kağıt's end user group, for the out-of-home consumption market, "Select" branded toilet paper, paper towel and napkin products are present. Carrying out its commercial promotion activities at prevalent sales points throughout 2020, Viking Kağıt also continued its commercial channel promotions in order to increase the distribution performance of its products. In addition to consumer-oriented product promotions, channel-based discounts were also offered.

Making improvements in the quality levels of its existing products in 2020 in line with consumer expectations, the Company maintained its strong brand identity in the market with its increased accessibility in all its brands. In line with the increasing cleaning needs arising from the pandemic, consumers who allocated more money from their budgets to personal hygiene products started to prefer disposable products out of health concerns. During the quarantine period, the use of contactless delivery and online shopping methods increased in the first 3 months of the pandemic due to the need for safety during social contact, and as physically touching money became less preferred. One particular change in consumer behavior was the rise in stock purchases. During the pandemic period, Viking Kağıt continued to meet demand by continuing its production full-time without pause.

While, as of the end of 2020, Viking Kağıt's share of products for the in-home consumption market in terms of sanitary paper products was 79%, the share of products for the out-of-home consumption market was 21%. As part of the measures taken in response to the pandemic, restrictions on social life and going out have increased the time individuals spend at home, while restrictions in areas such as hotels, cafes and restaurants affected out-of-home consumption. In parallel with these developments, in the sanitary paper products industry, sales in the in-home consumption category grew, whereas a contraction was observed in the out-of-home consumption channel. With the prediction that the effects of the pandemic would continue in 2021, Viking Kağıt focused on new studies aimed at expanding its product range and meeting the personal cleaning and hygiene needs of its consumers. In this context, Lily Lemon-Scented Eau de Cologne was added to the product range to meet the personal cleaning and hygiene needs of consumers.

### Consumer Hotline

With the transparency strategy it adopted, Viking Kağıt regularly shared information on its production and operations with its consumers throughout the year via [www.viking.com.tr](http://www.viking.com.tr) and [www.lily.com.tr](http://www.lily.com.tr) web addresses. Viking Kağıt responded to consumers' questions on its products and their use via **444 37 50** Consumer Hotline and social media accounts.





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PERSONS STRONG  
R&D TEAM

## R&D Studies

Closely following the trends and production technologies in the sanitary paper industry, Viking Kağıt continues its efforts to improve business processes as well as projects geared at developing new products.

R&D studies, managed by the two separate units of Quality Assurance and R&D Directorate, are carried out by a team of 14 experts within Viking Kağıt. The synergy created by the presence of employees from different engineering disciplines within the structure brings a versatile perspective to the projects.

Within the scope of R&D studies carried out mainly on recycling technologies and the evaluation of wastes, process optimization, raw material, packaging, alternative chemical material studies, and finished and semi-finished product development studies are also being realized.

Support is received from universities for EU and Scientific and Technological Research Council of Turkey (TUBITAK) projects in R&D studies, where importance is attached to cooperation with universities. In this context, as the output of the TUBITAK project carried out in 2019 with the Karadeniz Technical University, the refiners subject to the project were changed in 2020. In this way, savings in the use of raw materials and improvement in the quality of the paper were achieved. In 2020, in the investment project realized on the recycling of beverage cans, studies on collection and separation at the source were initiated with Yaşar University. In line with the project, the recycling facility is at the installation stage and it is planned to be operational in 2021.

Viking Kağıt carries out its production activities in accordance with the corporate culture and corporate values of the Yaşar Group to which it is affiliated, with a responsible producer understanding, and without compromising on quality. It monitors and records all processes at each step, from order taking to product use by the customer/consumer, according to the predefined and well-designed methods and parameters.

In addition to being the first private industrial organization in its industry to receive the ISO 9001 Quality Management System Certificate from an international audit firm, Viking Kağıt successfully passes ISO 9001: 2015 audits every year as well. The Company also implements Process Based Risk Management in order to determine process-based targets based on risk analysis, thus accurately determining and updating the effects of changing process conditions on product quality at each stage.

### HYGIENIC PRODUCTION TO EU NORMS

With the Hygienic Product Mark Certificate, Viking Kağıt's Select Professional brand, which has been registered to produce hygienic production to EU norms across all product types, also confirms its quality by holding the TSE Certificate. Premia paper towel proves its suitability for contact with food with International ISEGA certification, while Premia toilet paper documents its suitability even for sensitive skin with its Dermatest Dermatological Conformity Certificate received at the Excellent level.

## High Quality

Viking Kağıt, planning its working procedures with the aim of continuity in quality, stands out among the competition with its production of high standard.

The Company, which has proved that it produces internationally valid, legal, quality, and safe production with the audits carried out by German certification body DQS since 2016, became the first company in the sanitary paper products industry in Turkey to receive the BRC certificate at AA Grade level. In this context, Viking Kağıt, which continues to undergo detailed annual inspections, ensured the continuity of the document with the B Grade it received in 2020.

By means of the Hygienic Product GC-MARK certificate, it has been documented that HACCP (Hazard Analysis and Critical Control Points) based risk analysis and GMP-Good Manufacturing Practices are being applied at Viking Kağıt paper production plant.

### SAFE PRODUCTION CERTIFICATE

In the year 2020, when the pandemic occurred, Viking Kağıt met all the conditions specified in the COVID-19 Hygiene, Infection Prevention and Control Manual prepared by the TSE, with the precautions taken, additional hygiene practices, suitability of working and production areas, the arrangements made in the services and the measures that prioritize the health of all stakeholders. In light of the COVID-19 measures it has taken, and the practices and regulations it has implemented, Viking Kağıt has received the TSE COVID-19 Safe Production Certificate.

In addition to providing suitable working environments within the facility, the Company has continued to successfully manage the process by raising the awareness of all employees and taking all necessary measures to ensure employee health, production continuity and delivery of orders to consumers in case of a possible infection.

#### Within the scope of the quality studies carried out in 2020;

- The existing FsC CoC certificate audit was successfully passed.
- The PIRA certificate, which is the migration analysis for recycled products, has been renewed.
- Safe Production Certificate was received.
- The Environmental Permit has been renewed until 2025.
- Domestic Goods Certificate has been renewed.

### CUSTOMER SATISFACTION-FOCUSED OPERATION

Always placing its customers and consumers at the center of its business and adopting customer satisfaction as its basic principle, Viking Kağıt carries out satisfaction studies with the aim of increasing its service quality. Collecting feedback from production processes to sales and distribution channels, the Company regularly organizes an annual "Annual Business Partners Evaluation Survey". In line with all feedback and survey results, Viking Kağıt makes necessary improvements and updates to its business plans, while in the meantime restructuring its business processes.





**16.9 million TL**

**TOTAL INVESTMENT  
AMOUNT**

## Business Development and Investments

Continuing its investments in order to increase its capacity and raise its production quality still higher, Viking Kağıt carried out modernization and renewal-oriented studies in 2020.

Having carried out renovation and modernization works of its machinery park with a total investment of 16.9 million TL in 2020, Viking Kağıt aims to increase the overall capacity of its production and quality standards of its products. Working in compliance with environmental legislation, the Company uses natural resources in the most efficient manner, and acts on its principle of high efficiency in every process of production. The Company, which has started to reap the results of its efforts for the efficient use of energy, raw materials and water at its machine parks and production facility, succeeded in reducing treatment costs by 30% with the polymer optimization implemented at the treatment plant.

Producing ready-to-sell products with napkins produced from edge scraps in the drum sections with the project realized in the converting facility, the Company won the third place in the Sustainability 2020 Awards with this project. The idle papers produced from the bobbin widths, manufactured as semi-finished products for export, were rendered with a new perspective within the scope of the award-winning project. Shape and production steps suitable for machines were carried out at zero investment cost. With this application, the efficient use of paper, a product that needs to be utilized for each gram with its raw material, as well as the water and energy resources used in its production, was ensured, the production cost was reduced, productivity was increased, and nearly 160 tons of paper accumulated in stock was transformed into a salable, additive finished product.

The Company implements the ISO 50001 Energy Management System in all processes with the aim of increasing efficiency in energy use.



**686**  
SUPPLIERS

## Strong Cooperation with Suppliers

Long-term collaborations with suppliers for Viking Kağıt stand out among the building blocks of a sustainable business model.

**50+**  
DEALERS

Working to create a sustainable business model, Viking Kağıt enters into long-term collaborations with its suppliers. Establishing win-win partnerships with packaging and chemical material suppliers, the Company determines its potential suppliers by evaluating them according to quality, delivery, and price/performance criteria.

While importing cellulose, which is the raw material of paper from countries such as Finland, Sweden, North America, Russia, Spain, Portugal, Brazil and Chile, negatively affects the competitiveness of the paper industry, Viking Kağıt achieves its competitive advantage with its strategy, including environmentally friendly solutions. Viking Kağıt, which is a responsible manufacturer focused on the environment and people, contributes to the environment and economy by using pulp obtained from scrap paper in its production, in addition to supporting recycling and sustainability in the meantime.

Closely following innovations in the industry, Viking Kağıt analyzes new chemicals, packaging designs and technical developments with its suppliers. Production trials are carried out for those products deemed appropriate as a result of evaluations made. Effective cost management and optimization of operational expenses in the procurement field are targeted with the processes followed and the work carried out.

### SUSTAINABILITY AND QUALITY AUDITS

While Viking Kağıt constantly monitors the production, storage and loading conditions of its suppliers, it also periodically checks whether the requirements of the quality certificates and procedures are fulfilled or not. Taking care to work with suppliers who have BRC CP certification and management system certification, such as for quality and energy management, the Company also reviews and audits suppliers that lack certificates for their sustainability and product quality safety practices which are carried out according to the framework of BRC standards. Prioritizing health and hygiene in supply practices during the pandemic, Viking Kağıt reviews order deadlines and makes the necessary adjustments to ensure supply security.

Having works carried out to also prevent the recurrence of quality issues, Viking Kağıt implements the Corrective, Preventive Action (CAPA) tracking system that it has created. In this context, detected problems are communicated to suppliers, the necessary measures are taken towards a solution and results are monitored. Supplier evaluations, revised according to the risk-based model stipulated by the ISO 9001: 2015 quality standard, are performed in 6-month intervals. With these evaluations, it is aimed to increase the supplier performance by sharing the evaluation results with them.





Believing that growth and productivity will increase by means of its qualified human resources that reflect corporate values, Viking Kağıt supports the development of its employees with the trainings it provides. In addition, employment conditions are constantly improved for new positions to be created. Benefiting from technological developments to ensure operational excellence, the Company actively uses online orientation and e-learning systems.

With an average number of employees of 208 in 2020, Viking Kağıt provided its employees with a total of 3,294 hours of training on occupational safety and personal development, as well as vocational training throughout the year.

## The Viking Kağıt Family

Viking Kağıt considers qualified human resources as one of the key factors of sustainable development.

The Collective Bargaining Agreement of Viking Kağıt with the Selülöz-İş Turkish Cellulose Paper, Wood and Products Workers Union, covers the period of 01 January 2020 - 31 December 2021.

### BASIC HUMAN RESOURCES POLICY

- Personnel positions in the company are determined by business economy criteria, and all employees accept that decent work is only possible through efficient work practices.
- In-company and outsourced training programs are implemented within the framework of the plan determined at every level in order to ensure personnel development.
- Equality of opportunity is pursued in promotions and appointments within the organization, and appointments are, in principle, made from in-company personnel.
- By applying development plans, the career planning system provides the widest possible opportunities for promotion to potential personnel.
- Performance evaluations of personnel are carried out by taking their goal achievements and competencies as the basis.
- Job descriptions and performance standards are documented for each position right from the highest level to the lowest, and this system is used as a basis for personnel evaluations.
- An Employee Opinion Survey is given to obtain employees' opinions on the work environment, development and career, wage and non-wage social benefits, job satisfaction, managers, loyalty, corporate reputation, corporate structure and management policies. Improvements are carried out in line with the feedback received.
- While ensuring safe working environments and conditions is of great importance for the Company, all legal measures are taken to prevent occupational risks, protect health and safety, and eliminate risk and potential accidents within the framework of the relevant Occupational Health and Safety Regulation. Improvement efforts continue with regular meetings.
- The management style of the company is determined as "... maintaining our existence as a company that acts in accordance with laws and ethical rules, and that adopts a total quality philosophy and participatory management style".
- The principle of equal treatment of company employees is taken as a basis, without discrimination based on their language, race, color, gender, political and philosophical opinion, religion, sect and similar reasons. And necessary measures are taken to protect this fundamental constitutional right of employees.





## Sustainability Approach

With its sustainability-oriented management policy, Viking Kağıt continues its activities without compromising on the principle of leaving a livable future to the coming generations.

As a member company of Yaşar Group, Viking Kağıt, by “taking good care of” its consumers, customers, employees, society, business partners and the environment in its value chain, shares the value created with a “for a better life” understanding within the framework of the Sustainability Approach adopted by the Group. Yaşar Group, which also sees sustainability as the focal point of its strategies, that constitute the basis of its founding values, signed the United Nations (UN) Global Compact in 2007. The Group, which has reported its activities within the framework of the sustainability approach since 2009, published Progress Notifications in 2009 and 2010, and has been publishing Sustainability Reports since 2011. With the Sustainability Report 2019 being its latest published report, all Sustainability and WMD Reports of Yaşar Group can be accessed in the Sustainability section of Yaşar Holding’s website ([www.yasar.com.tr](http://www.yasar.com.tr)).

Viking Kağıt continues its operations within the framework of compliance with the Corporate Governance Communiqué and Corporate Governance Principles, which took its final form with basic sustainability principles expected to be disclosed by public partnership, with the conducting of Environmental, Social, and Corporate Governance (ESG) activities being added to the Capital Markets Board’s Corporate Governance Communiqué numbered II-17.1 on October 2, 2020.



Viking Kağıt, which does not compromise on its sustainability approach pursued across all its business processes, continues to work with the Viking Kağıt Sustainability Committee affiliated to Yaşar Holding and sub-committees affiliated to this committee.

#### 2020 sustainability efforts:

- Use of trees obtained from sustainable forest resources,
- Waste utilization with the recycling facility,
- Regular monitoring and improvement of carbon and water footprints,
- Training female production managers, machinery and forklift operators to ensure wage and gender equality among employees,
- Developing projects to increase the participation of women employees in employment,
- Efforts to develop together with suppliers and customers,
- Developing sample projects for the circular economy model.

#### SUSTAINABLE ENVIRONMENT UNDERSTANDING

As part of its sustainability efforts, Viking Kağıt fully complies with all relevant laws and regulations on energy, occupational health and safety, and applies methods that reduce natural resource consumption by taking into account the environment and human health in all its business processes. While the Company discharges waste water after passing it through a biological treatment plant, which is among the firsts it has brought to its industry, it discharges it at values below the legal stipulations, by working with the principle of "Waste Management", ensuring the recovery and disposal of the waste generated from operations in accordance with prevailing laws.

#### Efforts carried out in 2020 with a sustainable environmental understanding:

- In accordance with the Water Pollution Control Regulation, the discharge water quality was analyzed by an accredited laboratory every 15 days.
- With the aim of reducing greenhouse gas emissions, the carbon footprint was reduced by 19.8% in 2020 compared to the base year of 2010. Within the scope of the greenhouse gas emissions verification regulation, greenhouse gas verification measurement approval was obtained by passing the audits of a verification body accredited by the Ministry of Environment and Urbanization.

- Within the framework of water footprint calculation studies started in 2015, a 32% reduction was achieved in 2020 compared to the base year of 2015.
- With the cogeneration investment completed in 2018, emitted steam is converted into energy at the cogeneration plant and used effectively in production. Thus, the decrease in the use of external energy has continued.
- Inspected by the Provincial Directorate of Environment and Urbanization, Viking Kağıt successfully passed all inspections in 2020.
- The Environmental License Certificate has been extended and renewed until 2025.
- Within the scope of our project carried out with ÇEVKO, 60% of paper/cardboard packaging materials and 55% of plastic packaging materials were recycled back into the economy in 2020.

#### CERTIFIED ENVIRONMENTALLY FRIENDLY PRODUCTS

The FSC-CoC Management System, which certifies that paper and paper products do not contain uncertified or uncontrolled materials in the production processes from raw material right through to the end consumer, documents the environmental identity of Viking Kağıt. Monitored by UN TRADA Certification Turkey in 2010, Viking Kağıt became the first company among the Turkish paper-cardboard manufacturers to receive the FSC-CoC (Forest Stewardship Council - Chain of Custody) Management System Certificate. The document, which inspects compliance with national and international standards, and whose validity is maintained through regular annual audits, confirms that Viking Kağıt offers environmentally friendly products.

#### HIGH-QUALITY AND SAFE PRODUCTION

Within the scope of the audits carried out by the German certification body DQS since 2016, Viking Kağıt holds internationally valid BRC and Hygienic Product GC MARK certificates. With these certificates, Viking Kağıt proves throughout Europe that it produces high-quality, safe and legally complying products. The Company maintains its leadership in the industry as the first sanitary paper manufacturer in Turkey to receive these certificates among industrial sanitary paper manufacturers.





INTERNSHIP  
OPPORTUNITIES FOR  
**11**  
STUDENTS

## Corporate Social Responsibility

Viking Kağıt continued its projects with the awareness of protecting public health, fulfilling its duties towards nature and contributing to education in 2020 as well.

Viking Kağıt, which works with an approach that values the environment and nature and produces solutions to the problems in these issues, approaches concurrent social events with the same sensitivity. The Company contributes to the creation of a conscious, socially adept and developed society with the many projects it undertakes in different fields.

Viking Kağıt provided scholarships to students through the Yaşar Education and Culture Foundation in 2020, and offered internship opportunities to 11 high school and university students in total within the scope of the vocational education is offers.

In 2020, Viking Kağıt donated sanitary paper products to the Yaşar Education and Culture Foundation Special Education Application Center in Güzelbahçe Yelki, the Handicapped School in Aliağa and the Turkish Education Volunteers Foundation Çiğli Education Park. Within the scope of corporate social responsibility efforts, the tree planting project commemorating Viking Kağıt employees, realized through the Aegean Forest Foundation, continued in 2020 as well.



## Awards and Certificates

Viking Kağıt conducting studies to certify its standards for production processes and product quality, and confirmed its compliance with health and hygiene criteria by obtaining a Safe Production Certificate in 2020, which passed under the shadow of COVID-19.

Viking Kağıt, the first private industrial establishment to receive the ISO 9001 Quality Management System Certificate from an international audit firm, continues to certify its standards in production processes and product quality. The Company, which has filed new registration applications in order to maintain and advance its high level of quality, successfully completed the inspections in 2020 and merited receipt of a Safe Production Certificate. During the COVID-19 pandemic, the Company, which fulfilled all health and hygiene-oriented criteria, continued its business processes safely with the certificate issued following the inspections made by TSE.

The BRC standard, created by the British Retail Consortium (BRC) in order to contribute to the development of food safety and to create a structure with international validity, is accepted by many countries around the world. Viking Kağıt sustained its competitive edge in domestic and foreign markets with the acquisition of the BRC CP certificate, which helps manufacturers and retailers to fulfil their legal obligations, and which complies with the ISO 9001: 2015 standard.

