# VİKİNG KAĞIT VE SELÜLOZ A.Ş.

## FINANCIAL STATEMENTS
## AT 1 JANUARY - 31 DECEMBER 2019
## 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 2019, 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 2019, 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. Emphasis of matter

We draw attention to Note 2.6 to these financial statements, which states that the financial statements of the Company was prepared in accordance with the going concern basis. As of 31 December 2019, the Company's short-term liabilities exceeded its total current assets by TL120,237,610 while the net period loss for the year ending as of 31 December 2019 was TL33,522,723 and as of this date the accumulated losses were TL110,356,606. Moreover, based on the assessment made within the scope of Article 376 of the Turkish Commercial Code ("TCC") and the relevant regulations of the Capital Markets Board, two thirds of the total capital and legal reserves remained non-reciprocal due to loss. These matters indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the Company management disclosed the management plans in Note 36 and Yaşar Holding A.Ş. undertook to provide the Company with the necessary resources and support to strengthen the financial structure, avoid any difficulties in paying its existing commercial and non-commercial debts and make its payments on time. These do not affect the opinion given by us.

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**4. 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. In addition to the matter described in the Emphasis of Matter section we have determined the matters described below to be the key audit matters to be communicated in our report.

| *Key Audit Matters* | *How the key audit matter was addressed in the audit* |
|---|---|
| **Fair value measurement of land and land improvements and buildings (Refer to Notes 2.5.6 and 11)**<br><br>In accordance with TAS 36, “Property, plant and equipment”, land and land improvements and buildings are carried at fair value on the financial statements.<br><br>The fair value gain before tax amounting to TL 13,226,096 was appraised by the independent professional valuers at 31 December 2019. The fair value gain was recognised as revaluation reserve in equity, net of applicable deferred income tax in the financial position.<br><br>This was a key audit matter since the total amount of the land and land improvements and buildings as of 31 December 2019 has a significant share in the assets of the Company and these valuations include estimations and assumptions that are sensitive to discount rates, the location and zoning status, benchmark prices per $m^2$, and the construction costs per $m^2$ . | The following audit procedures were addressed in our audit work for the fair value measurement of land and land improvements and buildings:<br><br>• We assessed in accordance with relevant audit standards that the competency, capability and objectivity of the independent professional valuers who were appointed by the Company management.<br><br>• We checked and agreed the completeness and reconcile the input data in terms of $m^2$, location and zoning status, used by the independent professional valuers who were appointed by the Company management, on a sample basis, with the Company’s records. In addition to that certain estimates and assumptions such as the discount rates, market reference prices per $m^2$ and construction costs per m2 were assessed with the help of the external auditor expert.<br><br>• In accordance with the provisions of “ISA 620: Use of Work of Expert” standard, we got our external auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management.<br><br>• The compliance of the disclosures of fair value determination of land and land improvements and buildings in the financial statements in accordance with the relevant financial reporting standards were evaluated. |

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| Key Audit Matters | How the key audit matter was addressed in the audit |
|---|---|
| **Recoverability of trade receivables (Refer to Note 7)**<br><br>Trade receivables amounting to TL 35,727,359 from non-related parties as of 31 December 2019 are material to the financial statements.<br><br>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.<br><br>Because of these reasons, the recoverability of trade receivables was determined to be a key audit matter. | The following audit procedures were addressed in our audit work on the recoverability of trade receivables:<br><br>• The Company's credit risk management policy, including credit limit and collection management, were understood and evaluated.<br><br>• Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters.<br><br>• The aging's of trade receivable balances from non-related parties were analysed on a sample basis.<br><br>• The subsequent collections were tested on a sample basis.<br><br>• The guarantee letters received from customers were tested on a sample basis.<br><br>• It was assessed if there is a dispute or litigations regarding collectability of trade receivables from non-related parties, and obtained written assessments of legal counsels on outstanding litigations and disputes.<br><br>• 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.<br><br>• The compliance of the disclosures regarding recoverability of trade receivables from non-related parties in the financial statements with the relevant financial reporting standards was evaluated. |

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**5. 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.

**6. 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.

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**6. 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.

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**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 2019 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 2 March 2020.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 2 March 2020

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## VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)
1 JANUARY - 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

| | Notes | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | 5 | 5,404,075 | 6,220,381 |
| Trade Receivables | | 40,951,113 | 34,304,038 |
| - Due from Related Parties | 6 | 5,223,754 | 10,341,432 |
| - Due from Third Parties | 7 | 35,727,359 | 23,962,606 |
| Other Receivables | | 233,183 | 1,988,824 |
| - Due from Related Parties | 6 | - | 1,795,375 |
| - Due from Third Parties | 8 | 233,183 | 193,449 |
| Inventories | 9 | 33,033,432 | 36,811,712 |
| Prepaid Expenses | | 728,832 | 682,993 |
| - Prepaid Expenses from to Third Parties | 10 | 728,832 | 682,993 |
| Current Tax Assets | 29 | 84,633 | 31,696 |
| Other Current Assets | | 1,606,103 | 1,211,882 |
| - Other Current Assets from Third Parties | 20 | 1,606,103 | 1,211,882 |
| **TOTAL CURRENT ASSETS** | | **82,041,371** | **81,251,526** |
| **Non - Current Assets** | | | |
| Financial Assets | 3 | 404,168 | 227,802 |
| Other Receivables | | 5,999 | 5,999 |
| - Other Receivables from Third Parties | | 5,999 | 5,999 |
| Property, Plant and Equipment | 11 | 199,356,877 | 184,864,536 |
| - Land | | 55,380,000 | 48,685,000 |
| - Land Improvements | | 2,920,000 | 2,518,838 |
| - Buildings | | 31,220,000 | 25,517,406 |
| - Machinery and Equipment | | 106,208,220 | 106,484,692 |
| - Furniture and Fixtures | | 1,157,624 | 1,227,382 |
| - Construction in Progress | | 2,471,033 | 431,218 |
| Intangible Assets | 12 | 881,173 | 764,530 |
| - Other Intangible Assets | | 881,173 | 764,530 |
| Rights of Use Assets | 11 | 1,624,829 | - |
| **TOTAL NON-CURRENT ASSETS** | | **202,273,046** | **185,862,867** |
| **TOTAL ASSETS** | | **284,314,417** | **267,114,393** |

The financial statements for the period 1 January - 31 December 2019 have been approved for issue by Board of Directors of Viking Kağıt ve Selüloz A.Ş. on 2 March 2020. The General Assembly and certain regulatory bodies have the authority to make amendments after the issue 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 2019 AND 2018

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

| | Notes | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Short-Term Liabilities** | | | |
| Short-Term Borrowings | | 65,871,458 | 5,077,517 |
| - Short-Term Borrowings from to Third Parties | | 65,871,458 | 5,077,517 |
| - Bank Loans | 15 | 65,864,503 | 5,000,000 |
| - Leasing Liabilities | | 6,955 | 77,517 |
| Short-Term Portion of Long-Term Borrowings | | 32,053,279 | 48,586,638 |
| - Short-Term Portion of Long-Term Borrowings from Third Parties | | 32,053,279 | 48,586,638 |
| - Bank Loans | 15 | 31,409,037 | 48,586,638 |
| - Lease Debts | | 644,242 | - |
| Trade Payables | | 80,069,337 | 111,533,445 |
| - Due to Related Parties | 6 | 27,397,627 | 4,201,266 |
| - Due to Third Parties | 7 | 52,671,710 | 107,332,179 |
| Payables for Employee Benefits | 18 | 485,416 | 418,671 |
| Other Payables | | 22,812,781 | 1,342,689 |
| - Due to Related Parties | 6 | 22,100,026 | 710,514 |
| - Due to Third Parties | 8 | 712,755 | 632,175 |
| Deferred Income | 10 | 413,934 | 437,074 |
| - Deferred Income from Third Parties | | 413,934 | 437,074 |
| Short Term Provisions | | 572,776 | 585,604 |
| - Other Short Term Provisions | 17 | 572,776 | 585,604 |
| **TOTAL SHORT TERM LIABILITES** | | **202,278,981** | **167,981,638** |
| **Long-Term Liabilities** | | | |
| Long-Term Borrowings | | 48,222,711 | 45,336,888 |
| - Long-Term Borrowings from Third Parties | | 48,222,711 | 45,336,888 |
| - Bank Loans | 15 | 47,112,475 | 45,329,933 |
| - Leasing Liabilities | | 1,110,236 | 6,955 |
| Long-Term Provisions | | 6,039,824 | 4,768,941 |
| - Long-Term Provisions for Employee Benefits | 18 | 6,039,824 | 4,768,941 |
| Deferred Tax Liabilities | 29 | 22,930,793 | 21,361,190 |
| **TOTAL LONG TERM LIABILITIES** | | **77,193,328** | **71,467,019** |
| **TOTAL LIABILITIES** | | **279,472,309** | **239,448,657** |
| **EQUITY** | | | |
| **Equity Attributable to Owners of the Parent Company** | | **4,842,108** | **27,665,736** |
| 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 | | 106,467,508 | 99,507,749 |
| - Gains on Revaluation and Remeasurement | | 106,063,340 | 99,279,947 |
| - Increases on Revaluation of Property, Plant and Equipment | 11 | 110,837,024 | 103,325,983 |
| - Actuarial Loss Arising From Defined Benefit Plans | | (4,773,684) | (4,046,036) |
| - Fair value Reflected on Other Compherensive Income Revaluation of Financial Assets and/or Classification Benefits | | 404,168 | 227,802 |
| Accumulated Losses | | (110,356,606) | (94,759,011) |
| Loss for the Year | | (33,522,723) | (19,336,931) |
| **TOTAL EQUITY** | | **4,842,108** | **27,665,736** |
| **TOTAL LIABILITIES AND EQUITY** | | **284,314,417** | **267,114,393** |