### Quality Certification Efforts from Past to Present

- In **1997**, ISO 9001: 1994 Quality Assurance System Certificate is received.
- In **2003**, the existing certification is updated and converted into an ISO 9001: 2000 Quality Management System Certificate, which in its essence indicates "taking decisions based on continuous improvement and measurement".
- In **2009**, the ISO 9001: 2008 Quality Management System Certificate, the latest version of ISO 9001, is received.
- The company successfully passes the ISO 9001: 2008 audits.
- In **2010**, it became the first company to receive the FSC-CoC Management System Certificate among the paper-cardboard manufacturers operating in Turkey.
- In **2012**, Premia and Lily products were certified by the German ISEGA Institute for being suitable for contact with food.
- In **2015**, TSE Certificate (Toilet Paper, Paper Towel and Napkins, Z-fold) was received.
- In **2015**, TSEK Certificate (Active Towel) was received.
- In **2016**, Premia and Lily became toilet paper brands with registered suitability for sensitive skin with the certification issued by the German DERMATEST Research Institute.
- In **2016**, BRC CP and Hygienic Product GC MARK certificates were received.
- In **2016**, received the TSE 50001 Energy management certificate was renewed in 2018.
- In **2018**, the management of all quality systems was commissioned with the document control system, QDMS.
- In **2018**, the existing FSC CoC certification audit was successfully passed.
- In **2018**, TSEK certified Active Towel was renewed as a TSE certificate.
- In **2018**, Smithers Pira analyses, available in 100% deinked white paper and mixed quality white paper products, were renewed. These analyses were also made for 100% deinked brown paper, and its suitability was confirmed.
- In **2018**, having successfully passed the audits, the Company raised its quality standard by receiving the ISO 9001: 2015 version.
- In **2019**, all existing certificates were successfully audited and renewed.
- In **2019**, BRC CP audits were successfully passed and BRC CP was renewed as Revision 4.
- In **2019**, Domestic Goods Certificate was received.
- In **2020**, the Safe Production Certificate was obtained.
- In **2020**, the number of TSE Certified products was increased.





## Milestones

### Innovative Steps

- 1969** • Viking Kağıt is established in Izmir's Aliağa township as Turkey's first privately-owned paper mill.
- 1971** • Viking Kağıt commences operations with an initial production capacity of 13,500 tons a year.
- 1982** • Viking Kağıt joins Yaşar Group and embarks upon a thorough-going modernization program.
- 1984** • Investments in new technology raise Viking Kağıt's production capacity to 20,250 tons/year.
- 1994** • Viking Kağıt goes public and is traded in the stock exchange.
- 1995** • The second major modernization program is completed.
- 1996** • In a major advance, Viking Kağıt enters the sanitary paper sector.
  - The "Lily" brand is introduced to consumers.
  - "Senso" brand products go on the market.
- 1997** • Viking Kağıt received the title of "the first company to receive ISO 9001 Quality Management System Certificate" from an international company in the cleaning papers sector.
  - The company's biological treatment plant is commissioned as the first of its kind in Turkey.
- 1998** • The "Select" brand of Viking Kağıt products for the AFH channel are introduced.
- 1999** • Completion of a second paper plant investment raises production capacity to 43,000 tons/year.
- 2000** • Viking Kağıt commissions the Turkish sanitary paper industry's first de-inking plant for the treatment of recovered paper prior to recycling use.
- 2003** • Viking Kağıt's competitive strength is further boosted by a complete renewal of its sanitary paper conversion plant.
  - The Company's quality management system certification is upgraded to the ISO 9001:2000 standard.
- 2007** • The commissioning of a second roll product conversion line increases Viking Kağıt's production capacity in this group by 120%.
- 2008** • As a result of its energy conservation efforts, Viking Kağıt is designated a pilot facility in the "Increasing Energy Efficiency in Turkish Industry through Voluntary Agreements" Program initiated by the Ministry of Energy and Natural Resources.
- 2009** • Viking Kağıt upgrades its quality certification to the ISO 9001:2008 standard.
- 2010** • Viking Kağıt becomes the first Turkish paper and cardboard manufacturer to receive the Forest Stewardship Council Chain of Custody Management System Certification.
  - The Company introduces consumers to its Pufla brand of products manufactured from recycled paper.
- 2012** • With the completion of a calendaring investment, the softness of Viking Kağıt products is greatly enhanced.
  - Completion of a new jumbo-format machine investment increases production capacity in the AFH products channel.
  - The "Premia" line of consumer products is introduced for the premium market segment.
  - Premia and Lily-brand paper towels become the first in Turkey to be certified as food-contact-safe by ISEGA in Germany.
- 2013** • The Company begins calculating its carbon footprint.
  - Both the Premia and Lily lines of toilet papers become the first in Turkey to be certified as being suitable for people with sensitive skin by DERMATEST in Germany.

- 2014** • DERMATEST certifies Viking Kağıt's Select line of toilet papers as being suitable for people with sensitive skin.
- 2015** • Viking Kağıt completes the first wave of investment for Paper Machinery modernization.
  - Received TSE Certificate (Toilet Paper, Towel and Napkin, Z folding).
  - Received TSEK Certificate (Active Towel).
- 2016** • BRCCP Certificate was obtained.
  - HYGIENIC PRODUCT GC MARK is received.
  - ISO 50001 Energy Management System Certificate is received.
- 2018** • Cogeneration investment and installation of a 3rd circular product line were realized.
- 2019** • Domestic Goods Certificate was obtained.
  - The Company successfully passed BRC CP inspections and renewed it as BRCCP Revision 4.
- 2020** • TSE COVID-19 "Safe Production Certificate" was obtained.



### We Put Our Stamp on Many Firsts for Turkey

- The first private industrial paper mill
- The first de-inking facility
- The first biological treatment plant in the industry
- The first cotton-reinforced toilet paper
- The first 3 layer toilet paper
- The first aloe vera-infused toilet paper
- The first perforated individual-use paper towel
- The first box tissue and box paper towels
- The first private industrial paper mill in the industry to be audited by a foreign-sourced audit firm and awarded ISO 9001 certification.
- The first company in its industry to receive BRC CP and Hygienic Product GC Mark certification.

# CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

# BOARD OF DIRECTORS

## **İdil Yiğitbaşı - Chairperson of the Board**

She completed her bachelor's degree in Business Administration at Boğaziçi University in 1986 and an MBA from Indiana University in 1989. İdil Yiğitbaşı, who started her business life in the finance department in Yaşar Group in 1986, assumed the responsibilities of System and Financial Analysis Vice of Coordinator between 1990-1995, Yaşar Food Group Coordinator in 1995, Vice President of Yaşar Food Group between 1997-2001 as well as serving as the Vice President of Yaşar Gıda Group Responsible for Milk and Dairy Products and as a Member of the Board of Directors in Group companies between February 1, 2001 and January 31, 2006. She served as the Vice Chairperson of Yaşar Holding Board of Directors from 2003-2009 and as Chairperson of Yaşar Holding Board of Directors from 2009-2015. Since April 2015, İdil Yiğitbaşı has been serving as the Vice Chairperson of Yaşar Holding Board of Directors, Vice Chairperson of Hedef Ziraat Board of Directors, Chairperson of Pınar Süt and Viking Kağıt companies, and Member of the Board of Directors of Yaşar Group companies. İdil Yiğitbaşı currently acts as the Vice President of Selçuk Yaşar Sports and Education Foundation, Board Member of Yaşar Education and Culture Foundation, Chairperson of Pınar Institute, Board Member of Aegean Region Chamber of Industry (EBSO) and İzmir Culture, Art and Education Foundation (İKSEV), as well as being a member of the Foreign Economic Relations Board (DEİK), Turkish Industry and Business Association (TÜSİAD), Turkish Association of Milk, Meat, Food Industrialists and Producers (SETBİR), Aegean Industrialists and Businesspeople Association (ESİAD), Aegean Young Businesspeople Association (EĞİAD) Advisory Board, Advertisers Association (RVD) and the Turkish Corporate Governance Association (TKYD).

## **Mustafa Selim Yaşar – Vice Chairperson of the Board**

He graduated from Paris-Académie Arqueille Sorbonne in 1976, NYU University in 1980 and New York - Pace University Business-Finance Department in 1981, Mustafa Selim Yaşar started his business life in Yaşar Dış Ticaret A.Ş. in 1981. After working in various positions at Yaşar Dış Ticaret A.Ş. for 8 years, he was appointed as the CFO of Yaşar Holding A.Ş., a position he held from 1988-1996, and also served as the President of the Paint-Chemistry and Beverage Group during the same years. Mustafa Selim Yaşar also served as the Executive Chairman of Otak-Desa A.Ş. and Desa Energy A.Ş. Board of Directors from 1997-2000. Mustafa Selim Yaşar, who was the Chairperson of the Board of Directors of İzmir Teknopark A.Ş., BDS İş Geliştirme Ltd. Şti. and Yüzey İnşaat Taahhüt A.Ş. between 1991 and 1997, served as a Board Member, Chairperson of the Board of Directors and Chairman of the Assembly of the Aegean Region Chamber of Industry (EBSO), as well as Vice Chairperson of the Aegean Industrialists and Businessmen Association (ESİAD), of which he is a founding member, for 4 years. Assuming the post of Deputy Chairperson of İzmir Metropolitan Municipality Council and member of Karşıyaka Municipality Council in 2004-2009, Mustafa Selim Yaşar still works actively in many non-governmental organizations. Mustafa Selim Yaşar, who has been the Chairperson of the Board of Desa Enerji A.Ş., Dyo Boya A.Ş., and Yaşar Birleşik Pazarlama A.Ş. since March 2014, has been the Chairperson of the Board of Yaşar Dış Ticaret A.Ş. and Yaşar Holding A.Ş. since April 2015.

## **Emine Feyhan Yaşar - Member of Board of Directors**

Feyhan Yaşar started her career in 1978 at DYQ, a Yaşar Group company. Then, she served in Yaşar Group as a manager in the fields of finance and management. After Selçuk Yaşar became Honorary President, she assumed the position of Chairperson of Yaşar Holding Board of Directors from 2004-2009. Feyhan Yaşar currently serves as Vice Chairperson of the Board of Directors of Yaşar Holding and Hedef Ziraat, while she continues her duty as the Chairperson of the Board of Directors of Yaşar Group companies Pınar Et, Pınar Su, Altın Yunus Çeşme, Yaşar Bilgi, Yadex International, HDF FZCO and Hadaf Foods, and takes part in the board of directors of the other Community Companies. Feyhan Yaşar, who has been active in many non-governmental organizations that support social development in the fields of education, culture and the arts and sports, as well as business life, is also the Vice Chairperson of the Yaşar Education and Culture Foundation Board of Directors, Member of Selçuk Yaşar Sports and Education Foundation Board of Directors and the Trustee Board Member of Yaşar University. Over the years, she has participated in the annual TUSIAD (Turkish Industry and Business Association) meetings as a Member of the Board of Directors of TUSIAD, the Presidency of the DEİK Danish Business Council, and a Member of the World Economic Forum (WEF). Currently, acting as the Chairperson of the Turkish Union of Chambers and Commodity Exchanges (TOBB) Beverage Industry Council, Foreign Economic Relations Board (DEİK) United Arab Emirates Business Council Executive Board Member, EBSO Council Member, SEV Board of Trustees, and as Boğaziçi University Foundation Board of Trustees Member, she is a member of TÜSİAD, SETBİR and ESİAD. After graduating from İzmir American Girls' College, Feyhan Yaşar completed her undergraduate education at the Boğaziçi University Faculty of Administrative Sciences, Department of Business Administration, and earned her master's degree in the Department of Economics at Dokuz Eylül University. She speaks English and French, and is a mother of two children.



## BOARD OF DIRECTORS

### **Yılmaz Attila - Independent Member of Board of Directors**

Yılmaz Attila graduated from the Ege University Faculty of Agriculture, Department of Agricultural Tools and Machinery in 1976. He worked as a Research Assistant at Çukurova and Ege Universities from 1977-1981, and served as a Project Engineer at Göktepe Plastik A.Ş. and Beşikçioğlu Ltd. from 1981-1985. Joining Pınar Entegre Et ve Yem Sanayi A.Ş. as Feed Factory Manager in 1985, Yılmaz Attila was appointed Deputy General Manager from 1988-1990. From 1990-1994, he worked as the General Manager of Cevher Jant ve Motor Ticaret A.Ş. and Abaloğlu Yem Sanayi A.Ş., respectively. Yılmaz Attila held various positions as General Manager and Member of the Management and Executive Board at Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. and Tesco Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. from 1994-2010. He serves on the board of directors of several companies within Yaşar Group.

### **Feyzi Onur Koca – Independent Member of Board of Directors**

Feyzi Onur Koca graduated from the Boğaziçi University Electrical Engineering department in 1981 and completed his MBA program at Istanbul University in 1982. In addition, he completed the "International Systemic Training and Consulting" program at the LIMAK International Management Academy in Austria in 2005. Feyzi Onur Koca worked as General Manager and European Director at Jotun Boya ve Toz Boya Sanayi ve Ticaret A.Ş. from 1991-2001 for 10 years, and then served as a Founding Partner at Lanark Resources Ltd. from 2002-2004. In the same period, he worked as the International Sales Coordinator at Capex Industries' Istanbul office. Feyzi Onur Koca was the COO of London Touch Group plc from March 2004 - September 2005. He served as General Manager at Parker Climate Control Systems Inc. from 2005-2012, and as CEO and Country Manager at G4S Güvenlik Hizmetleri A.Ş. from 2012-2017. He is currently the CEO of the ICS-Group. He is a member of the board of trustees of Boğaziçi University Foundation (BUVAK), Lokman Hekim Health Foundation and Bornova Anatolian High School Foundation, and a member of ENKA Sports Club and the Turkish Corporate Governance Association (TKYD). Feyzi Onur Koca serves on the boards of directors of several companies within Yaşar Group.

### **Yılmaz Gökoğlu - Member of Board of Directors**

Member of Board of Directors Yılmaz Gökoğlu, who graduated from Ankara University Faculty of Political Sciences, Department of Economics and Finance in 1977, joined Yaşar Group in 1983 after working as an Account Expert at the Ministry of Finance from 1978-1982. Having served in various senior management positions within the Group, mainly in financial affairs and auditing, he was elected to the Yaşar Holding Board of Directors in April 2007. Yılmaz Gökoğlu, who also serves as the General Secretary of the Boards of Directors at Yaşar Holding, is also a Board Member and Committee Member in companies within the Group, as well as holding Independent Auditor and Certified Public Accountant licenses.

### **Cengiz Erol - Member of Board of Directors**

Cengiz Erol completed his undergraduate degree in Business Administration at Ege University in 1974, his master's degree in Finance and Accounting at New York State University in 1979, and his doctorate in International Trade and Finance at New York State University in 1983. Cengiz Erol, who worked as Assistant Professor of Finance at Çukurova University from 1983-1985, at Yarmouk University in Jordan from 1985-1990 and Associate Professor of Finance at the Department of Business Administration at METU from 1990-1993, worked as a Professor of Finance at the Department of Business Administration at METU from 1993-2010. Serving as Ereğli Demir Çelik Consultant to the General Manager between 1991-1994, Member of Ankara Sigorta Board of Directors and Ankara Emeklilik Sigorta President from 2000-2003, Consultant to the Board of Directors at İnterfarma Tıbb. Mal. A.Ş. from 2002-2004, Member of the Board of Directors at İnterfarma Tıbb. Mal. A.Ş. from 2004-2008, and Department Chair of Business Administration at METU from 2008-2010, Cengiz Erol also assumed the position of METU Rector Advisor and Member of the Executive Board of ÖSYM. Cengiz Erol, who served as the Head of the International Trade and Finance Department at Izmir University of Economics from 2011-2013, was a faculty member of the International Trade and Finance Department and the Director of the Institute of Social Sciences at Izmir University of Economics from 2010-2015. Having served on the boards of directors of companies within the Yaşar Group since March 2014, has also been a faculty member at Yaşar University since 2017.

*In Yaşar Group of companies, of which the company is also a member, it is possible for the members of the board of directors to be members of the board of directors of other Group companies, and there are various transactions between these companies that can be evaluated within the scope of Article 395/1 of the Turkish Civil Code. However, the parties to the transactions that can be evaluated within this scope are only Group companies, and necessary permissions are obtained at the general assembly of each company.*

# RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

## RISK MANAGEMENT

The scope of Corporate Risk Management activities to be applied to companies within the Yaşar Group, as well as working procedures and principles, have been determined within the framework of the Regulation. In this context, under which framework risk management activities should be carried out, duties and responsibilities related to risk management, processes, reports, trust procedures and risk management terminology have been established.

At the Company, "Corporate Risk Management" has started to be implemented as a systematic process in which risks are defined, analyzed, controlled and monitored. This method has the power to minimize the costs arising from unexpected adverse events and their impact on the Company's asset values.

### Risk Management Policy of the Company

The Company's Board of Directors adopts risk management strategies that minimize the effect and possibility of risks that may affect all stakeholders of the Company, with shareholders being the primary consideration, and ensures that the necessary actions are taken accordingly.

### Workings of the Early Detection of Risks Committee

The Early Detection of Risks Committee carries out its activities in order to detect risks early on and create an effective risk management system.

The committee monitors corporate risk management activities in order to create a prioritized risk inventory within the framework of risk management policy and procedures, determine appropriate risk strategies and monitor the results by taking the necessary actions, as well as providing necessary guidance.

### Future Risks on Sales, Productivity, Income Generating Capacity, Profitability, Debt / Equity Ratio and Similar Issues

Within the framework of the risk management policy and procedures adopted throughout the Group, efforts are carried out to create a risk inventory in terms of all activities of the Company, and to take the necessary actions.

In this context, the risks that the company is exposed to are;

- Prioritized according to their impacts and possibilities, after being grouped under strategic, operational, financial, external and compliance main headings,

- Current controls for risks of high concern are reviewed in terms of their design and implementation, and the most appropriate strategies and actions are determined,
- Action implementation results are monitored; and,
- Results and possible developments are reported to and evaluated by the relevant units.

## INTERNAL CONTROL MECHANISM AND INTERNAL AUDIT ACTIVITIES

Controls can be defined as all kinds of practices aimed at eliminating occurrences that may adversely affect the Company's achievement of its goals or to reduce their impact and possibility of occurrence. Standard definitions, policies and procedures, job descriptions and authorization structures for business processes constitute the internal control mechanism. In this context, all control systems, including preventive/detective and remedial systems, have been established by the management in order for the Company to carry out its business activities effectively and efficiently.

By means of the internal control systems established within the company, the effectiveness and efficiency of operations, reliability of the financial reporting system, compliance with legal regulations and assurance on these issues are targeted. These control mechanisms also protect the Company's assets, reputation and profitability.

The Company's accounting system, public disclosure of financial information, independent audit and oversight of the operation and efficiency of the internal control system of the partnership are essentially carried out by the Audit Committee established by the Company's Board of Directors. While the Committee Responsible for Audits fulfills the said function, the Audit Directorate of the Group makes use of the findings of Independent Audit and Certified Public Accountancy organizations.

Within the scope of internal audit activities, the effectiveness of the Company's existing risk management system and the adequacy, effectiveness and efficiency of the internal control system are evaluated, and suggestions are made for its improvement. In addition, the determination and implementation processes of the necessary actions for the determinations and suggestions within this scope are closely followed.

## LEGAL DISCLOSURES

### **Information on the Extraordinary General Assembly Meetings Held During the Year, if any**

The Ordinary General Meeting of the Company was held on March 26, 2020, and the decisions taken were implemented. There was no Extraordinary General Assembly Meeting held in 2020.

### **Affiliated Company Report**

The conclusion part of the report prepared by the Board of Directors of our Company within the scope of Article 199 of the Turkish Commercial Code and explaining our relations with Controlling and Affiliated Partnerships is as follows.

In accordance with Article 199 of the Turkish Commercial Code numbered 6102, which entered into force on 01 July 2012, the Board of Directors of our Company, within the first three months of the current of year activity, is obliged to prepare a report on the Company's relations with the controlling shareholder and affiliated companies of the controlling shareholder for the previous activity year, and is required to include the conclusion part of this report in its annual report.

Necessary explanations about the business transactions our Company has entered into, along with the related parties, are included in this report. In this report prepared by the Board of Directors of our Company, it has been concluded that in all business transactions carried out with the controlling shareholder and affiliated companies of the controlling shareholder in 2020, an appropriate counter action was provided in each transaction according to the state and conditions known to us at the time when the transaction was carried out, when the action was taken or the action was avoided, and that there were no measures taken or avoided that caused damage to the company and, within this framework, that there was no need to take any actions, or measure required to offset any such.

### **Grants and Donations**

From time to time, our Company may be furnishing donations to foundations established for various purposes and to similar persons and/or institutions within the framework of the limits

set by the relevant regulations of the Capital Markets Law. In 2020, our company furnished donations and grants in a total of 248,062 TL to various institutions and organizations.