# 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 2019 AND 2018

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

| | Notes | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|---|
| **PROFIT OR LOSS** | | | |
| Revenue | 22 | 224,046,160 | 230,178,935 |
| Cost of Sales (-) | 22 | (182,233,988) | (177,004,473) |
| **GROSS PROFIT** | 22 | **41,812,172** | **53,174,462** |
| Marketing Expenses (-) | 23 | (22,780,110) | (22,972,948) |
| General Administrative Expenses (-) | 23 | (9,822,341) | (10,211,079) |
| Research and Development Expenses (-) | 23 | (1,378,505) | (1,118,872) |
| Other Operating Income | 24 | 7,009,164 | 28,801,807 |
| Other Operating Expenses (-) | 24 | (14,705,028) | (48,934,623) |
| **OPERATING PROFIT** | | **135,352** | **(1,261,253)** |
| Income from Investment Activities | 25 | 64,261 | 133,995 |
| **OPERATING PROFIT/(LOSS) BEFORE FINANCIAL (EXPENSE)/ INCOME** | | **199,613** | **(1,127,258)** |
| Financial Income | 27 | 1,308,293 | 4,903,388 |
| Financial Expense (-) | 27 | (35,254,833) | (22,744,298) |
| **LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | | **(33,746,927)** | **(18,968,168)** |
| Tax Income from Continuing Operations | | 224,204 | (368,763) |
| - Deferred Tax (Expense)/Income | 29 | 224,204 | (368,763) |
| **LOSS FOR THE YEAR FROM CONTINUING OPERATIONS** | | **(33,522,723)** | **(19,336,931)** |
| **LOSS FOR THE YEAR** | | **(33,522,723)** | **(19,336,931)** |
| **Loss per share** | | | |
| - Earnings per Kr1 number of 100 Shares From Continuing Operations | 30 | (0.7982) | (0.4604) |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Other Comprehensive Income/Expense not to be Reclassified in Profit and Loss** | | **10,699,095** | **11,313,026** |
| Increase in Revaluation of Property, Plant and Equipment | 11 | 13,226,096 | 15,145,494 |
| Actuarial Gain Arising from Defined Benefit Plans | 18 | (909,560) | (1,017,659) |
| Fair Value Difference Other Compherensive Income Revaluation of Saved Assets and/or Loss of Classification | 3.29 | 176,366 | 10,758 |
| Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss | | (1,793,807) | (2,825,567) |
| - Increase in Revaluation of Property, Plant and Equipment, Tax Effect | 29 | (1,975,719) | (3,029,099) |
| - Actuarial Gain Arising from Defined Benefit Plans, Tax Effect | 29 | 181,912 | 203,532 |
| **OTHER COMPREHENSIVE INCOME** | | **10,699,095** | **11,313,026** |
| **TOTAL COMPREHENSIVE EXPENSE** | | **(22,823,628)** | **(8,023,905)** |