### **Information Regarding Lawsuits Filed Against the Company That May Affect the Company's Financial Status and Activities and Possible Consequences of Such Lawsuits**

Explanation on the subject is included in footnote 17 of our financial statements drawn for the period of 01.01.2020 - 31.12.2020.

### **Disclosures Regarding Administrative or Judicial Sanctions Imposed Against the Company and Members of the Management Body**

Due to Practices Deemed Contrary to the Legislative Provisions There are no administrative or judicial sanctions imposed on the company and its management body members due to practices deemed contrary to the provisions of legislation.

### **Amendments Made to the Articles of Association during the Period**

There are no amendments made to the articles of association during the period.

### **Financial Benefits Furnished to Members of the Board of Directors and Senior Executives**

Financial benefits furnished to the Chairperson and Members of the Board of Directors are determined within the framework of the Remuneration Policy posted on our website. The total amount of wages and similar payments provided to the Members of the Board of Directors and senior executives in the twelve-month period ending on 31.12.2020 is 1,487,878.00 TL.

### **Disclosures Regarding Independent and Public Audits During the Fiscal Period**

In 2020, regular inspections were carried out by various public institutions; no significant official notifications were subsequently made to us.

### **Statement on Company Equity**

No capital loss is observed in the balance sheet prepared within the scope of TCC 376/3 as of 31.12.2020, corresponding to the company's issued capital of 42,000,000. TL.

### **Voting Rights and Minority Interests**

There are no concessions on voting rights. Regarding the exercise of voting rights, there are no provisions in the company's articles of association that prevent a non-shareholder from voting by proxy as a representative. Without prejudice to the provisions of the legislation and the articles of association, voting at the General Assembly Meeting is done by a raising of hands. If requested by the shareholders, the voting method is determined by the General Assembly. There is no company in which the company is mutually affiliated. Minority interests are not represented on the Board of Directors. Minority interests are not determined to be less than one twentieth of the capital in the articles of association.

### **Working Principles of the Board of Directors**

The working principles of the Board of Directors are regulated in Article 12 of the company's articles of association.

According to this; the Board of Directors will convene as the business affairs of the company requires. The decisions of the Board of Directors are taken by the absolute majority system. If the board meets with the majority of the number of members, it is obligatory to take the decisions with the unanimity of the votes constituting the majority of the total number of members.

Details regarding the working principles of the Board of Directors and the 2020 operating cycle are as follows:

During the operating cycle, the Board of Directors convened 39 times. Invitation to the meeting is made by the Chairperson of the Board of Directors, or with the written request of any one of the Board members. Before it convenes, the meeting agenda is sent to the members and a meeting call is made. Ordinarily, all members attend the meetings. Damages to be inflicted on the company by the faults of members of the board of directors during their duties are insured to cover 25% of the capital.

### **The Number, Structure and Independence of the Committees Established within the Board of Directors**

Committees Responsible for Audits, a Corporate Governance Committee and Early Detection of Risks Committee have been established in our Company.

Duties of the Nomination Committee and the Remuneration Committee are carried out by the Corporate Governance Committee. While fulfilling their activities, the Board of Directors Committees follow the working principles indicated on our company's website.

Feyzi Onur Koca is the Chairperson of the Committee Responsible for Audits and Yılmaz Attila is the Committee Member. Both members are non-executive, non-affiliated board members. Audit Committee meetings are held at least once every three months, and at least four times a year. Within the scope of committee activities; information on the operations of the Company and internal control systems were obtained from the Company executives, whereas audit findings were collected from the independent auditors. The committee oversees the accounting system of the partnership, disclosure of financial information to the public, independent audits, and the functioning and efficiency of the internal control system. The Committee also carries out the selection of the independent audit firm, the preparation of the independent audit contract and the initiation of the independent audit process, as well as the supervision of the work of the independent audit firm. It informs the Board of Directors of the accuracy and precision of the annual and interim financial statements to be disclosed to the public.

Non-executive and non-affiliated board member Yılmaz Attila is the Chairperson of the Corporate Governance Committee, and Committee Memberships are held by non-executive board member Cengiz Erol, non-executive board member Yılmaz Gökoğlu and Investor Relations Department Manager Süleyman Sezer. Corporate Governance Committee meetings are held at least once every 3 months, and at least four times a year. The Corporate Governance Committee determines whether or not the Corporate Governance



## LEGAL DISCLOSURES

Principles are implemented within the Company, the reasons why if not, and the conflicts of interest that arise due to not fully complying with these principles, and it recommends the Board of Directors to take remedial measures. The Corporate Governance Committee also oversees the work of the investor relations department.

The Corporate Governance Committee, within the scope of the duties of the Nominating Committee, works on the determination, evaluation, training and rewarding of candidates suitable to sit on the Board of Directors, creating a transparent system and determining policies and strategies in this regard. In addition, it evaluates the candidate proposals for non-affiliated membership, including the management and shareholders, by considering whether or not the candidate meets the non-affiliation criteria and submits its evaluation to the board of directors for approval. The Corporate Governance Committee determines the recommendations of the members of the Board of Directors and senior executives regarding the remuneration principles, taking into account the long-term goals of the company, within the scope of Remuneration Committee duties.

The Early Detection of Risks Committee is responsible for early diagnosis of risks that may endanger the existence, development and continuation of the company, taking necessary precautions regarding the detected risks and carrying out studies for the proper management of risks. The Committee Chairperson is non-executive and non-affiliated board member Feyzi Onur Koca, and the Committee Members are non-executive board members Yılmaz Gökoğlu and Cengiz Erol.

Within the scope of Corporate Governance Principles, both members of the Committee Responsible for the Audits and Early Detection of Risk Committee and the chairperson of the Corporate Governance Committee must be non-affiliated members of the board of directors. The Investor Relations Department Manager has been appointed by the Board of Directors as a member of the Corporate Governance Committee. Since there are two non-affiliated members in the Board of Directors of the Company, the same member is assigned to more than one committee of the Board of Directors.

In the assessments made by the company board of directors, it was determined that all committees of the company were established in accordance with legislation, activities were carried out effectively within the framework of the working principles previously established and published on our Company's website, a sufficient number of meetings were held periodically during the year, and as a result of these meetings,

it is ascertained that the Committee Responsible for Audits has ensured the supervision of the company's accounting system and financial information, and the effectiveness of its public disclosure, and regularly submitted its findings, opinions and suggestions on this subject to the company's board of directors, that the Corporate Governance Committee made determinations on strengthening compliance with Corporate Governance Principles and submitted them to the board of directors together with their suggestions, and that the Early Detection of Risks Committee reviewed the effectiveness of internal controls and risk management processes and the structure of early warning systems and models for risks, as well as identifying risks.

### Strategic Objectives of the Company

The Board of Directors establishes corporate strategies and targets in line with the Company's vision, growth and profitability expectations. The principles that will guide the aforementioned strategies are determined by the senior management and the degree of achievement of the targets, activities and past performance are evaluated at monthly meetings.

### Dividend Distribution Policy

The Dividend Distribution Policy of Viking Kağıt ve Selüloz A.Ş. for 2013 and the following years, which was prepared in line with Capital Markets Legislation, was submitted for the approval of the 2013 Ordinary General Assembly and disclosed to the public; the information in mention can be found on the investor relations page of the Company's corporate website ([www.viking.com.tr](http://www.viking.com.tr)) available in Turkish and English.

### Access to KYBF and URF Addresses

The 2020 Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) prepared in accordance with the CMB's Decision No. 2/49 dated 10.01.2019, are separately disclosed at the public corporate website of the Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)). Related documents can also be accessed from our Company's corporate governance page found on the Public Disclosure Platform website. (<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1123-viking-kagit-ve-seluloz-a-s>)

# MEETING AGENDA

## VİKİNG KAĞIT VE SELÜLOZ A.Ş.

### 2020 ORDINARY GENERAL ASSEMBLY MEETING AGENDA, DATED MARCH 26, 2021

1. Opening and election of the Chairperson of the Meeting,
2. Authorizing the Meeting Chair to sign the General Assembly Meeting Minutes,
3. Perusal, discussion and approval of the 2020 Annual Report prepared by the Board of Directors of the Company,
4. Perusal and discussion of the Independent Audit Report for the fiscal year 2020,
5. Perusal, discussion and approval of the Financial Statements for the fiscal year 2020,
6. Releasing the members of the Board of Directors from their duties for the company's activities in 2020,
7. Submitting the selection of the Independent Audit Firm made by the Board of Directors for the approval of the General Assembly in accordance with the Turkish Commercial Code and Capital Markets Board regulations,
8. Determining the number and terms of office of the members of the Board of Directors, electing according to the determined number of members, determining the non-affiliated board members,
9. In accordance with Article 408 of the Turkish Commercial Code, determining the wages of the members of the Board of Directors and their rights such as attendance fee, bonus and premium,
10. Discussing and deciding on the amendment of Article 3 titled "Purpose and Subject of the Company" of the Company's articles of association, provided that the necessary permissions are obtained from the Capital Markets Board and T.R. Ministry of Trade,
11. Discussing and deciding on the amendment of Article 6 of the Company's Articles of Association titled "Registered Capital",
12. In accordance with Article 12 of the Corporate Governance Communiqué numbered II-17.1 of the Capital Markets Board, providing information to the shareholders about the income and benefits obtained by the guarantees, pledges, mortgages and sureties given by our Company in favor of third parties,
13. Informing the shareholders about the donations made during the year and submitting the donation limit determined within the scope of Capital Markets Legislation for the approval of the General Assembly,
14. Discussing and settling on the issue of the year profit,
15. Granting authorization to the Members of the Board of Directors to make transactions in accordance with the 395<sup>th</sup> and 396<sup>th</sup> articles of the Turkish Commercial Code,
16. Wishes and opinions, closing.

# AMENDMENT TO ARTICLES OF ASSOCIATION PROPOSAL

## VİKİNG KAĞIT VE SELÜLOZ A.Ş.

### OLD VERSION

#### CORPORATE OBJECTIVE AND SCOPE

##### Article 3-

Corporate objective and scope are mainly as follows;

- a. Good quality printing and Yankee type plain or crepe paper production, their conversion.
  - b. Manufacturing of mechanical and bleached cellulose pulp,
  - c. Purchase, sale and export of the products mentioned in paragraphs a and b,
  - d. To be used in the production of the products that fall within the scope of the company, as long as they cannot be supplied in Turkey,
  - d. 01 all kinds of cellulose pulp
  - d. 02 substances required for conversion
  - d. 03 machinery and spare parts
  - d. 04 importation of all kinds of auxiliary materials and operating materials
  - e. Wholesale trade of perfumes, cosmetic goods and cologne (including all kinds of perfumery)
- Apart from these, the company may acquire all rights and levy all debts in order to achieve its objectives and conduct its activities within its scope, provided that they are within the framework of the corporate objectives and scope. The Company may carry out all commercial, industrial and economic activities and produce products as required by its objectives and scope, the Company, in relation to its field of activities, may use, operate, rent, lease, buy or sell all kinds of movable, immovable, intangible, tangible vehicles and goods, it may take or give them as mortgage, hold in or put in pledge, carry out all transactions related to real estate such as unification, allotment, abandonment, easement rights, may establish real rights in favor of and against the company, remove these rights, lend money and borrow money, provided that it is not contrary to the law and relevant legislation on money lending transactions, for the purpose of disclosing information to the investors, within the scope of special cases, provided that the necessary explanations to be sought by the Capital Markets Board are given, and may grant pledges and establish mortgages on company property for the debts of others.
- f. The Company, within the limits set by the relevant regulations of the Capital Markets Law on the subject, may furnish donations to foundations established for various purposes, and to similar persons and/or institutions, or divide a share from its profit.

The principles determined by the Capital Markets Board shall be complied with in terms of giving out guarantees, sureties, and securities, or establishing the right of pledge, including a mortgage, on behalf of the Company and in favor of third parties.

### NEW VERSION

#### CORPORATE OBJECTIVE AND SCOPE

##### Article 3-

The corporate objective and scope are mainly as follows;

- a. Good quality printing and Yankee type plain or crepe paper production, their conversion.
  - b. Manufacturing of mechanical and bleached cellulose pulp,
  - c. Purchase, sale and export of the products mentioned in paragraphs a and b,
  - d. To be used in the production of the products that fall within the scope of the Company, as long as they cannot be supplied in France,
  - d. 01 all kinds of cellulose pulp
  - d. 02 substances required for conversion
  - d. 03 machinery and spare parts
  - d. 04 importation of all kinds of auxiliary materials and operating materials,
  - d.05 importation of packaging waste and other materials consisting of non-hazardous waste and/or scrap paper, packaging and/or composite wastes,**
  - e. Perfume, cosmetic goods and cologne **production, as well as their placement on the market, sales, having them sold, retail and** wholesale trade (including all kinds of perfumery),
  - f. To produce and have produced all kinds of biocidal products, including disinfectants, as well as all kinds of masks with the characteristics of personal protective equipment and/or medical devices (including, but not limited to N95, FFP1, FFP2, FFP3 etc.) and other products within this scope, to supply, sell, have them sold, trade, import and export these on the market,**
  - g. Ministry of Environment and Urbanization being first and foremost, within the framework of environmental legislation provisions regulated by all relevant authorities, to engage in paper recovery/recycling activities from non-hazardous waste and/or scrap paper, packaging and/or composite wastes, packaging waste and other materials, to establish and operate recycling/recovery facilities, to establish and operate collection/separation facilities, to supply, sell, have them sold, engage in retail and wholesale trade, import and export of the products manufactured within this scope,**
- Apart from these, the company may acquire all rights and levy all debts in order to achieve its objectives and conduct its activities within its scope, provided that they are within the framework of the corporate objectives and scope. The Company may carry out all commercial, industrial and economic activities and produce products as required by its objectives and scope. **It can establish and operate any facility required in accordance with the provisions of the relevant legislation. The Company can produce all kinds of products that are listed among the corporate objectives and scope, have them produced, and engage in retail or wholesale trade of the goods in mention.** The Company, in relation to its field of activities, may use, operate, rent, lease, buy or sell all kinds of movable, immovable, intangible, tangible vehicles and goods, it may take or give them as mortgage, hold in or put in pledge, carry out all transactions related to real estate such as unification, allotment, abandonment, easement rights, may establish real rights in favor of and against the company, remove these rights, lend money and borrow money, provided that it is not contrary to the law and relevant legislation on money lending transactions. For the purpose of disclosing information to the investors, within the scope of special cases, provided that the necessary explanations to be sought by the Capital Markets Board are given, it may grant pledges and establish mortgages on company property for the debts of others.
- h. The Company, within the limits set by the relevant regulations of the Capital Markets Law on the subject, may furnish donations to foundations established for various purposes and to similar persons and/or institutions, or divide a share from its profit.
- The principles determined by the Capital Markets Board shall be complied with in terms of giving out guarantees, sureties, and securities or establishing the right of pledge including mortgage on behalf of the company and in favor of third parties.



# AMENDMENT TO ARTICLES OF ASSOCIATION PROPOSAL

## VİKİNG KAĞIT VE SELÜLOZ A.Ş.

<b>OLD VERSION OF THE REGISTERED CAPITAL Article 6-</b>	<b>NEW VERSION OF THE REGISTERED CAPITAL Article 6-</b>
<p>The company, in accordance with the provisions of the Capital Markets Law dated 6.12.2012 and numbered 6362 and with the decision of the Capital Markets Board dated 30.04.2013 and numbered 15/491, has adopted the Registered Capital System and has switched to this system accordingly.</p> <p>The registered Capital of the Company is 80,000,000.-TL (EIGHTY MILLION TURKISH LIRAS).</p> <p>The registered capital ceiling permission given by the Capital Market Board is valid for a period of 5 (five) years from 2017-2021. Even if the permitted registered capital ceiling is not reached at the end of 2021, in order for the board of directors to take a decision to increase the capital after 2021, it is obligatory to obtain authorization from the general assembly for a new period by obtaining permission from the Capital Markets Board for the previously allowed ceiling, or a new ceiling amount. In case of failure to obtain the said authorization, a capital increase cannot be made with the decision of the board of directors.</p> <p>The issued capital of the Company is 42,000,000. - TL (FORTY-TWO MILLION TURKISH LIRAS) divided into 4,200,000,000 (four billion two hundred million) bearer shares, each with a nominal value of 1 Kr, and the entire issued capital was paid by the shareholders free of collusion.</p> <p>The issued capital, which was previously 45,000,000. -TL (FORTY-FIVE MILLION TURKISH LIRAS), this time by decreasing 23,900,000. -TL (TWENTY-THREE MILLION NINE HUNDRED THOUSAND LIRAS) from the capital, which was fully paid in cash, and by using the reduced amount to offset the losses of the previous years, was reduced to 21,100,000.-TL (TWENTY-ONE MILLION HUNDRED THOUSAND TURKISH LIRAS) and simultaneously increased to 42,000,000.- TL (FORTY-TWO MILLION TURKISH LIRAS) by covering all in cash.</p> <p>The Board of Directors is authorized to increase the issued capital between 2017-2021 by issuing bearer shares up to the amount of registered capital when deemed necessary in accordance with the provisions of the Capital Markets Law.</p> <p>The Board of Directors is authorized to take decisions on issuing shares above and below their nominal value and limiting the shareholders' right to purchase new shares in accordance with the provisions of the Capital Markets Law.</p> <p>Shares representing the capital are monitored through records within the framework of dematerialization principles.</p>	<p>The company, in accordance with the provisions of the Capital Markets Law dated 6.12.2012 and numbered 6362, and with the decision of the Capital Markets Board dated 30.04.2013 and numbered 15/491, has adopted the Registered Capital System and has switched to this system accordingly.</p> <p>The registered Capital of the Company is 80,000,000.-TL (EIGHTY MILLION TURKISH LIRAS).</p> <p>The registered capital ceiling permission given by the Capital Markets Board is valid for a period of 5 (five) years from <b>2021-2025</b>. Even if the permitted registered capital ceiling is not reached at the end of <b>2025</b>, in order for the board of directors to take a decision to increase the capital after 2021, it is obligatory to obtain authorization from the general assembly for a new period by obtaining permission from the Capital Markets Board for the previously allowed ceiling, or a new ceiling amount. In case of failure to obtain the said authorization, a capital increase cannot be made with the decision of the board of directors.</p> <p>The issued capital of the Company is 42,000,000. - TL (FORTY-TWO MILLION TURKISH LIRAS) divided into 4,200,000,000 (four billion two hundred million) bearer shares, each with a nominal value of 1 Kr, and the entire issued capital was paid by the shareholders free of collusion.</p> <p>The issued capital, which was previously 45,000,000. -TL (FORTY-FIVE MILLION TURKISH LIRAS), this time by decreasing 23,900,000. -TL (TWENTY-THREE MILLION NINE HUNDRED THOUSAND LIRAS) from the capital, which was fully paid in cash, and by using the reduced amount to offset the losses of the previous years, was reduced to 21,100,000.-TL (TWENTY-ONE MILLION HUNDRED THOUSAND TURKISH LIRAS) and simultaneously increased to 42,000,000.- TL (FORTY-TWO MILLION TURKISH LIRAS) by covering all in cash.</p> <p>The Board of Directors is authorized to increase the issued capital between <b>2021-2025</b> by issuing bearer shares up to the amount of registered capital when deemed necessary in accordance with the provisions of the Capital Markets Law.</p> <p>The Board of Directors is authorized to take decisions on issuing shares above and below their nominal value and limiting the shareholders' right to purchase new shares in accordance with the provisions of the Capital Markets Law.</p> <p>Shares representing the capital are monitored through records within the framework of dematerialization principles.</p>

## DECLARATION OF NON-AFFILIATION

As the non-affiliated candidate of the member of board of directors at VİKİNG KAĞIT VE SELÜLOZ A.Ş. (the "Company"), I hereby declare that;

- There is no employment relationship in the managerial position that had undertaken important duties and responsibilities over the past five years, that there is no joint or sole ownership of more than 5% of the capital or voting rights or privileged shares, and that a significant commercial relationship has not been established between myself, my spouse and my relatives up to the second degree by blood and marriage; with the company, partnerships that possess or have significant influence on the management control of the company, and partners who possess or have significant influence on the management control of the company, as well as legal entities over which these partners have management control,
- In the past five years, I have not been a shareholder (5% or more), or employed in a managerial position to assume important duties and responsibilities, or a member of the board of directors of companies in which the company purchases or sells services or products to a significant extent within the framework of agreements entered into during the periods when services or products are purchased or sold , nor have I partaken in the audit (including tax audit, legal audit, internal audit) being in the first place, rating and consultation activities of the company,
- I have the professional education, knowledge and experience to fulfill the duties I will undertake due to being an independent board member,
- I am not working full-time, after being elected as a member, in public institutions and organizations, except as a university lecturer, provided that it is in accordance with the legislation I am bound with,
- I am deemed to be residing in Turkey according to the Income Tax Law No. 193 dated 31/12/1960,
- I have strong ethical standards, professional reputation and experience that can contribute positively to the activities of the company, maintain my impartiality in conflicts of interest between the company and shareholders, and make decisions freely taking into account the rights of the stakeholders,
- I will be able to devote time to company affairs to the extent that would enable me to follow the functioning of company activities and fully fulfill the requirements of the tasks I have undertaken,
- I have not served as a member on the company's board of directors for more than six years in total within the past ten years,
- I have not served as an independent board member in more than three of the companies controlled by the company or its shareholders who have management control, and in more than five of the companies listed on the stock exchange in total,

I have not been registered and declared in name as the legal person elected as a member of the board of directors, and hence I am capable of fulfilling my duty as an independent member of the company's board of directors.

Respectfully yours,

Yılmaz ATTİLA



## DECLARATION OF NON-AFFILIATION

As the non-affiliated candidate of the member of board of directors at VİKİNG KAĞIT VE SELÜLOZ A.Ş. ("Company"), I hereby declare that;

- There is no employment relationship in the managerial position that had undertaken important duties and responsibilities over the past five years, that there is no joint or sole ownership of more than 5% of the capital or voting rights or privileged shares, and that a significant commercial relationship has not been established between myself, my spouse and my relatives up to the second degree by blood and marriage; with the company, partnerships that possess or have significant influence on the management control of the company, and partners who possess or have significant influence on the management control of the company, as well as legal entities over which these partners have management control,
- In the past five years, I have not been a shareholder (5% or more), or employed in a managerial position to assume important duties and responsibilities, or a member of the board of directors of companies in which the company purchases or sells services or products to a significant extent within the framework of agreements entered into during the periods when services or products are purchased or sold , nor have I partaken in the audit (including tax audit, legal audit, internal audit) being in the first place, rating and consultation activities of the company,
- I have the professional education, knowledge and experience to fulfill the duties I will undertake due to being an independent board member,
- I am not working full-time, after being elected as a member, in public institutions and organizations, except as a university lecturer, provided that it is in accordance with the legislation I am bound with,
- I am deemed to be residing in Turkey according to the Income Tax Law No. 193 dated 31/12/1960,
- I have strong ethical standards, professional reputation and experience that can contribute positively to the activities of the company, maintain my impartiality in conflicts of interest between the company and shareholders, and make decisions freely taking into account the rights of the stakeholders,
- I will be able to devote time to company affairs to the extent that would enable me to follow the functioning of company activities and fully fulfill the requirements of the tasks I have undertaken,
- I have not served as a member on the company's board of directors for more than six years in total within the past ten years,
- I have not served as an independent board member in more than three of the companies controlled by the company or its shareholders who have management control, and in more than five of the companies listed on the stock exchange in total,

I have not been registered and declared in name as the legal person elected as a member of the board of directors, and hence I am capable of fulfilling my duty as an independent member of the company's board of directors.

Respectfully yours,

Feyzi Onur KOCA



# STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

## VİKİNG KAĞIT VE SELÜLOZ A.Ş.

### STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

**a)** VİKİNG KAĞIT VE SELÜLOZ AŞ (the "Company") complied with all mandatory articles of Corporate Governance Principles in the annex of Corporate Governance Communiqué numbered II-17.1 published by the Capital Markets Board (CMB) during the operating period that ended on December 31, 2020.

**b)** Our company strives to comply fully with the non-compulsory principles of Corporate Governance Principles. The justifications on the basis of non-mandatory principles that have not been implemented are explained below; as of the current date, these issues are considered to not cause a significant conflict of interest.

The explanations to be made by our Company in accordance with Article 8 of the Corporate Governance Communiqué regarding the non-compulsory corporate governance principles that have not yet been complied with are presented below, per each principle:

**1.3.11.** There is no clause in the articles of association of our company regarding the participation of the beneficiaries and the media in the general assembly. Independent audit firm officials also attend our general assembly meetings, and our company has not received any request from other beneficiaries or members of the media to participate.

**1.5.2** In parallel with general practices, rights have been granted to the minority interests within the framework of the provisions in the general regulations. Within the context of our company's capital structure and free float ratio, it is foreseen to continue the practice as presently.

**4.3.9** A policy has not been established for the proportion of female members on the company's board of directors, but there are currently 2 female members on our board.

**4.4.7** The members of the board of directors of our company are not restricted from taking other duties outside the company; however, the duties of the board members that they have taken outside the company are presented to the shareholders by including them in the annual report.

**4.5.5** Since there are two non-affiliated members on the board of directors of our company, it is not possible for a board member to take part in only one committee.

**4.6.1** There is no performance evaluation system established for the board of directors.

**4.6.5** In line with general practices, the remuneration of the members of the board of directors and managers with administrative responsibilities are disclosed collectively in the annual report.

Regarding compliance with the principles, our Company will also carry out the necessary efforts by following the developments and practices in the legislation in future periods, as it does currently.



# STATEMENT OF RESPONSIBILITY

## STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUE ON THE PRINCIPLES OF FINANCIAL REPORTING IN THE CAPITAL MARKETS NO II-14.1 OF THE CAPITAL MARKETS BOARD

We hereby declare in accordance with the CMB regulations that; the financial position statement including footnotes, comprehensive income statement, cash flow statement and equity change statement, as well as board of directors activity report arranged by our Company and approved by the Board of Directors decision dated 26.02.2021 and numbered 2021/7 of the independently audited Viking Kağıt ve Selüloz A.Ş. for the accounting period of 01.01.2020 - 31.12.2020, prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and the formats determined by the CMB;

1. They were examined by our Company,
2. Within the framework of the information that we have in our field of duty and responsibility of our company, they do not contain any false statements on important matters, or any deficiencies which may be consequentially misleading as of the date of disclosure,
3. Within the framework of the information that we have in our field of duty and responsibility of our company, our financial statements prepared in accordance with the Communiqué honestly reflect the truth about the assets, liabilities, financial situation and profit and loss of the enterprise, and that our annual report honestly reflects the development and performance of the business and the financial situation of the enterprise, together with the significant risks and uncertainties faced,

We have reviewed the Corporate Governance Compliance Report ("URF") and the Corporate Governance Information Form ("KYBF") prepared for the fiscal period of 01.01.2020 - 31.12.2020 within the framework of the CMB's decision dated 10.01.2019 and numbered 2/49, and the said reports were prepared in accordance with the procedures and principles set forth in the decision referred to in the CMB's Corporate Governance Communiqué II-17.1.

Respectfully yours,

Best regards,  
VİKİNG KAĞIT VE SELÜLOZ A.Ş.

Feyzi Onur KOCA  
Head of the Audit Committee

Yılmaz ATTİLA  
Member of the Audit Committee

Ahmet Abdullah AKÇASIZ  
General Manager





**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ON THE BOARD OF DIRECTORS' ANNUAL REPORT  
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Viking Kağıt ve Selüloz A.Ş.

**1. Opinion**

We have audited the annual report of Viking Kağıt ve Selüloz A.Ş. (the "Company") for the 1 January - 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

**2. Basis for Opinion**

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Our Audit Opinion on the Full Set Financial Statements**

We expressed an unqualified opinion in the auditor's report dated 26 February 2021 on the full set financial statements for the 1 January - 31 December 2020 period.

**4. Board of Director's Responsibility for the Annual Report**

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

- b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
- events of particular importance that occurred in the Company after the operating year,
  - the Company's research and development activities,
  - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

## **5 Independent Auditor's Responsibility in the Audit of the Annual Report**

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM  
Partner

İstanbul, 26 February 2021





# **VİKİNG KAĞIT VE SELÜLOZ A.Ş.**

**FINANCIAL STATEMENTS  
AT 1 JANUARY - 31 DECEMBER 2020  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION INTO ENGLISH -  
THE TURKISH TEXT IS AUTHORITATIVE)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Viking Kağıt ve Selüloz A.Ş.

**A. Audit of the financial statements**

**1. Our opinion**

We have audited the accompanying financial statements of Viking Kağıt ve Selüloz A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

**2. Basis for opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key audit matters**

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

Key Audit Matters	How the key audit matter was addressed in the audit
<p><b>Recoverability of trade receivables (Refer to Notes 6 and 7)</b></p> <p>Trade receivables amounting to millions of TL50.5 millions as of 31 December 2020 are material to the financial statements.</p> <p>The Company management considers the guarantees received from its customers, past collection performance, credibility of customers, maturity analysis and disputes or claims related to receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Company management's estimations and assumptions. On the other hand, these estimates are very sensitive to market conditions.</p> <p>Because of these reasons, the recoverability of trade receivables was determined to be a key audit matter.</p>	<p>The following audit procedures were addressed in our audit work on the recoverability of trade receivables:</p> <ul style="list-style-type: none"> <li>• The Company's credit risk management policy, including credit limit and collection management, were understood and evaluated.</li> <li>• Trade receivables were tested on a sample basis by sending confirmation letters.</li> <li>• The agings of trade receivable balances were analysed on a sample basis.</li> <li>• The subsequent collections were tested on a sample basis.</li> <li>• The guarantee letters received from customers were tested on a sample basis.</li> <li>• It was assessed if there is a dispute or litigations regarding collectability of trade receivables, and obtained written assessments of legal counsels on outstanding litigations and disputes.</li> <li>• Based on the meetings held with Company management, the reasonableness of Company management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed.</li> <li>• The compliance of the disclosures regarding recoverability of trade receivables in the financial statements with the relevant financial reporting standards was evaluated.</li> </ul>



#### 4. Responsibilities of management and those charged with governance for the financial statements

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

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

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

#### 5. Auditor's responsibilities for the audit of the financial statements

Responsibilities of independent auditors in an independent audit are as follows:

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

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



**5. Auditor's responsibilities for the audit of the financial statements (Continued)**

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**B. Other responsibilities arising from regulatory requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 26 February 2021.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM  
Partner

İstanbul, 26 February 2021

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## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### VİKİNG KAĞIT VE SELÜLOZ A.Ş.

#### STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)

1 JANUARY - 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	19,897,159	5,404,075
Trade Receivables		50,543,864	40,951,113
- Due from Related Parties	6	4,807,323	5,223,754
- Due from Third Parties	7	45,736,541	35,727,359
Other Receivables		256,474	233,183
- Due from Third Parties	8	256,474	233,183
Inventories	9	32,821,676	33,033,432
Prepaid Expenses		162,655	728,832
- Prepaid Expenses to Third Parties	10	162,655	728,832
Current Tax Assets	29	36,163	84,633
Other Current Assets		779,836	1,606,103
- Other Current Assets from Third Parties	20	779,836	1,606,103
<b>TOTAL CURRENT ASSETS</b>		<b>104,497,827</b>	<b>82,041,371</b>
<b>Non-Current Assets</b>			
Financial Assets	3	557,286	404,168
Other Receivables		5,999	5,999
- Other Receivables from Third Parties		5,999	5,999
Property, Plant and Equipment	11	206,327,636	199,356,877
- Land		55,380,000	55,380,000
- Land Improvements		2,881,366	2,920,000
- Buildings		31,230,919	31,220,000
- Machinery and Equipment		111,601,564	106,028,425
- Vehicles		131,336	179,795
- Furniture and Fixtures		1,122,844	1,157,624
- Construction in Progress		3,979,607	2,471,033
Intangible Assets	12	855,050	881,173
- Other Intangible Assets		855,050	881,173
Prepaid Expenses		1,281,499	-
- Prepaid Expenses to Third Parties	10	1,281,499	-
Rights of Use Assets	11	1,868,039	1,624,829
<b>TOTAL NON-CURRENT ASSETS</b>		<b>210,895,509</b>	<b>202,273,046</b>
<b>TOTAL ASSETS</b>		<b>315,393,336</b>	<b>284,314,417</b>

The financial statements for the period 1 January - 31 December 2020 have been approved for issue by Board of Directors of Viking Kağıt ve Selüloz A.Ş. on 26 February 2021. The General Assembly and certain regulatory bodies have the authority to make amendments after the issue of these financial statements.

The accompanying notes are an integral part of these financial statements.



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**VİKİNG KAĞIT VE SELÜLOZ A.Ş.**  
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)  
1 JANUARY - 31 DECEMBER 2020 AND 2019  
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	31 December 2020	31 December 2019
<b>LIABILITIES</b>			
<b>Short-Term Liabilities</b>			
Short-Term Borrowings		128,915,970	65,871,458
- Short-Term Borrowings from Third Parties		128,915,970	65,871,458
- Bank Loans	15	127,708,509	65,864,503
- Leasing Liabilities		1,207,461	6,955
Short-Term Portion of Long-Term Borrowings		44,834,179	32,053,279
- Short-Term Portion of Long-Term Borrowings from Third Parties		44,834,179	32,053,279
- Bank Loans	15	44,068,496	31,409,037
- Leasing Liabilities		765,683	644,242
Trade Payables		94,638,099	80,069,337
- Due to Related Parties	6	12,883,681	27,397,627
- Due to Third Parties	7	81,754,418	52,671,710
Payables for Employee Benefits	18	731,239	485,416
Other Payables		4,295,653	22,812,781
- Due to Related Parties	6	3,376,011	22,100,026
- Due to Third Parties	8	919,642	712,755
Deferred Income	10	1,670,168	413,934
- Deferred Income from Third Parties		1,670,168	413,934
Short-Term Provisions		606,627	572,776
- Other Short-Term Provisions	17	606,627	572,776
<b>TOTAL SHORT TERM LIABILITIES</b>		<b>275,691,935</b>	<b>202,278,981</b>
<b>Long-Term Liabilities</b>			
Long-Term Borrowings		30,882,559	48,222,711
- Long-Term Borrowings from Third Parties		30,882,559	48,222,711
- Bank Loans	15	28,721,377	47,112,475
- Leasing Liabilities		2,161,182	1,110,236
Long-Term Provisions		9,847,143	6,039,824
- Long-Term Provisions for Employee Benefits	18	9,847,143	6,039,824
Other Long-Term Liabilities		1,161	-
- Other Long-Term Liabilities to Third Parties		1,161	-
Deferred Tax Liabilities	29	22,859,293	22,930,793
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>63,590,156</b>	<b>77,193,328</b>
<b>TOTAL LIABILITIES</b>		<b>339,282,091</b>	<b>279,472,309</b>
<b>EQUITY</b>			
<b>Equity Attributable to Owners of the Parent Company</b>		<b>(23,888,755)</b>	<b>4,842,108</b>
Share Capital	21	42,000,000	42,000,000
Share Premium	21	253,929	253,929
Other Comprehensive Income/(Expense) not to be Reclassified to Profit and Loss		100,673,344	106,467,508
- Gains on Revaluation and Remeasurement		100,065,458	106,063,340
- Increases on Revaluation of Property, Plant and Equipment	11	106,992,106	110,837,024
- Actuarial Loss Arising From Defined Benefit Plans		(6,926,648)	(4,773,684)
-Fair value Reflected on Other Comprehensive Income Revaluation of Financial Assets and/or Classification Benefits		607,886	404,168
Accumulated Losses		(140,034,411)	(110,356,606)
Loss for the Year		(26,781,617)	(33,522,723)
<b>TOTAL EQUITY</b>		<b>(23,888,755)</b>	<b>4,842,108</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>315,393,336</b>	<b>284,314,417</b>

The accompanying notes are an integral part of these financial statements.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### VİKİNG KAĞIT VE SELÜLOZ A.Ş.

#### STATEMENTS OF PROFIT OR LOSS AND OTHER

#### COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
<b>PROFIT OR LOSS</b>			
Revenue	22	252,920,145	224,046,160
Cost of Sales (-)	22	(196,470,940)	(182,233,988)
<b>GROSS PROFIT</b>	22	<b>56,449,205</b>	<b>41,812,172</b>
Marketing Expenses (-)	23	(25,579,454)	(22,780,110)
General Administrative Expenses (-)	23	(12,314,022)	(9,822,341)
Research and Development Expenses (-)	23	(1,721,944)	(1,378,505)
Other Operating Income	24	12,767,761	7,009,164
Other Operating Expenses (-)	24	(24,933,006)	(14,705,028)
<b>OPERATING PROFIT</b>		<b>4,668,540</b>	<b>135,352</b>
Income from Investment Activities	25	336,386	64,261
<b>OPERATING PROFIT BEFORE FINANCIAL EXPENSE</b>		<b>5,004,926</b>	<b>199,613</b>
Financial Income	27	3,527,297	1,308,293
Financial Expense (-)	27	(34,847,097)	(35,254,833)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(26,314,874)</b>	<b>(33,746,927)</b>
Tax Income/(Expense) from Continuing Operations		(466,743)	224,204
- Deferred Tax (Expense)/Income	29	(466,743)	224,204
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(26,781,617)</b>	<b>(33,522,723)</b>
<b>LOSS FOR THE YEAR</b>		<b>(26,781,617)</b>	<b>(33,522,723)</b>
<b>Loss per share</b>			
- Loss per Kr1 number of 100 Shares			
From Continuing Operations	30	(0,6377)	(0,7982)
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other Comprehensive Income/Expense not to be Reclassified in Profit and Loss</b>		<b>(1,949,246)</b>	<b>10,699,095</b>
Increase in Revaluation of Property, Plant and Equipment	11	-	13,226,096
Actuarial Loss Arising from Defined Benefit Plans	18	(2,691,205)	(909,560)
Fair Value Difference Other Comprehensive Income			
Revaluation of Saved Assets and/or Loss of Classification	3	203,718	176,366
Not to be Reclassified in Profit and Loss			
Taxes Relating to Components of Other Comprehensive		538,241	(1,793,807)
- Increase in Revaluation of Property, Plant and Equipment, Tax Effect	29	-	(1,975,719)
- Actuarial Loss Arising from Defined Benefit Plans, Tax Effect	29	538,241	181,912
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		<b>(1,949,246)</b>	<b>10,699,095</b>
<b>TOTAL COMPREHENSIVE EXPENSE</b>		<b>(28,730,863)</b>	<b>(22,823,628)</b>

The accompanying notes are an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**VİKİNG KAĞIT VE SELÜLOZ A.Ş.**