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 2019 AND 2018

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

| | Notes | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **(30,260,955)** | **21,940,168** |
| **Loss for the year** | | **(33,522,723)** | **(19,336,931)** |
| - Loss from continuing operations | | (33,522,723) | (19,336,931) |
| **Adjustments to reconcile net period expense** | | **40,397,444** | **47,994,531** |
| Adjustments related to taxation | 29 | (224,204) | 368,763 |
| Adjustments related to depreciation and amortisation | 11.12 | 9,581,819 | 7,316,517 |
| Adjustments related to provisions | | 1,210,711 | 1,558,847 |
| - Adjustments related to provision for employee benefits | 18 | 1,223,539 | 1,166,803 |
| - Adjustments for (reversal of) lawsuit and/or penalty provisions | | (12,828) | 392,044 |
| Adjustments for (reversal of) fair value losses | | (26,619) | - |
| - Adjustments for (reversal of) impairment loss of receivables | 24 | (26,619) | - |
| Adjustments related to gain on sales of non-current assets | | (37,517) | (120,291) |
| - Adjustments for impairment on property, plant and equipment | | (37,517) | (120,291) |
| Adjustments related to share of profit | | (26,744) | (13,704) |
| Adjustments related to interest (income)/expense | | 27,516,479 | 17,235,770 |
| - Adjustments related to interest expense | 24, 27 | (340,377) | (256,432) |
| - Adjustments related to interest income | 24, 27 | 27,856,856 | 17,492,202 |
| Adjustments related to unrealized foreign currency translation differences | | 2,403,519 | 21,648,629 |
| **Changes in working capital** | | **(36,273,461)** | **(5,190,142)** |
| Adjustments related to decrease/(increase) in trade receivables | | (6,518,008) | 3,670,901 |
| - Increase in trade receivables from related parties | 6 | 5,220,126 | (3,043,515) |
| - (Decrease)/Increase in trade receivables from third parties | 7 | (11,738,134) | 6,714,416 |
| Adjustments related to increase in inventories | 9 | 3,778,280 | (11,608,356) |
| Adjustments for increase in other receivables related with operations | | (488,327) | (964,755) |
| - Adjustments for increase in other receivables related with operations | | (488,327) | (964,755) |
| Increase in prepaid expenses | 10 | (45,839) | (393,338) |
| Adjustments related to increase in trade payables | | (32,676,822) | 5,160,108 |
| - Decrease in trade payables to third parties | 7 | (53,789,521) | 9,520,580 |
| - (Decrease)/Increase in trade payables to related parties | 6 | 21,112,699 | (4,360,472) |
| (Decrease)/Increase in payables related to employee benefits | 18 | 66,745 | (645,046) |
| Adjustments for decrease/(increase) in other receivables related with operations | | (447,072) | - |
| Decrease/(increase) in other related party receivables related with operations adjustments | | (447,072) | - |
| Increase in deferred income | 10 | (23,140) | (416,796) |
| Adjustments for other decrease in working capital | | 80,722 | 7,140 |
| - Decrease in other liabilities related with operations | | 80,722 | 7,140 |
| **Cash generated from operating activities** | | **(29,398,740)** | **23,467,458** |
| Employment termination benefits paid | 18 | (862,215) | (1,527,290) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **(8,186,548)** | **(8,756,360)** |
| Cash outflow from purchases of property, plant and equipment and intangible assets | | (10,387,986) | (11,001,679) |
| - Purchase of property, plant and equipment | 11 | (10,159,295) | (10,841,051) |
| - Purchase of intangible assets | 12 | (228,691) | (160,628) |
| Cash inflow from sales of property, plant and equipment and intangible assets | | 37,517 | 120,291 |
| - Sales of property, plant and equipment | | 37,517 | 120,291 |
| Advance given for cash and payables | | - | 1,066,262 |
| Other advance given for cash and payables to related parties | | - | 1,066,262 |
| Repayments of advance given for cash and payables | | 1,795,375 | 789,698 |
| - Repayments of other advance given for cash and payables to related parties | 6 | 1,795,375 | 789,698 |
| Dividends received | 25 | 26,744 | 13,704 |
| Interest received | | 341,802 | 255,364 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **37,631,330** | **(9,741,316)** |
| Cash inflows related to borrowings | | 173,953,461 | 70,920,000 |
| - Cash inflows from bank loans | 15 | 173,953,461 | 70,920,000 |
| Cash outflows on debt payments | | (127,323,365) | (64,265,785) |
| - Cash outflows on loan repayments | 15 | (127,265,525) | (64,229,324) |
| - Cash outflows from payments of other financial liabilities | | (57,840) | (36,461) |
| Increase/(Decrease) in other payables to related parties | 6 | 20,967,207 | 701,161 |
| Payments of lease liabilities | 15 | (870,948) | - |
| Interest paid | | (29,095,025) | (17,096,692) |
| **Net decrease/(increase) in cash and cash equivalents before foreign currency translation differences** | | **(816,173)** | **3,442,492** |
| Effect of foreign currency translation differences on cash and cash equivalents | | (133) | 737,534 |
| **NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS** | | **(816,306)** | **4,180,026** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | | **6,220,381** | **2,040,355** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERİOD** | **5** | **5,404,075** | **6,220,381** |

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 2019 AND 2018
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

| | | | Other Comprehensive Income/(Expense) not to be Reclassified In Profit or Loss | |
|---|---|---|---|---|
| | **Share Capital** | **Share Premium** | **Revaluation and Remeasurement Gains of Property, Plant and Equipment** | **Loss on Remeasurement of Defined Benefit Plans** |
| **PREVIOUS PERIOD** | | | | |
| **1 January 2018** | **42,000,000** | **253,929** | **94,163,591** | **(3,231,909)** |
| Total Comprehensive Expense | - | - | 12,116,395 | (814,127) |
| - Loss for The Year | - | - | - | - |
| - Other Comprehensive Income | - | - | 12,116,395 | (814,127) |
| Transfers | - | - | (2,954,003) | - |
| **31 December 2018** | **42,000,000** | **253,929** | **103,325,983** | **(4,046,036)** |
| **CURRENT PERIOD** | | | | |
| **1 January 2019** | **42,000,000** | **253,929** | **103,325,983** | **(4,046,036)** |
| Total Comprehensive Expense | - | - | 11,250,377 | (727,648) |
| - Loss for The Year | - | - | - | - |
| - Other Comprehensive Income | - | - | 11,250,377 | (727,648) |
| Transfers | - | - | (3,739,336) | - |
| **31 December 2019** | **42,000,000** | **253,929** | **110,837,024** | **(4,773,684)** |

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 2019 AND 2018

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

| | Accumulated Losses | | |
|---|---|---|---|
| **Revaluation and/or Classification Earnings of Financial Assets with Fair Value at Other Compherensive Income** | **Accumulated Losses** | **Net Loss For the Year** | **Total Equity** |
| **217,044** | **(81,492,306)** | **(16,220,708)** | **35,689,641** |
| 10,758 | - | (19,336,931) | (8,023,905) |
| - | - | (19,336,931) | (19,336,931) |
| 10,758 | - | - | 11,313,026 |
| - | (13,266,705) | 16,220,708 | - |
| **227,802** | **(94,759,011)** | **(19,336,931)** | **27,665,736** |
| **227,802** | **(94,759,011)** | **(19,336,931)** | **27,665,736** |
| 176,366 | - | (33,522,723) | (22,823,628) |
| - | - | (33,522,723) | (33,522,723) |
| 176,366 | - | - | 10,699,095 |
| - | (15,597,595) | 19,336,931 | - |
| **404,168** | **(110,356,606)** | **(33,522,723)** | **4,842,108** |

# 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 2019
(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% (2018: 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 (2018: 223).

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

**2.1 Basis of Presentation**

**2.1.1 Preparation of Financial Statements and Accounting**

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 equipments and financial assets and liabilities carried at their fair values, financial statements are prepared and presented based on historical cost convention and interms of Turkish Lira ("TL") which is the functional currency of the Company.

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

**2.2 Amendments in Turkish Financial Reporting Standards**

**a) Standards, amendments and interpretations applicable as at 31 December 2019:**

- Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

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

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

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

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

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

  • IFRS 3, ‘Business combinations’, - a company remeasures its previously held interest in a joint operation when it obtains control of the business.

  • IFRS 11, ‘Joint arrangements’, - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  • IAS 12, ‘Income taxes’ - a company accounts for all income tax consequences of dividend payments in the same way.

  • IAS 23, ‘Borrowing costs’ - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  • Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement and

  • Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

**b) New standards, amendments and interpretations issued and effective as of 31 December 2019 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 2019:**

- 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:

  • Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting,

  • Clarify the explanation of the definition of material and

  • Incorporate some of the guidance in IAS 1 about immaterial information.

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

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

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

- 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.