**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>19,803,773</b>	<b>(30,260,955)</b>
Loss for the year		(26,781,617)	(33,522,723)
<b>Adjustments to reconcile net period expense</b>		<b>50,728,200</b>	<b>40,397,444</b>
Adjustments related to taxation	29	466,743	(224,204)
Adjustments related to depreciation and amortisation	11,12	10,678,267	9,581,819
Adjustments related to provisions		1,869,485	1,210,711
- Adjustments related to provision for employee benefits	18	1,836,082	1,223,539
- Adjustments for (reversal of) lawsuit and/or penalty provisions		33,403	(12,828)
Adjustments for (reversal of) fair value losses		347,000	(26,619)
- Adjustments for (reversal of) impairment loss of receivables	24	347,000	(26,619)
Adjustments related to gain on sales of non-current assets		(303,748)	(37,517)
- Adjustments for impairment on property, plant and equipment	25	(303,748)	(37,517)
Adjustments related to share of profit		(32,637)	(26,744)
Adjustments related to interest (income)/expense		26,279,516	27,516,479
- Adjustments related to interest income		(295,388)	(340,377)
- Adjustments related to interest expense	24, 27	26,574,904	27,856,856
Adjustments related to unrealized foreign currency translation differences		11,423,575	2,403,519
<b>Changes in working capital</b>		<b>(3,422,841)</b>	<b>(36,273,461)</b>
Adjustments related to decrease/(increase) in trade receivables		(9,068,060)	(6,518,008)
- Changes in trade receivables from related parties	6	1,288,122	5,220,126
- Changes in trade receivables from third parties	7	(10,356,182)	(11,738,134)
Adjustments related to inventories	9	211,756	3,778,280
Adjustments in other receivables related with operations		853,356	(488,327)
- Adjustments in other receivables related with operations		853,356	(488,327)
Changes in prepaid expenses	10	566,177	(45,839)
Adjustments related to trade payables		2,066,900	(32,676,822)
- Changes in trade payables to third parties	7	20,348,887	(53,789,521)
- Changes in trade payables to related parties	6	(18,281,987)	21,112,699
(Decrease)/Increase in payables related to employee benefits	18	245,824	66,745
Adjustments for decrease/(increase) in other payables related with operations		237,647	(447,072)
- Decrease/(increase) in other related party payables related with operations adjustments		237,647	(447,072)
Changes in deferred income	10	1,256,234	(23,140)
Adjustments for other changes in working capital		207,325	80,722
- Changes in other liabilities related with operations		207,325	80,722
<b>Cash generated from operating activities</b>		<b>20,523,742</b>	<b>(29,398,740)</b>
Employment termination benefits paid	18	(719,969)	(862,215)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(17,734,974)</b>	<b>(8,186,548)</b>
Cash outflow from purchases of property, plant and equipment and intangible assets		(16,930,718)	(10,387,986)
- Purchase of property, plant and equipment	11	(16,716,971)	(10,159,295)
- Purchase of intangible assets	12	(213,747)	(228,691)
Cash inflow from sales of property, plant and equipment and intangible assets		303,748	37,517
- Sales of property, plant and equipment		303,748	37,517
Advance given for cash and payables		(1,281,498)	-
Other advance given for cash and payables to related parties		(1,281,498)	-
Repayments of advance given for cash and payables		-	1,795,375
- Repayments of other advance given for cash and payables to related parties	6	-	1,795,375
Dividends received	25	32,637	26,744
Interest received		293,474	341,802
Other cash inflows/outflows		(153,117)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>11,122,170</b>	<b>37,631,330</b>
Cash inflows related to borrowings		142,800,000	173,953,461
- Cash inflows from bank loans	15	142,800,000	173,953,461
Cash outflows on debt payments		(88,858,031)	(127,323,365)
- Cash outflows on loan repayments	15	(90,058,537)	(127,265,525)
- Cash outflows from payments of other financial liabilities		1,200,506	(57,840)
Increase/(Decrease) in other payables to related parties	6	(18,724,014)	20,967,207
Payments of lease liabilities	15	(1,061,513)	(870,948)
Interest paid		(23,034,272)	(29,095,025)
<b>Net decrease/(increase) in cash and cash equivalents before foreign currency translation differences</b>		<b>13,190,969</b>	<b>(816,173)</b>
Effect of foreign currency translation differences on cash and cash equivalents		1,302,115	(133)
<b>NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>14,493,084</b>	<b>(816,306)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>5,404,075</b>	<b>6,220,381</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>19,897,159</b>	<b>5,404,075</b>

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### VİKİNG KAĞIT VE SELÜLOZ A.Ş.

#### STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	<b>Other Comprehensive Income/(Expense)</b>			
	<b>not to be</b>			
	<b>Reclassified</b>			
	<b>In Profit or Loss</b>			
	<b>Share</b>	<b>Share</b>	<b>Revaluation and</b>	<b>Loss on</b>
	<b>Capital</b>	<b>Premium</b>	<b>Remeasurement</b>	<b>Remeasurement</b>
			<b>Gains of Property,</b>	<b>of Defined Benefit</b>
			<b>Plant and</b>	<b>Plans</b>
			<b>Equipment</b>	
<b>Previous Period</b>				
<b>1 January 2019</b>	<b>42,000,000</b>	<b>253,929</b>	<b>103,325,983</b>	<b>(4,046,036)</b>
Transfers	-	-	(3,739,336)	-
Total Comprehensive Expense	-	-	11,250,377	(727,648)
- Profit/Loss for The Year	-	-	-	-
- Other Comprehensive Income	-	-	11,250,377	(727,648)
<b>31 December 2019</b>	<b>42,000,000</b>	<b>253,929</b>	<b>110,837,024</b>	<b>(4,773,684)</b>
<b>Current Period</b>				
<b>1 January 2020</b>	<b>42,000,000</b>	<b>253,929</b>	<b>110,837,024</b>	<b>(4,773,684)</b>
Transfers	-	-	(3,844,918)	-
Total Comprehensive Expense	-	-	-	(2,152,964)
- Profit/Loss for The Year	-	-	-	-
- Other Comprehensive Income	-	-	-	(2,152,964)
<b>31 December 2020</b>	<b>42,000,000</b>	<b>253,929</b>	<b>106,992,106</b>	<b>(6,926,648)</b>

The accompanying notes are an integral part of these financial statements.



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH**

**VİKİNG KAĞIT VE SELÜLOZ A.Ş.**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019**

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

a)

Revaluation and/or Classification Earnings of Financial Assets with Fair Value at Other Comprehensive Income	Accumulated Losses		Total Equity
	Accumulated Losses	Net Loss For the Year	
<b>227,802</b>	<b>(94,759,011)</b>	<b>(19,336,931)</b>	<b>27,665,736</b>
-	(15,597,595)	19,336,931	-
176,366	-	(33,522,723)	(22,823,628)
-	-	(33,522,723)	(33,522,723)
176,366	-	-	10,699,095
<b>404,168</b>	<b>(110,356,606)</b>	<b>(33,522,723)</b>	<b>4,842,108</b>
<b>404,168</b>	<b>(110,356,606)</b>	<b>(33,522,723)</b>	<b>4,842,108</b>
-	(29,677,805)	33,522,723	-
203,718	-	(26,781,617)	(28,730,863)
-	-	(26,781,617)	(26,781,617)
203,718	-	-	(1,949,246)
<b>607,886</b>	<b>(140,034,411)</b>	<b>(26,781,617)</b>	<b>(23,888,755)</b>

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### VİKİNG KAĞIT VE SELÜLOZ A.Ş.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

#### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Viking Kağıt ve Selüloz A.Ş. ('the Company'), is engaged in the production, sales and marketing of semi-finished and finished sanitary papers for the domestic and foreign markets. The production plant of the company is located in İzmir - Aliağa.

Shares of the Company have been traded on the Borsa Istanbul ('BIST'). The ultimate shareholder of the Company is Yaşar Holding A.Ş. ('Yaşar Holding') holding 78.48% (2019: 78.48%) shares of the Company (Note 21).

The address of the registered office is as follows:

Yalı Mahallesi, Hürriyet Caddesi No:474  
Aliağa- İzmir

The average number of personnel employed in the Company's period during the period is 208 (2019: 208).

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") and its addendum and interpretations issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS"). The financial statements are presented in accordance with the "TFRS Taxonomy" issued by the POAASA on 15 April 2019 and the formats specified in the Financial Statement Examples and Usage Guidelines issued by CMB.

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. Subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate. Other than land, buildings and land improvements, machinery and equipment and financial assets and liabilities carried at their fair values, financial statements are prepared and presented based on historical cost convention and in terms of Turkish Lira ("TRY") which is the functional currency of the Company.

##### 2.2 Amendments in Turkish Financial Reporting Standards

###### a) Standards, amendments and interpretations applicable as at 31 December 2020:

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

# CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## VİKİNG KAĞIT VE SELÜLOZ A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

##### 2.2 Amendments in Turkish Financial Reporting Standards (Continued)

###### a) Standards, amendments and interpretations applicable as at 31 December 2020: (Continued)

- i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

###### b) New standards, amendments and interpretations issued and effective as of 31 December 2020 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

###### c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### VİKİNG KAĞIT VE SELÜLOZ A.Ş.

#### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

##### 1.2 Amendments in Turkish Financial Reporting Standards (Continued)

- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Company will evaluate the effects of the above amendments on its operations and apply them from the effective date.

##### 2.3 Restatement and Errors in the Accounting Policies and Estimates

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

##### 2.4 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2020 on a comparative basis with balance sheet at 31 December 2019 and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2020 on a comparative basis with financial statements for the period of 1 January - 31 December 2019.

##### 2.5 Summary of Significant Accounting Policies

###### 2.5.1 TFRS 16, 'Leases'

###### *The Company as the lessee*

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



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

##### 2.5.1 TFRS 16, 'Leases' (Continued)

- The contract contains an identified asset: - this may be specified explicitly or implicitly
- 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.
- The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and.
- The Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
  - i. The Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions or
  - ii. The customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

##### ***Right of use asset***

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

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the lessee and
- Costs incurred by the Company in respect of restoring the underlying asset to the condition required by the terms and conditions of the lease (excluding costs incurred for stock production).

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

- Less any accumulated depreciation and any accumulated impairment losses and
- Adjusted for any remeasurement of the lease liability.

The Company applies the depreciation requirements in TAS 16, 'Property, Plant and Equipment' in depreciating the right-of-use asset, subject to the requirements.

The Company applies TAS 36, 'Impairment of Assets' to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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

##### 2.5.1 TFRS 16, 'Leases' (Continued)

###### **Lease liability**

At the commencement date, The Company measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are deducted using the implicit interest rate on the lease if this rate can be easily determined. If it cannot, the incremental borrowing rate of the interest on the lease is used.

Lease payments included in the calculation of the company's lease obligation and not realised on the date the lease actually starts consisting of following:

- Fixed payments, less any lease incentives receivable,
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect the lease payments made and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

###### **Extension and early termination options**

A lease obligation is determined considering extension and early termination options in agreements. The majority of the extension and early termination options in agreements are options that may be jointly applied by the company and the lessee. However, if the extension and early termination options are determined by the company under the agreement, and the use of the options is reasonably certain, the lease period is determined with this in mind. Should the terms be adjusted significantly, the assessment is revised by the company.

###### **Facilitative practices**

Lease agreements with a lease period of 12 months or less, and agreements related to information technology equipment identified as impaired by the company, are considered within the scope of the exemption in the TFRS 16 lease standard, and payments related to these agreements continue to be recognised as expenses in the period in which they occur. A single discount rate has been applied to a portfolio of leases with reasonably similar properties (such as leases with the remaining lease term similar for a similar asset class in a similar economic environment).

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

##### 2.5.2 Revenue recognition

The Company transfers the committed goods or services to its customers and records the revenue in its financial statements as it fulfils or fulfils the performance obligation. When an asset is checked (or passed) by the customer, the asset is transferred.

The Company records the proceeds in accordance with the following basic principles:

- (a) Determination of contracts with customers,
- (b) Determination of performance obligations in the contract,
- (c) Determining the transaction price in the contract,
- (d) Allocation of the transaction price to the performance obligations in the contract,
- (e) Accounting of revenue when every performance obligation is met.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfils the performance obligations related to the sales in time, it measures the progress of the fulfilment of the performance obligations in full and takes the proceeds to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

- (a) The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
- (b) The Company may define the rights related to the goods or services to be transferred by each party,
- (c) The Company may define the payment terms related to the goods or services to be transferred,
- (d) The contract is essentially commercial,
- (e) It is probable that the Company will be charged for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

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

##### 2.5.2 Revenue recognition (Continued)

###### *Revenue from product sales*

The company receives revenue from the production and sale of cleaning paper. Revenue is recorded when the control of the products is transferred to the customer. While evaluating the transfer of control of the goods or services sold to the customer:

- Ownership of the right to collect goods or services,
- Ownership of the right of the customer,
- The transfer of the physical possession of the goods,
- Ownership of significant risks and benefits of property ownership,
- Takes into account the conditions of the customer's acceptance of the goods.

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. The Company recognises revenue from product sales in the financial statements following the transfer of control to the customer.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between when the entity 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. If the Company expect to pay back a portion or full of collected amount, the Company recognizes a contract liability due to obligation to return on the financial statements. The obligation to return calculated according to collected amounts (or to be collected amounts). The obligation to return is updated at the end of each reporting period, considering the changes in the conditions.

##### 2.5.3 Financial assets

###### *Classification and measurement*

The Company classifies its financial assets as financial assets that are accounted for at amortized cost and fair value differences as assets recorded in other comprehensive income. The classification is based on the business model and expected cash flows, which are determined according to the purpose of benefiting from financial assets. The Company makes the classification of its financial assets on the date of purchase.

###### a) *Financial assets recognized at amortized cost*

Financial assets with fixed or determinable payments that are not quoted in an active market and which are not traded in an active market are classified as assets that are accounted at amortized cost value. If the maturities are less than 12 months from the balance sheet date, the current assets are classified as non-current assets if they are longer than 12 months. Assets that are accounted for at amortized cost include "trade receivables, cash and cash equivalents and other receivables" in the statement of financial position.



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

##### 2.5.3 Financial assets (Continued)

###### *Impairment*

Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications.

###### *b) Financial assets whose fair value is reflected in other comprehensive income*

Assets that management adopts contractual cash flows and / or sales business model are classified as assets that are recognized at fair value. Such assets are classified as non-current assets unless management intends to dispose of the related assets within 12 months after the balance sheet date. The Company makes an invariable choice as investment in equity investments reflected to the other comprehensive income or profit or loss statement of the fair value difference of the investment at initial recognition for investments in equity-based financial assets:

Financial assets, the fair value of which is reflected in other comprehensive income, include 'financial investments' in the statement of financial position. In case the assets with fair value difference recorded in other comprehensive income are sold, the valuation difference classified into other comprehensive income is classified in previous years' profits.

##### 2.5.4 Restatements and errors in the accounting policies

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of changes in accounting estimate shall be recognized prospectively by including it in the statement of comprehensive income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

##### 2.5.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net if the nature of the transaction or the event qualify for offsetting.

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

##### 2.5.6 Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise total purchase costs. The costs of inventories are determined on the weighted average basis (Note 9).

##### 2.5.7 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings are stated at cost less accumulated depreciation. Land, land improvements and buildings are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2019 (Note 11). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings are credited to the revaluation reserve in equity by netting the deferred tax effect. The revaluation increases related the land, land improvements and buildings that was previously impaired are credited to profit and loss accounted with an amount of the previous impairment. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to the accumulated losses.

Buildings and land improvements are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively. Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 11). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipment are as follows:

	<b><u>Years</u></b>
Buildings and land improvements	4-40
Machinery and equipment	5-20
Motor vehicles	10
Furniture and fixtures	2-40

Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

##### 2.5.7 Property, plant and equipment (Continued)

The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognised as separate asset, are depreciated based on their useful lives. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. If the property, plant and equipment that are impaired are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major subsequent expenditure relating to property, plant and equipment that has already been recognized is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major subsequent expenditures are depreciated over the remaining useful life of the related assets.

##### 2.5.8 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of six years from the date of acquisition (Note 12). Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use).

##### 2.5.9 Borrowing and borrowing costs

Borrowings are recognized initially at the proceeds received; net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 27).

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

##### 2.5.9 Borrowing and borrowing costs (Continued)

If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 15).

The fees paid for borrowing agreements and limits, if the usage of some or all of the limit in terms of the borrowing agreement is highly probable, is accounted for in the financial statements as transaction cost as explained above.

When the usage of the limit is not probable, the fee paid is considered as the service cost paid of liquidity service and prepaid expense and accounted for in the profit and loss statement through the validity period of borrowing limit.

Assets that require a long time to be ready for intended use or sale are defined as qualifying assets. General or specific borrowing costs associated with the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until the asset is substantially ready for use.

##### 2.5.10 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognised as an appropriation of the profit in the period they are declared. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared.

##### 2.5.11 Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 7).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences.

##### 2.5.12 Trade payables

Trade payables are recorded with their fair values and in the subsequent periods, if the interest accrued effect is insignificant, it is evaluated based on the invoice amount.

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

##### 2.5.13 Loss per share

Earnings/ (loss) per share disclosed in the statement of income and other comprehensive income are determined by dividing net profit/(loss) for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 30). Companies can increase their share capital by making a pro-rata distribution of shares ('bonus shares') to existing shareholders from retained earnings. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year. In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

##### 2.5.14 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorized for issue.

In the case that events require a correction to be made subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

##### 2.5.15 Provisions, contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable (Note 17).

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognized for future operating losses.



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

##### 2.5.16 Employee benefits/employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with the existing social legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statement of comprehensive income.

##### 2.5.17 Related parties

For the purpose of the financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar family members who are the ultimate parents of the Company, Yaşar Group Companies, fellow subsidiaries, key management personnel and board members and their close family members, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 6).

- a) A person or a member of this person's close family is deemed to be related to the reporting enterprise in the following cases:
- i) If the person in question has control or joint control power over the reporting Enterprise,
  - ii) If the reporting entity has a significant impact,
  - iii) The reporting enterprise or the reporting entity is a member of key management personnel of a parent company.
- b) If any of the following conditions exist, the entity is considered to be associated with the reporting entity:
- i) If the entity and the reporting entity are members of the same group (i.e. each parent, subsidiary and other subsidiary is associated with others),
  - ii) The entity's other entity (or a member of a group to which the other entity is a member) if it is an affiliate or joint venture,
  - iii) If both businesses are a joint venture of the same third party,
  - iv) If one of the enterprises is a business partnership of a third enterprise and the other enterprise is an affiliate of the third enterprise in question,
  - v) The enterprise has post-employment benefit plans for employees of the reporting enterprise, or a business associated with the reporting enterprise (If the reporting business itself has such a plan, the sponsoring employers are also associated with the reporting business.),
  - vi) In the event that the business is controlled or jointly controlled by a person defined in (a),
  - vii) A person identified in item (a) of item (i) has significant impact on the business or a member of the key management personnel of that enterprise (or its main partnership) if there is.

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

##### 2.5.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Key management that takes strategic decisions.

The Company has only one reporting segment due to the fact that it operates in tourism sector and in only one geographic area; and the Company's key management takes strategic decisions by considering all operations of the Company. For this reason, segment reporting is not applicable.

##### 2.5.19 Taxation on income

Taxes on income for the period comprise current tax and the change in deferred income taxes. Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the balance sheet date and adjustments provided for previous years' income tax liabilities (Note 29).

Deferred income tax income or expense is recognized in the statement of income and other comprehensive income, except to the extent that it relates to items recognized directly in equity (Note 29). In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet data (Note 29).

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed. Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 29).

##### 2.5.20 Statement of cash flows

In the statement of cash flows, cash flows are classified as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash inflows and outflows resulting from property, plant and equipment and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

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

##### 2.6 Critical Accounting Estimates and Judgements

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

##### (i) Going Concern

The accompanying financial statements of the Company have been prepared in accordance with the "Going Concern" principle. In addition, the Company management made a detailed evaluation of material uncertainty related with going concern and took some precautions regarding the sustainability of the Company as explained in Note 34. As of 31 December 2020, the Company's short-term liabilities exceeded its total current assets by TRY 171M, while the net period loss for the year ending as of 31 December 2020 was TRY 26.8M and as of this date the accumulated losses were TRY 140M. As of 31 December 2020, the Company's shareholders equity was TRY (23.8) M., while the share capital and share premiums were TRY 42.2 M.

In addition, after the assessment carried out based on the Article 376 of the TCC and the relevant regulations of the Capital Markets Board, it was understood that two thirds of the total capital and legal reserves remained non-reciprocal due to loss. Since all these conditions may indicate significant uncertainty about the going concern of the Company, the Company management made a detailed assessment as described in Note 34 regarding the continuance of the Company, and based on the CMB's decision dated 10 April 2014 and numbered 11/352 regarding the implementation of Article 376 of TCC No. 6102 for public companies, and in accordance with Article 376 of the TCC, an interim balance sheet ("TCC 376 balance sheet") was prepared based on the probable sales prices of the Company's assets (Note 34). Within the scope of the valuation of intangible assets included in the abovementioned TCC 376 balance sheet, the brands of the Company were valued by an independent professional valuation firm as of 31 December 2019. As of 31 December 2020, the brand valuation study was reviewed by the same valuation institution and it was determined that the values determined on 31 December 2019 did not have significant changes and the same value range was preserved. In the TCC 376 balance sheet prepared by the Company, the positive effect of the mentioned value on equity was TRY42,230,000.