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 2019 on a comparative basis with balance sheet at 31 December 2018 and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2019 on a comparative basis with financial statements for the period of 1 January - 31 December 2018.

Accounting policies, which are taken as basis in the preparation of financial statements for the period between January 1 - December 31, 2019, have been applied consistently with the financial statements prepared as of December 31, 2018, except for TFRS 16 "Financial Leases" Standard, which is stated below and entered into force as of January 1, 2019.

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

**2.4 Comparative Information (Continued)**

**2.4.1 TFRS 16, 'Leases'**

The Company has applied accounting policy changes resulting from the first time adoption of TFRS 16, 'Leases' effective from 1 January 2019, in accordance with the transition requirements of the related standard. The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are presented below.

***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:

a) The contract contains an identified asset: - this may be specified explicitly or implicitly,

b) The asset should be physically distinct or represent substantially all of the capacity of a physicallydistinct asset. If the supplier has a substantive substitution right, the asset is not identified,

c) 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

d) 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.

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

**2.4.1 TFRS 16, 'Leases' (Continued)**

***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 IAS 16, 'Property, Plant and Equipment' in depreciating the right-of-use asset, subject to the requirements.

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

***Lease liability***

At the commencement date, The 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 consist 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.

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

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

**2.4.1 TFRS 16, 'Leases' (Continued)**

***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).

***Transition to IFRS 16 'Leases'***

The Company applied IFRS 16 'Leases', which superseded IAS 17 'Leases', and accounted in the consolidated financial statements by using "cumulative effect method" on the transition date of 1 January 2019. In accordance with the simplified transition method defined in standard, no restatement has been required in the comparative information of the financial statements and has no impact on retained earnings. On first time adoption of IFRS 16 'Leases', the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases' before 1 January 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of the transition date. The right to use assets are accounted for at an amount equal to the lease obligations (adjusted for the amount of prepayed or accrued lease payments) within the scope of simplified transition application in the related standard.

The reconciliation of the operating lease agreements followed under IAS 17 prior to the first application date and the lease liabilities recognized under IFRS 16 in the financial statements as of 1 January 2019 is as follows:

| | **1 January 2019** |
|---|---|
| **Operating lease commitments disclosed in accordance with IAS 17** | **1,554,262** |
| **Lease liability recognised under IFRS 16 (not discounted)** | **1,554,262** |
| **Lease liability recognised under IFRS 16 (discounted with alternative borrowing rate)** | **1,118,841** |
| - Short term lease liability | 360,120 |
| - Long term lease liability | 758,721 |

As of 1 January 2019, the weighted average of the alternative borrowing rates applied to the lease obligations of the Company is 24.85%.

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

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

**2.4.1 TFRS 16, ‘Leases’ (Continued)**

As of 1 January 2019 and 31 December 2019, details of the right of use assets that are accounted in financial statements are as follows:

| | 31 December 2019 | 1 January 2019 |
|---|---|---|
| Vehicles | 1,624,829 | 2,201,549 |
| **Total right of use assets** | **1,624,829** | **2,201,549** |

**2.5 Summary of Significant Accounting Policies**

**2.5.1 Revenue recognition**

The Company transfers the committed goods or services to its customers and records the revenue in its financial statements as it fulfills or fulfills 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 fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment 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.

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

**2.5.1 Revenue recognition (Continued)**

*Revenue form 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 determine 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, taking into account the changes in the conditions.

**2.5.2 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.

*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.

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

**2.5.2 Financial assets (Continued)**

(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.

The summary for the classification of financial liabilities and assets in IFRS 9 standarts is as follows:

| | Previous classification according to IAS 39 | New classification according to IFRS 9 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | Loans and receivables | Amortized cost |
| Financial investmen | Available for sale financial assets | Fair value difference other compherensive |
| Trade receivables | Loans and receivables | Amortized cost |
| Other receivables | Loans and receivables | Amortized cost |
| **Financial liabilities** | | |
| Borrowings | Amortized cost | Amortized cost |
| Trade payables | Amortized cost | Amortized cost |
| Other payables | Amortized cost | Amortized cost |

**2.5.3 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.

# 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 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

**2.5.4 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.

**2.5.5 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).

**2.5.6 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.

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

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

**2.5.6 Property, plant and equipment (Continued)**

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:

| | **Years** |
|---|---|
| Buildings and land improvements | 4 - 40 |
| Machinery and equipments | 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. 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.