On the other hand, in the Provisional Article 1 of the Communiqué on the Principles Regarding the Implementation of Article 376 of the Turkish Commercial Code numbered 6102, all the exchange rate differences arising from foreign currency liabilities that have not yet been realized for 2020, as well as depreciation and personnel expenses together with expenses arising from leases accrued in 2020. It has been stipulated that half of the total expenses may not be considered, and within this framework, the total of expense items that may not be considered in the TCC 376 calculations of the Company is TRY21,774,953.

In this regard, it was decided at the meeting of the Board of Directors of the Company on 26 February 2021 that there is no need for any other measures stipulated in TCC 376.

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### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

##### 2.6 Critical Accounting Estimates and Judgements (Continued)

Regarding the TCC 376 balance sheet, the Company decided to make a disclosure on the Public Disclosure Platform on 26 February 2021, in line with the CMB's principle decision numbered 11/352, based on the Board of Directors' decision dated 26 February 2020. The Company management and the Company's parent company believe that the measures and regulations which were disclosed more detailed in Note 34 will positively contribute to the Company's performance and that the Company can continue its activities for the foreseeable future in line with these measures.

##### (ii) *Revaluation of land, buildings and land improvements, machinery and equipment*

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required, and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment with only insignificant changes in fair value yearly revaluations and fair value measurements are considered unnecessary.

In this context, as a result of the evaluations made by the Company management, land, land improvements and buildings and machinery and equipment are accounted in the financial statements at their fair values determined in the valuation studies carried out by an independent professional valuation company as of 31 December 2019 and 31 December 2018, respectively. However, it is assumed that the fair values of the abovementioned assets determined in the valuation studies will approximate to the relevant fair values as of 31 December 2020, after deducting the current period depreciation for land improvements, buildings and machinery and equipment.

Details of the methods and assumptions used for valuation are as follows:

- In the fair value calculations, the most effective and efficient use assessment was made, and the current usage objectives were determined as the most effective and efficient use, and the peer comparison method, underground and aboveground layouts and the cost approach method for buildings were used.
- In the comparison method, the existing market information was utilized, price adjustments were made within the framework of the criteria that could affect the market value, and the average m<sup>2</sup> sales value was determined for the plots and buildings subject to the report, taking into consideration similar properties that were recently launched in the region. The peers found were compared within the criteria such as location, size, zoning status, physical properties, and they were contacted with the real estate marketing firms for the current evaluation of the real estate market, and the existing information of the independent professional valuation company was used.
- In the cost approach method, the value of the real estate was determined by adding the investment costs on the land after the amortization (after adding any interests or gains, removing the wearing out). The peer comparison method described above was also used to calculate the plot value from the components discussed in the cost approach method.

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

##### 2.6 Critical Accounting Estimates and Judgements (Continued)

The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

As of initial recognition and as of balance sheet date, the Company performs impairment assessment for buildings, land improvements and machinery and equipment of which valuations are based on cost approach, in accordance with the "TAS 36 Impairment of Assets", and no impairment indicator is identified.

##### (iii) Recoverability of trade receivables

The Company's management considers the assessment of the recoverability of receivables, guarantees received from customers, past collection performance, maturity analysis, disputes or claims related to receivables. As a result of all these evaluations, determination of doubtful receivables and determination of provision amounts for these receivables also include judgments and estimations of the management of the Company.

##### (iv) Important Changes Regarding the Current Period

Due to the Covid 19 epidemic that affected the whole world, the Company's activities were limited in general as a result of the developments in the sector in which the Company is involved and in the general economic activity. Necessary actions were taken by the Company management to minimize the possible effects of Covid 19 on the Company's activities and financial status. In this context, actions were taken by the Company to minimize the increase in expenditures, operational expenses and inventories, payment and collection terms were examined in order to strengthen its liquidity position and its cash management strategy was also reviewed.

The effects of Covid-19 pandemic in the world as well as in Turkey yet cannot be estimated precisely. Severity and duration of the effects are still unclear, and it would be better to evaluate any results once medium- and long-term effects are become clear. While preparing its financial statements dated 31 December 2020, the Company evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, possible impairment losses in the financial statements dated 31 December 2020 were evaluated and no significant impact was identified.

##### (v) Employee benefits/employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with the existing social legislation and Turkish Labor Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statement of comprehensive income.



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

**2.6 Critical Accounting Estimates and Judgements (Continued)**

**(vi) Useful lives of tangible fixed assets**

The Company evaluates the nature of the asset capitalized for its tangible fixed assets within the scope of TAS 16 standard and accordingly, the related assets are capitalized when they are ready for use. The company determines the useful life of an asset by considering the estimated useful lives of that asset. The useful lives determined by the Company Management were disclosed in Note 2.5.7.

**2.7 Compliance Declaration to Resolutions Published by POAASA and TFRS**

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the TFRS published by the POAASA. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with TFRS published by the POAASA.

**NOTE 3 - INTERESTS IN OTHER ENTITIES**

	31 December 2020		31 December 2019	
	Carrying Value TRY	Share (%)	Carrying Value TRY	Share (%)
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	557,286	0.51	404,168	0.51
	<b>557,286</b>		<b>404,168</b>	

As of 31 December 2020, Desa Enerji, the available-for-sale financial asset, discounted cash flows at a discount rate of 17.92% (31 December 2019: 18.41%), considering market interest rates and the risk premium specific to non-listed companies in similar sectors. The fair value of financial assets and liabilities are reflected in the financial statements.

The movement of available-for-sale financial assets is as follows:

	2020	2019
<b>1 January</b>	<b>404,168</b>	<b>227,802</b>
Revaluation earnings of assets recorded at fair value through other comprehensive income	153,118	176,366
<b>31 December</b>	<b>557,286</b>	<b>404,168</b>

**NOTE 4 - SEGMENT REPORTING**

Please see Note 2.5.18.

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#### NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in hands	196	273
Banks	11,888,515	1,097,100
- Demand deposits	10,538,515	1,097,100
- Turkish Lira	1,006,236	431,755
- Foreign currency	9,532,279	665,345
- Time deposits	1,350,000	-
- Turkish Lira	1,350,000	-
Other	8,008,448	4,306,702
	<b>19,897,159</b>	<b>5,404,075</b>

As of 31 December 2020, the Company have TRY1,350,000 time deposits and annual interest rate is 17.25% (31 December 2019: None). As of 31 December 2020, foreign currency deposits include USD51,341 and EUR6,661 (2019: USD107,513 and EUR1,358, GBP2,277). Other cash equivalents consist of credit card receivables with average maturity of 30 days (2019: 30 days).

Based on the independent data with respect to the credit risk assessment of the banks, at which the Company has deposits, the credit quality of the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date.

#### NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The receivables from and payables to related parties as at 31 December 2020 and 2019 and the summary of significant transactions with related parties during the period are presented below:

##### i. Balances with related parties:

##### a) Due from related parties - current:

	31 December 2020	31 December 2019
Yaşar Dış Ticaret A.Ş. ("YDT")	3,926,090	4,765,106
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	881,233	357,260
Other	-	101,388
	<b>4,807,323</b>	<b>5,223,754</b>

Receivables from YDT are mainly related with the exporting activities performed by this related party.

The breakdown of trade and other receivables from related parties as of 31 December 2020 and 2019 are as follows:

Overdue	754,235	882,351
0-30 days	4,053,088	4,341,403
	<b>4,807,323</b>	<b>5,223,754</b>

The aging of overdue trade receivables from related parties and credit risk analysis as of 31 December 2020 and 2019 are further explained in Note 32.a.

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**NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**b) Short-term trade payables to related parties:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
YDT	4,009,426	1,785,443
Yadex Export International GmbH ("Yadex")	3,099,175	18,515,908
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	2,383,048	1,550,928
Desa Enerji	1,010,718	3,867,499
Yaşar Holding	968,786	823,106
Other	1,412,528	854,743
	<b>12,883,681</b>	<b>27,397,627</b>

As of 31 December 2020, debts to Yadex are borrowed from foreign raw material purchases, debts to YDT, export expenses, debts to Yaşar Holding, consultancy and consultation service costs, debts to Desa Enerji, and debts to YBP. it is due to the reflection and maturity difference.

**c) Other short-term payables to related parties:**

Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yaşar Bilgi İşlem")	3,375,446	3,361,608
Yaşar Holding	565	18,316,113
Other	-	422,305
	<b>3,376,011</b>	<b>22,100,026</b>

Other payables to Yaşar Bilgi İşlem consist of non-commercial short-term debts obtained by the related parties of the Company and the annual effective interest rate applied is 20.25% and within 1 month (31 December 2019: Yaşar Holding and Yaşar Bilgi İşlem consist of non-commercial short-term debts obtained by the related parties of the Company and the annual effective interest rate applied is 15,5% and within 1 month).

**ii. Transactions with related parties:**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
<b>a) Product sales:</b>		
YDT	67,472,923	74,560,117
YBP	60,942	59,092
Yaşar Holding	47,711	143,544
Other	1,229	21,828
	<b>67,582,805</b>	<b>74,784,581</b>

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#### NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
<b>b) Product purchases:</b>		
Yadex	10,026,931	16,775,437
	<b>10,026,931</b>	<b>16,775,437</b>

The Company imports a portion of its raw materials through Yadex.

#### c) Services purchases:

Desa Elektrik Enerjisi Tedarik ve Toptan A.Ş. ("Desa Elektrik")	11,412,190	8,002,430
Desa Enerji	3,461,038	3,481,572
Yaşar Holding	3,237,673	3,016,834
YDT	1,485,950	1,903,872
Yabim	835,703	601,312
YBP	88,565	90,402
Other	216,007	442,571
	<b>20,737,126</b>	<b>17,538,993</b>

The service purchases from Yaşar Holding are related to various services and consultancy fees, the purchases from YDT are related to export commissions and the purchases from Desa Enerji are related to the purchase of energy.

#### d) Purchases of property, plant and equipment and intangible assets:

Yaşar Holding	187,003	151,036
Desa Enerji	5,000	-
Yadex	-	818,558
Other	17,240	107,128
	<b>209,243</b>	<b>1,076,722</b>

#### e) Sales of property, plant and equipment and intangible assets:

Pınar Süt	400,000	-
	<b>400,000</b>	<b>-</b>

#### f) Dividends received:

Desa Enerji	32,637	26,743
	<b>32,637</b>	<b>26,743</b>

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**NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
<b>g) Finance expenses:</b>		
Yaşar Holding	773,727	1,235,152
YDT	525,330	384,235
Desa Enerji	453,612	325,351
YBP	255,218	242,744
Other	453,747	200,067
	<b>2,461,634</b>	<b>2,387,549</b>

Financial expenses consist of the bail and financing expenses of the loans provided by the Company from various financial institutions and the Yaşar Group companies are included as guarantors, each of the financing provision and bail commission rates used in the relevant calculations are 1% per year (2019: 1% per year).

**h) Other operating income:**

YDT	2,172,029	1,692,881
Yadex	607,848	1,265,169
Other	70,229	207,683
	<b>2,850,106</b>	<b>3,165,733</b>

A significant portion of other operating income derived from related parties consists of foreign currency gains arising from product purchases and export sales.

**i) Other operating expense:**

Yadex	3,414,754	2,187,082
YDT	1,146,919	1,440,026
Other	667,580	1,002,464
	<b>5,229,253</b>	<b>4,629,572</b>

Other operating expenses resulting from the transactions with YDT and Yadex are related to foreign exchange losses from export sales and interest expense on trade payables.

**i) Bails received:**

As of 31 December 2020, the Company received bails from Yaşar Group Companies called Yaşar Holding, YBP, YDT and Desa Enerji regarding the loan amounting TRY137,516,946 which is obtained from domestic financial institutions (2019: TRY143,154,623).



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#### NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
<b>j) Key management compensation:</b>		
Key management includes Board of Directors, general manager and directors whether key management compensations are as follows:		
Short-term benefits	1,459,024	1,313,768
Other long-term benefits	28,854	37,869
	<b>1,487,878</b>	<b>1,351,637</b>

#### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
<b>a) Trade receivables from third parties:</b>		
Customer current accounts	34,072,585	24,675,020
Cheques and notes receivable	16,501,167	15,542,550
	<b>50,573,752</b>	<b>40,217,570</b>
Less: Provision for doubtful receivables	(4,837,211)	(4,490,211)
	<b>45,736,541</b>	<b>35,727,359</b>

The aging of trade receivables as of 31 December 2020 and 2019 are as follows:

Overdue	1,783,997	1,722,424
0 - 30 days	12,317,200	5,929,588
31 - 60 days	15,187,702	10,842,024
61 - 90 days	14,009,640	14,285,783
91 days	2,438,002	2,947,540
	<b>45,736,541</b>	<b>35,727,359</b>

The aging and credit risk analysis of overdue receivables as of 31 December 2020 and 2019 are disclosed in detail in Note 32.a.

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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)**

The Company has trade receivables of TRY1,783,997 that were past due but not impaired as of 31 December 2020, TRY455,481 of related overdue receivables has been collected from customers in the subsequent period (2019 TRY1,722,424 portion of TRY646,452 trade receivables that were past due but not impaired has been collected from customers). The movement of the provision for doubtful receivables during the period is as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>(4,490,211)</b>	<b>(4,516,830)</b>
Doubtful receivables (Note 24.b)	(347,000)	-
Provisions no longer required (Note 24.a)	-	26,619
<b>31 December</b>	<b>(4,837,211)</b>	<b>(4,490,211)</b>

Concentrations of credit risk with respect to trade receivables are limited due to the Company's widely dispersed customer base, covering the spectrum of manufacturing and distribution. The Company's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

**b) Short-term trade payables to third parties:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Notes payable	60,315,865	31,396,518
Supplier current accounts	21,438,553	21,275,192
	<b>81,754,418</b>	<b>52,671,710</b>

TRY4,748,436 (2019: TRY5,037,168) of trade payables is overdue for 1 month on average as of 31 December 2020 (2019: 1 month).

**NOTE 8 - OTHER RECEIVABLES AND PAYABLES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>a) Other short-term receivables from third parties:</b>		
Receivable from insurance companies	16,813	8,646
Receivable from personnel	16,805	11,532
Other	222,856	213,005
	<b>256,474</b>	<b>233,183</b>

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#### NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2020	31 December 2019
<b>b) Other short-term payables to third parties:</b>		
Taxes and funds payable	870,314	711,328
Other	49,328	1,427
	<b>919,642</b>	<b>712,755</b>

#### NOTE 9 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials	13,595,800	17,459,013
Work in progress	12,518,370	10,060,506
Finished goods	5,777,265	5,134,958
Trade goods	422,093	211,742
Other	508,148	167,213
	<b>32,821,676</b>	<b>33,033,432</b>

Raw materials and supplies mainly consist of cellulose and recycled paper used in cleaning paper production. As of 31 December 2020, there were no inventory items classified as goods in transit. (31 December 2019: 3,887,678 TRY of the raw materials and supplies is comprised of goods in transit.

Cost of raw materials and materials expensed in the current period and associated with the cost of sales is TRY119,904,086 (2019: TRY113,707,389) (Note 19).

#### NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2020	31 December 2019
<b>a) Prepaid expenses:</b>		
Short-term prepaid expenses	162,655	728,832
Long-term prepaid expenses	1,281,499	-
	<b>1,444,154</b>	<b>728,832</b>
<b>b) Deferred income:</b>		
Advances received	1,670,168	413,934
	<b>1,670,168</b>	<b>413,934</b>

Order advances received as of 31 December 2020 and 31 December 2019 consist of advances received from customers for sales to be made in the subsequent periods of the Company and it is anticipated that advances will be closed within one year (2019: one year).

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**NOTE 11 - PROPERTY, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS**

**a) Property, Plant, Equipment**

Movements of property, plant and equipment between 1 January - 31 December 2020 were as follows:

	<b>1 January 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2020</b>
<b>Cost/reevaluation:</b>					
Land	55,380,000	-	-	-	55,380,000
Buildings and land improvements	34,140,000	-	(35,142)	1,780,193	35,885,051
Machinery, plant and equipment	112,850,790	4,392,593	(192,946)	8,681,950	125,732,387
Motor vehicles	267,951	-	-	-	267,951
Furniture and fixtures	6,899,095	144,197	-	209,464	7,252,756
Construction in progress	2,471,033	12,180,181	-	(10,671,607)	3,979,607
	<b>212,008,869</b>	<b>16,716,971</b>	<b>(228,088)</b>	<b>-</b>	<b>228,497,752</b>
<b>Less: Accumulated depreciation:</b>					
Buildings and land improvement	-	(1,807,908)	35,142	-	(1,772,766)
Machinery, plant and equipment	(6,822,364)	(7,501,405)	192,946	-	(14,130,823)
Motor vehicles	(88,157)	(48,458)	-	-	(136,615)
Furniture and fixtures	(5,741,471)	(388,441)	-	-	(6,129,912)
	<b>(12,651,992)</b>	<b>(9,746,212)</b>	<b>228,088</b>	<b>-</b>	<b>(22,170,116)</b>
<b>Net book value</b>	<b>199,356,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206,327,636</b>

In the year ended 31 December 2020, a significant portion of the additions to tangible assets consists of machinery and machine parts for the production of cleaning paper. A significant part of the transfers to buildings in 2020 arises from the building activations of the production

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#### NOTE 11 - PROPERTY, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS (Continued)

Movements of property, plant and equipment between 1 January - 31 December 2019 were as follows:

	1 January 2019	Additions	Disposals	Transfers	Netting off Acc. Depr. Before Revaluation	Revaluation	31 December 2019
<b>Cost/ revaluation:</b>							
Land	48,685,000	-	-	-	-	6,695,000	55,380,000
Buildings and land improvements	29,622,124	12,578	-	1,203,500	(3,229,298)	6,531,096	34,140,000
Machinery, plant and equipment	106,480,902	1,590,571	-	4,779,317	-	-	112,850,790
Motor vehicles	93,842	-	(39,098)	213,207	-	-	267,951
Furniture and fixtures	6,585,718	196,404	(6,930)	123,903	-	-	6,899,095
Construction in progress	431,218	8,359,742	-	(6,319,927)	-	-	2,471,033
	<b>191,898,804</b>	<b>10,159,295</b>	<b>(46,028)</b>	<b>-</b>	<b>(3,229,298)</b>	<b>13,226,096</b>	<b>212,008,869</b>
<b>Less: Accumulated depreciation:</b>							
Buildings and land improvements	(1,585,880)	(1,643,418)	-	-	3,229,298	-	-
Machinery, plant and equipment	-	(6,822,364)	-	-	-	-	(6,822,364)
Motor vehicles	(90,052)	(37,203)	39,098	-	-	-	(88,157)
Furniture and fixtures	(5,358,336)	(390,065)	6,930	-	-	-	(5,741,471)
	<b>(7,034,268)</b>	<b>(8,893,050)</b>	<b>46,028</b>	<b>-</b>	<b>3,229,298</b>	<b>-</b>	<b>(12,651,992)</b>
<b>Net book value</b>	<b>184,864,536</b>						<b>199,356,877</b>

During the year ended 31 December 2019, a significant portion of the additions to property, plant and equipment consist of spare parts for machinery for sanitary paper production. A significant part of the transfers to buildings in 2019 arises from the building activations of the production facilities.

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**NOTE 11 - PROPERTY, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS (Continued)**

**b) Right of Use Assets**

	1 January 2020	Additions	31 December 2020
<b>Cost:</b>			
Machinery and equipment	746,201	752,838	1,499,039
Motor vehicles	1,455,348	183,058	1,638,406
	<b>2,201,549</b>	<b>935,896</b>	<b>3,137,445</b>
<b>Accumulated depreciation:</b>			
Machinery and equipment	(142,134)	(227,683)	(369,917)
Motor vehicles	(434,586)	(465,003)	(899,587)
	<b>(576,720)</b>	<b>(692,686)</b>	<b>(1,269,406)</b>
<b>Net book value</b>	<b>1,624,829</b>		<b>1,868,039</b>
	<b>Changes effects in accounting policies</b>	<b>Additions</b>	<b>31 December 2019</b>
<b>Cost/ revaluation:</b>			
Machinery and equipment	746,201	-	746,201
Motor vehicles	1,445,348	-	1,445,348
	<b>2,201,549</b>	<b>-</b>	<b>2,201,549</b>
<b>Accumulated depreciation:</b>			
Machinery and equipment	-	(142,134)	(142,134)
Motor vehicles	-	(434,586)	(434,586)
	<b>-</b>	<b>(576,720)</b>	<b>(576,720)</b>
<b>Net book value</b>	<b>2,201,549</b>		<b>1,624,829</b>

Current year's depreciation and amortization costs amounting to TRY8,971,928 (2019: TRY8,010,382) are charged to production cost and TRY653,538 (2019: TRY528,383) to general administrative expenses (Note 23.b), TRY981,458 (2019: TRY913,631) to marketing expenses (Note 23.a) and TRY71,343 (2019: TRY129,422) to research and development expenses (Note 23.c).



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#### NOTE 11 - PROPERTY, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS (Continued)

As of 31 December 2020, and 2019, the Company does not have any property, plant and equipment that has pledges or mortgages.

Movements in revaluation reserve related to land, buildings and land improvements, machinery and equipment as of 31 December 2020 and 2019 were as follows:

	2020	2019
<b>1 January</b>	<b>110,837,024</b>	<b>103,325,983</b>
Depreciation transfer resulting from revaluation increase classified to retained earnings	(4,806,148)	(4,674,170)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	961,230	934,834
Disposal from revaluation reserve due to sales of property, plant and equipment - net	-	11,250,377
<b>31 December</b>	<b>106,992,106</b>	<b>110,837,024</b>

The carrying amounts of each class of property, plant and equipment that would have been recognised if the assets have been carried under the cost model as at 31 December 2020 and 2019 are as follows:

	Land	Buildings and land improvements	Machinery and equipment
<b>31 December 2020:</b>			
Cost	741,930	25,282,508	140,963,428
Less: Accumulated depreciation	-	(17,703,543)	(88,955,649)
<b>Net book value</b>	<b>741,930</b>	<b>7,578,965</b>	<b>52,007,779</b>
<b>31 December 2019:</b>			
Cost	741,930	23,502,316	127,663,445
Less: Accumulated depreciation	-	(15,895,635)	(81,228,805)
<b>Net book value</b>	<b>741,930</b>	<b>7,606,681</b>	<b>46,434,640</b>

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**NOTE 12 - INTANGIBLE ASSETS**

	<b>1 January 2020</b>	<b>Additions</b>	<b>31 December 2020</b>
Cost	3,314,033	213,248	3,527,281
Less: Accumulated depreciation	(2,432,860)	(239,371)	(2,672,231)
<b>Net book value</b>	<b>881,173</b>		<b>855,050</b>
	<b>1 January 2019</b>	<b>Additions</b>	<b>31 December 2019</b>
Cost	3,085,342	228,691	3,314,033
Less: Accumulated depreciation	(2,320,812)	(112,048)	(2,432,860)
<b>Net book value</b>	<b>764,530</b>		<b>881,173</b>

**NOTE 13 - LEASING LIABILITIES**

Please refer to Note 15.

**NOTE 14 - IMPAIRMENT ON ASSETS**

Please refer to Note 7.a.

**NOTE 15 - BORROWINGS AND BORROWING COSTS**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Short-term borrowings	127,708,509	65,864,503
Short-term portion of long-term borrowings	44,068,496	31,409,037
Short-term finance lease payables	1,973,144	651,197
<b>Short-term financial liabilities</b>	<b>173,750,149</b>	<b>97,924,737</b>
Long-term borrowings	28,721,377	47,112,475
Long-term finance lease payables	2,161,182	1,110,236
<b>Long-term financial liabilities</b>	<b>30,882,559</b>	<b>48,222,711</b>
<b>Total financial liabilities</b>	<b>204,632,708</b>	<b>146,147,448</b>

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#### NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

a) Bank loans:

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
<b>Short-term borrowings:</b>						
TRY borrowings	19.23	16.38	127,708,509	65,864,503	127,708,509	65,864,503
<b>Short-term portion of long-term borrowings:</b>						
TRY borrowings	13.12	15.27	44,068,496	31,409,037	44,068,496	31,409,037
<b>Total short-term borrowings</b>					<b>171,777,005</b>	<b>97,273,540</b>
<b>Long-term borrowings:</b>						
TRY borrowings	13.12	13.99	28,721,377	47,112,475	28,721,377	47,112,475
<b>Total long-term borrowings</b>					<b>28,721,377</b>	<b>47,112,475</b>
<b>Total borrowings</b>					<b>200,498,382</b>	<b>144,386,015</b>

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**NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)**

Guarantees given for bank borrowings and other financial liabilities are disclosed in Note 17.

The redemption schedule of long-term borrowings as of 31 December 2020 and 2019 are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
2021	-	35,357,076
2022	16,294,070	7,469,684
2023	8,451,944	4,285,715
2024	2,590,962	-
2025	1,384,401	-
	<b>28,721,377</b>	<b>47,112,475</b>

The carrying amounts and the fair values of bank loans and derivative financial instruments are as follows:

	<b>Carrying Amount</b>		<b>Fair Value</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Bank borrowings	200,498,382	144,386,015	208,965,358	150,319,745

The fair values are based on cash flows discounted using the effective weighted rates based on the borrowing rate of 10.25% p.a. for TRY denominated bank borrowings, respectively (2019: The fair values are based on cash flows discounted using the effective weighted rates based on the borrowing rate of 10.32% p.a. for TRY denominated bank borrowings, respectively).

The movement schedule of net borrowings as of 31 December 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>138,033,295</b>	<b>92,696,190</b>
Cash inflows from borrowings	142,800,000	173,953,461
Cash outflows from borrowings	(88,858,031)	(127,323,365)
Effect of interest accrual	(1,137,041)	(1,238,349)
Cash outflows from lease liabilities	(1,061,513)	(870,948)
Change in cash and cash equivalents	14,493,084	816,306
<b>31 December</b>	<b>204,269,794</b>	<b>138,033,295</b>

**NOTE 16 - OTHER FINANCIAL LIABILITIES**

None (2019: None).

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#### NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
<b>a) Short-term provisions:</b>		
Provisions for lawsuit	606,627	572,776
	<b>606,627</b>	<b>572,776</b>

Movements of provisions for lawsuit in current period are as follows:

	31 December 2020	31 December 2019
<b>1 January</b>	<b>572,776</b>	<b>585,604</b>
Provision allocated in the period	33,851	-
Provisions of lawsuit no longer required	-	(12,828)
<b>31 December</b>	<b>606,627</b>	<b>572,776</b>

#### b) Guarantees received:

	31 December 2020	31 December 2019
Bails	137,516,946	143,154,623
Letters of guarantee	29,425,524	25,203,126
Mortgages	1,476,800	1,476,800
	<b>168,419,270</b>	<b>169,834,549</b>

Bails received as of 31 December 2020, from Yaşar Group companies called Yaşar Holding, YBP, YDT and Desa Enerji which are related to the loans obtained from domestic financial institutions amounting to TRY137,516,946 (2019: TRY143,154,623).

Since the bails received are based on the borrowings provided by the Company, their periods are limited with the periods of the related borrowings.

#### c) Guarantees given:

	31 December 2020	31 December 2019
Letters of guarantee	5,299,759	5,172,357
	<b>5,299,759</b>	<b>5,172,357</b>

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**NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2020 and 2019 were as follows:

	31 December 2020			31 December 2019		
	Currency	Amount	TRY Equivalent	Currency	Amount	TRY Equivalent
<b>CPM provided by the Company:</b>						
<b>A.</b> Total amount of CPM given on behalf of the Company	-	-	5,299,759	-	-	5,172,357
	TL	5,299,759	5,299,759	TL	5,172,357	5,172,357
<b>B.</b> Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	-
<b>C.</b> Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
<b>D.</b> Total amount of other CPM	-	-	-	-	-	-
<b>i.</b> Total amount of CPM given on behalf of the main shareholder	-	-	-	-	-	-
<b>ii.</b> Total amount of CPM given on behalf of other group companies which are not in scope of B and C	-	-	-	-	-	-
<b>iii.</b> Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			<b>5,299,759</b>			<b>5,172,357</b>
The ratio of total amount of other CPM to equity			-			-



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#### NOTE 18 - EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
<b>a) Payables for employee benefits:</b>		
Social security premiums payable	568,974	484,672
Payables to personnel	162,265	744
	<b>731,239</b>	<b>485,416</b>
<b>b) Long-term provisions for employee benefits:</b>		
Provision for employment termination benefits	9,445,409	5,726,331
Senior incentive bonus	401,734	313,493
	<b>9,847,143</b>	<b>6,039,824</b>

Under the Turkish Labour Law, the Company 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 is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary for each year of service and is limited to TRY7,117.17 at 31 December 2020 (31 December 2019: TRY6,379.86).

The liability for termination benefits is not legally subject to any funding and there are no funding requirements. Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the employees to be paid in the event of retirement, based on the actuarial assumptions.

The basic assumption is that the ceiling set for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The Company's provision for employment termination benefits is calculated as TL7,638.96 (1 January 2020: TRY6,730.15) effective from 1 January 2021 since the retirement pay provision is set every six months. The following actuarial assumptions were used to calculate the total liability:

	31 December 2020	31 December 2019
Discount rate (p.a.) (%)	4.70	5.00
Probability of retirement (%)	93.28	96.30

The movement of the reserve for employment termination benefits during the year is as follows:

	2020	2019
<b>1 January</b>	<b>5,726,331</b>	<b>4,491,214</b>
Interest costs	1,130,471	699,185
Actuarial loss	2,691,203	909,561
Current service cost	617,374	488,586
Paid during the year	(719,970)	(862,215)
<b>31 December</b>	<b>9,445,409</b>	<b>5,726,331</b>

The total of interest cost and current service cost amounting to TRY1,747,845 (2019: TRY1,187,771) were allocated to general administrative expenses for TRY617,374 and to financial expense for TRY1,130,471.

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**NOTE 19 - EXPENSES BY NATURE**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
Raw materials	119,904,086	113,707,389
Energy	33,718,408	31,362,953
Staff costs	23,383,054	19,651,778
Outsourced services	12,878,327	9,591,252
Transportation	12,806,553	11,648,470
Repair and maintenance	11,455,706	10,243,498
Depreciation and amortization	10,678,267	9,581,819
Consultancy charges	2,275,265	2,446,041
Advertisement	594,546	478,822
Other	8,229,994	7,502,922
	<b>235,924,206</b>	<b>216,214,944</b>

**NOTE 20 - OTHER ASSETS AND LIABILITIES**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>a) Other current assets:</b>		
Value Add Tax "VAT" receivable	777,278	1,590,512
Other	2,558	15,591
	<b>779,836</b>	<b>1,606,103</b>

**NOTE 21 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorised registered share capital at 31 December 2020 and 2019 are as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Registered share capital (historical values)	80,000,000	80,000,000
Authorised and paid-up share capital with a nominal value	42,000,000	42,000,000

In Turkey, companies may exceed registered share capital nonrecurring-except for cash injection-through capital increase from internal sources. Registered share capital may not be exceeded through capital increase by cash injection.

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#### NOTE 21 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The compositions of the Company's share capital at 31 December 2020 and 2019 were as follows:

Shareholders	31 December 2020		31 December 2019	
	Share (%)	Share Amount (TRY)	Share (%)	Share Amount (TRY)
Yaşar Holding	78.48	32,962,049	78.48	32,962,049
Public quotation	17.77	7,462,887	17.77	7,462,887
Other	3.75	1,575,064	3.75	1,575,064
<b>Total share capital</b>	<b>100.00</b>	<b>42,000,000</b>	<b>100.00</b>	<b>42,000,000</b>

The Company has 4,200,000,000 (31 December 2019: 4,200,000,000) units of shares with a face value of Kr1 each and there is no privilege given to different share groups and shareholders as of 31 December 2020.

As of 31 December 2020, share premium amounting to TRY253,929 (2019: TRY253,929) represents the difference between face value and selling price of common stocks offered to the public.

The legal reserves consist of first and second legal reserves appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserves reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% off all distributions in excess of 5% of the Company's share capital. Under TTC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The Company has no restricted reserves as of 31 December 2020 (2019: None).

- In accordance with related announcements of CMB 'Share capital', 'Restricted Reserves' and 'Share Premium' shall be carried at their statutory amounts. The valuation differences (e.g. the differences raising from inflation adjustments) shall be classified as follows:
- The difference arising from the 'Paid-in Capital' shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet,
- The difference due to the 'Restricted Reserves' and 'Share Premium' shall be classified as 'Retained earnings' if the amount has not been utilised in dividend distribution or capital increase yet. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards. "Inflation Adjustment to Share Capital" can only be added to the capital.

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**NOTE 22 - REVENUE AND COST OF SALES**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
Domestic sales	218,800,812	197,535,410
Export sales	67,472,923	74,560,116
Less: Discounts	(32,385,654)	(47,383,873)
Returns (-)	(967,936)	(665,493)
<b>Net sales</b>	<b>252,920,145</b>	<b>224,046,160</b>
<b>Cost of sales (-)</b>	<b>(196,470,940)</b>	<b>(182,233,988)</b>
<b>Gross profit</b>	<b>56,449,205</b>	<b>41,812,172</b>

**NOTE 23 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
<b>a) Marketing expenses:</b>		
Transportation	12,759,742	11,589,663
Personnel	4,056,132	3,427,786
Outsourced services	2,776,537	1,954,943
Commission	2,141,898	2,305,299
Licence	1,047,730	859,184
Depreciation and amortisation	981,458	913,631
Advertisement	594,546	478,822
Energy	248,236	361,486
Rent	104,484	158,631
Other	868,691	730,665
	<b>25,579,454</b>	<b>22,780,110</b>
<b>b) General administrative expenses:</b>		
Personnel	3,593,746	3,157,458
Outsourced services	2,873,989	1,570,992
Consultancy	2,273,765	2,446,041
Tax (other than corporation tax)	840,965	141,557
Depreciation and amortisation	653,538	528,383
Employment termination benefit	617,374	488,586
Energy	333,523	288,913
Representation	126,790	210,770
Other	1,000,332	989,641
	<b>12,314,022</b>	<b>9,822,341</b>

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#### NOTE 23 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (Continued)

##### c) Research and development expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel	1,024,081	847,232
Outsourced services	568,906	346,147
Depreciation and amortisation	71,343	129,422
Other	57,614	55,704
	<b>1,721,944</b>	<b>1,378,505</b>

#### NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
<b>a) Other operating income:</b>		
Foreign exchange gain arising from trading activities	10,969,117	6,204,755
Scrap sales income	379,064	342,576
Unutilised provision for doubtful receivables	-	26,619
Other	1,419,580	435,214
	<b>12,767,761</b>	<b>7,009,164</b>

##### b) Other operating expenses:

Foreign exchange loss arising from trading activities	(22,381,825)	(13,181,496)
Interest expense	(908,926)	(1,362,884)
Provision for doubtful receivables	(347,000)	-
Other	(1,295,255)	(160,648)
	<b>(24,933,006)</b>	<b>(14,705,028)</b>

#### NOTE 25 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Income from investment activities:</b>		
Gain on property, plant and equipment sale	303,749	37,517
Dividend income	32,637	26,744
	<b>336,386</b>	<b>64,261</b>

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**NOTE 26 - EXPENSES CLASSIFIED BY CLASS**

Please refer to Note 19.

**NOTE 27 - FINANCIAL INCOME/(EXPENSES)**

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
<b>a) Finance income:</b>		
Foreign exchange gain	3,291,188	1,025,248
Interest income	236,109	283,045
	<b>3,527,297</b>	<b>1,308,293</b>
<b>b) Finance expense:</b>		
Interest expense	(25,665,978)	(27,193,157)
Bail expense and bank commissions	(4,640,548)	(4,094,695)
Foreign exchange loss	(1,074,485)	(2,774,506)
Other	(3,466,086)	(1,192,475)
	<b>(34,847,097)</b>	<b>(35,254,833)</b>

**NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME**

Please see the Income Statement.

**NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

Tax income for the periods ended at 31 December 2020 and 2019 are summarised as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Less: Prepaid corporate tax	(36,163)	(84,633)
<b>Current income tax assets</b>	<b>(36,163)</b>	<b>(84,633)</b>

Tax income for the periods ended at 31 December 2020 and 2019 are summarised as follows:

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
Deferred tax (expense)/income	(466,743)	224,204
<b>Total tax (expense)/income</b>	<b>(466,743)</b>	<b>224,204</b>



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#### NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporation tax is payable at a rate of 22% (2019: 22%) on the total income of the companies registered in Turkey after adjusting for certain disallowable expenses, exempt income (e.g. income from associates exemptions, investment incentive allowance exemptions) and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

The Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. The deferred tax was accounted for at a rate of 20% as of 31 December 2020.

The deferred tax calculation as of 31 December 2020 was accounted for at a rate of 20% which was became applicable since 2021.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2019: 22%) on their corporate income. Advance tax is payable by the 17<sup>th</sup> of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25<sup>th</sup> of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

The reconciliation of the tax expense for the periods between 1 January - 31 December 2020 and 2019 are as follows:

	<b>1 January - 31 December 2020</b>	<b>1 January - 31 December 2019</b>
<b>Loss before tax</b>	<b>(26,314,874)</b>	<b>(33,746,927)</b>
Tax calculated using the current tax rate	5,789,272	7,424,324
Non-deductible expenses	(916,951)	(798,288)
Income not subject to tax	248,850	108,762
Current period loss over which no deferred income tax asset was recognized	(5,891,956)	(7,374,999)
Other	304,042	864,405
<b>Total tax (expense)/income</b>	<b>(466,743)</b>	<b>224,204</b>

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**NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)**

**Deferred taxes**

The Company calculates deferred income tax assets and liabilities based on temporary differences arising between financial statements prepared in accordance with CMB Financial Reporting Standards and financial statements prepared according to Turkish legislation.

In accordance with the Law on the Amendment of Certain Tax Acts, published in the Official Gazette dated 5 December 2017, the corporate tax rate of all companies has been increased from 20% to 22% for the years 2018, 2019 and 2020.

The deferred tax was accounted for at a rate of 20% as of 31 December 2020 (31 December 2019: 22% for temporary differences to be realized in 2020, 20% for other temporary differences).

Details of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 December 2020 and 2019, using enacted tax rates at the balance sheet dates, were as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Revaluation of land, land improvements, buildings, machinery and equipment	127,012,392	136,351,601	(20,020,286)	(20,840,401)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	18,154,197	16,485,845	(3,662,116)	(3,328,446)
Provision for employment termination benefits	(9,445,409)	(5,726,331)	1,889,082	1,145,266
Other	4,845,334	(421,772)	(1,065,973)	92,788
<b>Deferred income tax assets/liabilities - net</b>	<b>140,566,513</b>	<b>146,689,343</b>	<b>(22,859,293)</b>	<b>(22,930,793)</b>

The Company did not recognise deferred income tax assets of TRY16,710,521 (2019: TRY15,340,691) arising from tax losses carried forward, certain temporary differences between the tax base and the carrying value of property, plant, equipment and intangible assets and impairment on financial assets as their future utilisation is not virtually certain.

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#### NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Years of expiration of tax losses carried forward over which no deferred income tax assets were not recognised as of 31 December 2020 and 2019 are as follows:

Expiration years	31 December 2020	31 December 2019
2020	-	9,688,280
2021	4,996,917	4,996,917
2022	6,472,433	6,472,433
2023	19,308,828	19,276,664
2024	29,296,119	29,296,120
2025	17,470,876	-
	<b>77,545,173</b>	<b>69,730,414</b>

#### NOTE 30 - LOSS PER SHARE

Loss per share declared in the statement of comprehensive income is derived by dividing the loss for the current year by the weighted average number of ordinary shares in issue during the year. Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of loss per share calculations, this bonus share distribution is regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

		1 January - 31 December 2020	1 January - 31 December 2019
Net loss for the period	A	(26,781,617)	(33,522,723)
Weighted average number of shares with face value of Kr1 each (Note 21)	B	4,200,000,000	4,200,000,000
<b>Loss per 100 shares with face value of Kr1 each</b>	<b>A/B</b>	<b>(0.6377)</b>	<b>(0.7982)</b>

#### NOTE 31 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

Transactions in foreign currencies are translated into functional currency at the exchange rates at which transactions are performed. Foreign exchange gains and losses arising from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized as cash flow hedges and net investment hedges and are recognized in profit or loss other than those accounted under equity and are included in other income and expenses, income and expenses from investment activities, finance income and expenses.

The exchange rate risk analysis of the Company is presented in Note 32.c.i.

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: foreign exchange risk, cash flow risk, market risk composed of interest rate risk, capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets.

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors. The Board provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational risks.

The financial risk management objectives of the Company are summarised as follows:

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,
- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures,
- Effective monitoring and minimizing risks sourced from counterparts.

#### a) **Credit risk:**

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from deposits in banks, other cash equivalents, due from related parties and other trade receivables, as well as holding financial assets, credit risk of counterparties sourced from agreements. The Company manages these risks, by limiting the average risk of counterparts (excluding related parties) in each agreement and by taking guarantees, if necessary. The Company manages this risk from dealers and direct customers by limiting the credits according to the amount of the contingencies taken and updating the contingencies' amounts frequently. The credit quality of each customer is re-evaluated frequently on the basis of the financial position of the customer, past experiences and other factors. Trade receivables are evaluated by the Company management on the basis of past experiences and current economic conditions and presented in the balance sheet net of any doubtful provision. A major part of the exporting activities of the Company is performed by YDT and trade receivables resulted from these sales are monitored by YDT. The Company management believes that credit risk arises from receivables is well managed. The credit risk analysis according to financial instrument types as of 31 December 2020 and 2019 are as follows:

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2020

	Receivables				Bank Deposits and Other Cash Equivalents	Total
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>4,807,323</b>	<b>45,736,541</b>	<b>-</b>	<b>256,474</b>	<b>19,897,159</b>	<b>70,697,497</b>
- The part of maximum credit risk covered with guarantees	-	10,580,000	-	-	-	10,580,000
<b>A.</b> Net book value of financial assets not due or not impaired (3)	4,053,088	43,952,544	-	256,474	19,897,159	68,159,265
<b>B.</b> Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
<b>C.</b> Net book value of assets past due but not impaired (3)	754,235	1,783,997	-	-	-	2,538,232
- The part covered by guarantees	-	455,481	-	-	-	455,481
<b>D.</b> Net book value of assets impaired	-	4,837,211	-	-	-	4,837,211
- Past due amount (gross book value)	-	4,837,211	-	-	-	4,837,211
- Impairment amount (-)	-	(4,837,211)	-	-	-	(4,837,211)
- The part covered by guarantees-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.-	-	-	-	-	-	-
<b>E.</b> Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The company receivables are mainly derived from purchase of semi-finished and finished sanitary papers.

(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

(3) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for overdue receivables and overdue analysis are provided in following tables.

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

31 December 2019

	Receivables				Bank Deposits and Other Cash Equivalents	Total
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>5,223,754</b>	<b>35,727,359</b>	<b>-</b>	<b>233,183</b>	<b>5,403,802</b>	<b>46,588,098</b>
- The part of maximum credit risk covered with guarantees	-	13,233,461	-	-	-	13,233,461
<b>A.</b> Net book value of financial assets not due or not impaired (3)	4,341,403	34,004,935	-	233,183	5,403,802	43,983,323
<b>B.</b> Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
<b>C.</b> Net book value of assets past due but not impaired (3)	882,351	1,722,424	-	-	-	1,899,959
- The part covered by guarantees	-	646,452	-	-	-	646,452
<b>D.</b> Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	4,490,211	-	-	-	4,490,211
- Impairment amount (-)	-	(4,490,211)	-	-	-	(4,490,211)
- The part covered by guarantees	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
<b>E.</b> Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The company receivables are mainly derived from purchase of semi-finished and finished sanitary papers.

(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

(3) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for overdue receivables and overdue analysis are provided in following tables.



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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The aging of overdue trade receivables as of 31 December 2020 and 2019 are as follows:

31 December 2020	Trade Receivables		Total
	Related Parties	Third Parties	
1 - 30 days overdue	145,279	1,251,366	1,396,645
1 - 3 months overdue	114,621	97,017	211,638
3 - 12 months overdue	494,335	435,614	929,949
The amount covered by guarantees		(455,481)	(455,481)
	<b>754,235</b>	<b>1,783,997</b>	<b>2,538,232</b>

31 December 2019	Trade Receivables		Total
	Related Parties	Third Parties	
1 - 30 days overdue	184,078	1,083,209	1,267,287
1 - 3 months overdue	3,494	401,800	405,294
3 - 12 months overdue	694,779	237,415	932,194
The amount covered by guarantees	-	(646,452)	(646,452)
	<b>882,351</b>	<b>1,722,424</b>	<b>2,604,775</b>

#### b) Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high quality lenders together with Yaşar Holding A.Ş., the main shareholder of the Company. In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2020 and 2019 are as follows:

<b>31 December 2020:</b>	<b>Carrying Value</b>	<b>Total Cash Outflows Per Agreement (=I+II+III)</b>	<b>Less than 3 Months (I)</b>	<b>3 - 12 Months (II)</b>	<b>1 - 5 Years (III)</b>
<b>Contractual Maturity Dates:</b>					
Financial liabilities	204,632,708	220,938,720	63,172,647	129,044,696	28,721,377
Trade payables	94,638,099	94,638,099	94,638,099	-	-
	<b>299,270,807</b>	<b>315,576,819</b>	<b>157,810,746</b>	<b>129,044,696</b>	<b>28,721,377</b>

<b>31 December 2019:</b>	<b>Carrying Value</b>	<b>Total Cash Outflows Per Agreement (=I+II+III)</b>	<b>Less than 3 Months (I)</b>	<b>3 - 12 Months (II)</b>	<b>1 - 5 Years (III)</b>
<b>Contractual Maturity Dates:</b>					
Financial liabilities	146,147,448	165,616,979	40,199,583	70,439,544	54,977,852
Trade payables	80,069,337	80,069,337	80,069,337	-	-
	<b>226,216,785</b>	<b>245,686,316</b>	<b>120,268,920</b>	<b>70,439,544</b>	<b>54,977,852</b>

**c) Market risk:**

**i) Foreign currency risk:**

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TRY of foreign currency denominated assets and liabilities. Current risks are discussed by the Audit Committee and Board of Director regularly and the foreign exchange rates relevant to the foreign currency position of the Company are followed up. When necessary, derivative financial instruments (swap contracts) are used as a tool to hedge the foreign exchange risk.

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2020				31 December 2019			
	TRY Equivalent	USD	EUR	Other	TRY Equivalent	USD	EUR	Other
1. Trade Receivables	3,926,085	454,325	49,504	145,185	4,765,107	469,843	141,082	1,035,863
2a. Monetary Financial Assets (Cash, Bank accounts included)	9,532,435	51,341	1,009,029	66,334	665,464	107,513	1,358	17,781
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>13,458,520</b>	<b>505,666</b>	<b>1,058,533</b>	<b>211,519</b>	<b>5,430,571</b>	<b>577,356</b>	<b>142,440</b>	<b>1,053,644</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>13,458,520</b>	<b>505,666</b>	<b>1,058,533</b>	<b>211,519</b>	<b>5,430,571</b>	<b>577,356</b>	<b>142,440</b>	<b>1,053,644</b>
10. Trade Payables	64,891,454	8,270,121	464,076	4,281	51,664,111	5,472,189	2,880,171	3,348
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
<b>13. Short-Term Liabilities (10+11+12)</b>	<b>64,891,454</b>	<b>8,270,121</b>	<b>464,076</b>	<b>4,281</b>	<b>51,664,111</b>	<b>5,472,189</b>	<b>2,880,171</b>	<b>3,348</b>
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
<b>17. Long-Term Liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>64,891,454</b>	<b>8,270,121</b>	<b>464,076</b>	<b>4,281</b>	<b>51,664,111</b>	<b>5,472,189</b>	<b>2,880,171</b>	<b>3,348</b>
<b>19. Net Asset/(Liability) Position of Off – Balance Sheet</b>								
Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Foreign Currency Denominated Assets Hedged	-	-	-	-	-	-	-	-
19b. Amount of Foreign Currency Denominated Liabilities Hedged	-	-	-	-	-	-	-	-
<b>20. Net Foreign Currency (Liability)</b>								
/Asset Position (9-18+19)	(51,432,935)	(7,764,455)	594,457	207,238	(46,233,540)	(4,894,833)	(2,737,731)	1,050,296
<b>21. Net Foreign Currency Asset/Liability</b>								
Position of Monetary Items								
(=1+2a+3+5+6a-10-11-12a-14-15-16a)	(51,432,935)	(7,764,455)	594,457	207,238	(46,233,540)	(4,894,833)	(2,737,731)	1,050,296
<b>22. Amount of Foreign Currency Denominated Liabilities Hedged</b>								
23. Export	67,472,923	5,595,413	1,277,990	15,061,755	74,560,116	4,874,486	1,805,590	36,072,545
24. Import	76,633,423	10,095,083	972,060	109,334	62,599,628	9,623,760	1,312,961	199,995

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

As of 31 December 2020, and 2019, the sensitivity analysis of exchange rate risk are as follows:

31 December 2019	Profit/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
<b>Change of USD by 10% against TRY:</b>				
1- Asset/liability denominated in USD - net	(5,699,498)	5,699,498	(5,699,498)	5,699,498
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>(5,699,498)</b>	<b>5,699,498</b>	<b>(5,699,498)</b>	<b>5,699,498</b>
<b>Change of EUR by 10% against TRY:</b>				
4- Asset/liability denominated in EUR - net	509,492	(509,492)	509,492	(509,492)
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>509,492</b>	<b>(509,492)</b>	<b>509,492</b>	<b>(509,492)</b>
<b>Change of other currencies by 10% against TRT:</b>				
7- Asset/liability denominated in other currencies - net	20,724	(20,724)	20,724	(20,724)
8- The part of other currency risk hedged (-)	-	-	-	-
<b>9- Other Foreign Currencies Effect - net (7+8)</b>	<b>20,724</b>	<b>(20,724)</b>	<b>20,724</b>	<b>(20,724)</b>
<b>TOTAL (3+6+9)</b>	<b>(5,169,282)</b>	<b>5,169,282</b>	<b>(5,169,282)</b>	<b>5,169,282</b>

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### VİKİNG KAĞIT VE SELÜLOZ A.Ş.

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#### NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Profit/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
<b>Change of USD by 10% against TRY:</b>				
1- Asset/liability denominated in USD - net	(2,907,629)	2,907,629	(2,907,629)	2,907,629
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>(2,907,629)</b>	<b>2,907,629</b>	<b>(2,907,629)</b>	<b>2,907,629</b>
<b>Change of EUR by 10% against TRY:</b>				
4- Asset/liability denominated in EUR - net	(1,820,755)	1,820,755	(1,820,755)	1,820,755
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(1,820,755)</b>	<b>1,820,755</b>	<b>(1,820,755)</b>	<b>1,820,755</b>
<b>Change of other currencies by 10% against TRY:</b>				
7- Asset/liability denominated in other currencies - net	105,030	(105,030)	105,030	(105,030)
8- The part of other currency risk hedged (-)	-	-	-	-
<b>9- Other Foreign Currencies Effect - net (7+8)</b>	<b>105,030</b>	<b>(105,030)</b>	<b>105,030</b>	<b>(105,030)</b>
<b>TOTAL (3+6+9)</b>	<b>(4,623,354)</b>	<b>4,623,354</b>	<b>(4,623,354)</b>	<b>4,623,354</b>

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**NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

**ii) Interest rate risk:**

The Company is exposed to interest rate risk due to the effects of changes in interest rates on interest bearing assets and liabilities. The Company's interest risk is mainly due to long-term bank loans. Bank loans with variable interest rates and other financial liabilities constitute the interest rate risk for the Company and this risk is partially covered by the floating rate financial assets. The Company management follows a balancing policy between floating interest rate financial assets and liabilities to reduce interest risk.

	<b>Interest Rate Position Schedule</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>

**Financial instruments with fixed interest rate**

Financial assets	70,697,497	46,588,371
Financial liabilities	303,566,460	249,029,566

**iii) Price risk:**

The operational profitability of the Company and the cash flows provided from the operations are affected by the sanitary paper sector which are changing according to the competition in the relevant market and the changes in the raw material prices. These relevant prices are closely followed up by the Company management and Audit Committee to reduce the pressure of the costs on selling prices and necessary precautions for cost reductions are taken accordingly. The Company has not used derivative instruments or entered into a similar agreement. Price risk is monitored by Board of Directors and Audit Committee via regular meetings.

**NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)**

The Company's financial assets and liabilities classified as available-for-sale investments and loans and receivables. Cash and cash equivalents, trade receivables and other receivables, of the Company are classified as loans and receivables and measured at amortised cost using effective interest method. Available-for-sale investments are disclosed in Note 3. The Company's financial liabilities, classified as financial liabilities, other financial liabilities, trade payables and other payables are categorized as financial liabilities measured at amortized costs using effective interest method.

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 an existing market price.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is used in the interpretation of market data to estimate fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which fair value could be determined:



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#### NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

##### **Financial assets**

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. Cash and cash equivalents are presented at fair values. The fair values of trade receivables are considered to approximate their carrying values due to their short-term nature. Available-for-sale financial assets are recognised at fair value when measurement is possible. However, available-for-sale financial assets that are not quoted on a stock exchange are considered to approximate their fair values, if any, by using the generally accepted valuation techniques.

##### **Financial liabilities**

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values. Bank loans' carrying and fair values are disclosed in Note 15.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2020 and 2019:

#### **31 December 2020**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Financial assets carried at fair value				
through other comprehensive income	-	-	557,286	557,286
<b>Total assets</b>	-	-	<b>557,286</b>	<b>557,286</b>

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**NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)**

**31 December 2019**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Financial assets carried at fair value				
through other comprehensive income	-	-	404,168	404,168
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>404,168</b>	<b>404,168</b>

**NOTE 34 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS**

The primary precautions and regulations that the Company management is planning to put into effect are as follows:

- i. Although the COVID-19 pandemic, which emerged in 2019 and affected all countries of the world in 2020, positively affected retail sales in the cleaning paper sector, in line with the measures implemented throughout the country, the sales of the export channel were negatively affected due to the out-of-home consumption channel and similar measures abroad. During this period, the Company focused on increasing retail sales, took measures to keep market risks under control, and prioritized working capital and cash management. In 2021, it is expected that the out-of-home consumption and export channel sales will be positively affected by the developments and normalization with the help of starting the controlling of the epidemic.
- ii. During the COVID-19 pandemic, while consumers' needs for hygiene and cleanliness diversified and their demands increased, the Company worked to shape its production processes and product portfolio according to new consumption preferences. The preparations about "Lily Lemon Cologne" product were already started in 2020 and launched at the beginning of 2021.
- iii. In 2021 the main goal will be increasing productivity through new structuring by reviewing the efficiency of the current workflows and operations while reinforcing intracompany productivity in line with the goals of sustainable growth and profitability.
  - Due to increasing competition and the narrowing profit margin in the sanitary paper products industry, savings measures will be taken regarding fixed-cost items, in addition to taking actions that will increase income.
  - Increasing revenue and profitability by supporting products with high contribution margin in the product portfolio.
  - Focusing on Sales channels with shorter collection periods and higher profitability,
  - Raw materials will be procured based on minimum inventory levels of each raw material group and in this way the effective usage of resources will be ensured.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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#### NOTE 34 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS (Continued)

- iv. Energy expenses, which make up a significant percentage of cost items, will decrease with the use of the cogeneration facility, and this will continue to have a positive impact on operational profitability.
- v. The Company is among the firms in the sanitary paper products industry that have deinking facilities. The Company ensures its cost advantage compared to its rivals by recycling wastepaper. Since the costs related to the wastepaper used in the deinking facility are lower than the cost of using cellulose, focus will be placed on the sale of products that have this cost advantage. The Company plans to increase the capacity of the recycling facility with an investment planned for the last quarter of 2021.
- vi. The Company continues to negotiate with suppliers and potential suppliers of cellulose and wastepaper to buy the raw materials that are most suitable for the production structure at the most advantageous prices.
- vii. The Company continuously rehabilitates its dealers, considering risk and guarantee structures, and plans to continue working with dealers that can improve its products in the future. The company has been making and will continue to make dealer changes in this regard.
- viii. The Company is trying to make the most suitable sales distribution, considering profitability, market risk and cash management, by evaluating Turkey's economic conditions, the company's long-term strategic plans and the cost structures of the channels.

In addition to these precautions, Yaşar Holding A.Ş., the parent company of the firm, guarantees to provide necessary resources and support for the Company to strengthen its financial structure, ensure it not to face any difficulties for paying its current trade and non-trade payables and make its payments on time.

Equity items which were accounted by their fair values and as well as which were accounted in accordance with the CMB Financial Reporting Standards in the statement of financial position dated 31 December 2020, which was prepared in accordance with the principles specified in the CMB's decision dated 10 April 2014 and numbered 11/352 and in accordance with the third paragraph of the 376th article of the TCC were as follows:

Total equity in CMB Financial Reporting Standards	(23,888,755) TRY
Fair value gain arising from the valuation of intangible assets (Note 2.6 (i))	42,230,000 TRY

#### **Equity**

**18,341,245 TRY**

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**NOTE 34 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS (Continued)**

On the other hand, in the Provisional Article 1 of the Communiqué on the Principles Regarding the Implementation of Article 376 of the Turkish Commercial Code numbered 6102, all the exchange rate differences arising from foreign currency liabilities that have not yet been realized for 2020, as well as depreciation and personnel expenses together with expenses arising from leases accrued in 2020. In this context, expense items that were not considered in the Company's TCC 376 calculations were as follows:

Unrealized currency differences	4,667,601 TRY
Half of personnel expenses	11,691,527 TRY
Half of leasing expenses	76,691 TRY
Half of depreciation expenses	
	<b>5,339,134 TRY</b>

**Expenses which were excluded from the calculation**

**21,774,953 TRY**

Considering the provisions of the CMB's Principle Decision dated 10 April 2014 and numbered 11/352 and the Provisional Article 1 of the Communiqué on Principles Regarding the Implementation of Article 376 of the Turkish Commercial Code, the equity items in TCC 376 Balance Sheet reached to TRY40,116,198. The Company's equity calculated in this way corresponded to 95% of the total capital and legal reserves, and it was concluded that the Company met the requirements of the 376th article of the Turkish Commercial Code as of the fiscal period ending on 31 December 2020.

**NOTE 35 - SUBSEQUENT EVENTS**

None (31 December 2019: None).

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# INFORMATION FOR INVESTORS

## Stock Market

The shares of Viking Kağıt ve Selüloz A.Ş. are traded on the Borsa İstanbul Primary Market under the symbol VKING.

Public Offering Date: 24.10.1994 (first transaction date)

## Ordinary General Meeting

In line with the decision taken by the Board of Directors of Viking Kağıt ve Selüloz A.Ş., the Ordinary General Assembly meeting of the Company will be held on Friday, March 26, 2021, at 10.00 at the Pınar Süt Factory in Yunus Emre Mah. Kemalpaşa Cad. No.317 Bornova/İZMİR.

## Dividend Distribution Policy

The Dividend Distribution Policy for 2013 and subsequent years prepared in line with the Capital Market Legislation of Viking Kağıt ve Selüloz A.Ş. was submitted for the approval of the 2013 Ordinary General Assembly and disclosed to the public, and this information is available on the corporate website ([www.viking.com.tr](http://www.viking.com.tr)) on the investor relations page both in Turkish and English.

At the Board of Directors Meeting of our company dated 01.03.2021, it was decided to submit for the approval of the Ordinary General Assembly the decision not to distribute dividends due to the fact that the activities of 2020 have resulted in a loss.

## Investor Relations

Viking Kağıt ve Selüloz A.Ş.

Investor Relations Department

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To access Viking Kağıt investor relations website:



## Performance of Viking Kağıt Stock (Compared to BIST ALL Index)