**2.5.7 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.

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

**2.5.7 Intangible assets (Continued)**

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.).

**2.5.8 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). 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.

**2.5.9 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.

**2.5.10 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.

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

**2.5.11 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.

**2.5.12 Foreign currency transaction and balances**

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. The exchange differences that were recorded are recognized in the statement of comprehensive income as part of the loss for the year.

**2.5.13 Earnings/(Loss) per share**

Earning/ (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.

**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 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.

**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 (ie 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 (İ) has significant impact on the business or a member of the key management personnel of that enterprise (or its main partnership) if there is,

**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 date (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 equipments 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.

**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 36.

As of 31 December 2019, the Company's short-term liabilities exceeded its total current assets by TL120,237,610 while the net period loss for the year ending as of 31 December 2019 was TL33,522,723 and as of this date the accumulated losses were TL110,356,606.

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 36 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 36). As part of the valuation of the intangible assets included in the said TCC 376 balance sheet, the Company's brands were valued by an independent professional valuer, and as a result of the positive impact of this value, which amounted to TL42 million, on Company equity, at the meeting of the Company's Board of Directors on 27 February 2020, it was decided that no further measures were required in this regards.

Moreover, Yaşar Holding A.Ş., the Company's main shareholder, undertakes to provide the Company with the necessary resources and support to strengthen the financial structure, avoid any difficulties in paying its existing commercial and non-commercial debts and make its payments on time.

With regard to the TCC 376 balance sheet, as per the decision of the Board of Directors dated 27 February 2020, in line with CMB resolution No. 11/352, the Company decided to make a special circumstances disclosure dated 2 March 2020 on the Public Disclosure Platform. The Company management and the parent company believe that the precautions and regulations listed above will contribute positively to the Company's performance, and that, acting in line with these precautions, the Company will be able to continue operating for the foreseeable future.

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

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

***(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.

Due to the fact that the machinery, facilities and equipment are mainly imported there may be significant changes in market data taken into consideration in the cost approach due to the changes in the exchange rates and the carried values will not converge to their fair values as of 31 December 2019. In this context, machinery, facilities and devices have been assigned to TSKB Gayrimenkul Değerleme A.Ş. has been reflected to the financial statements based on the fair value determined by the valuation results.

In addition, fair value of land, land improvements, buildings, determined by TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2018 is assumed to approximate the fair values as of 31 December 2019 after deducting the current period depreciation.

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 $m^2$ 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.

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

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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.

**2.7 Compliance Decleration 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**

*i. Assets recorded at fair value through other comprehensive income:*

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Carrying Value TL | Share (%) | Carrying Value TL | Share (%) |
| Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji") | 404,168 | 0.51 | 227,802 | 0.51 |
| | **404,168** | | **227,802** | |

As of 31 December 2018, Desa Enerji, the available-for-sale financial asset, discounted cash flows at a discount rate of 18.41% (2018: 22.68%), taking into account 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.

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

**NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)**

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

| | 2019 | 2018 |
|---|---|---|
| **1 January** | **227,802** | **217,044** |
| **Increase in fair value**: | | |
| Desa Enerji | 176,366 | 10,758 |
| **31 December** | **404,168** | **227,802** |

**NOTE 4 - SEGMENT REPORTING**

Please see Note 2.5.20.

**NOTE 5 - CASH AND CASH EQUIVALENTS**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Cash in hands | 273 | 558 |
| Banks | 1,097,100 | 6,035,147 |
| - Demand deposits | 1,097,100 | 1,131,645 |
| - Turkish Lira | 431,755 | 604,474 |
| - Foreign currency | 665,345 | 527,171 |
| - Time deposits | - | 4,903,502 |
| - Turkish Lira | - | 800,000 |
| - Foreign currency | - | 4,103,502 |
| Other | 4,306,702 | 184,676 |
| | **5,404,075** | **6,220,381** |

As of 31 December 2019, the Company does not have any time deposits (2018: The Company have TL4,903,502 time deposits). As of 31 December 2019, foreign currency deposits include USD107,513 and EUR1,358, GBP2,277 (2018: USD846,665 and EUR22.531, GBP6,108). Other cash equivalents consist of credit card receivables with average maturity of 30 days (2018: 30 days) and bear the effective weighted average interest rate: None (2018: 23.50% and 1.75% per annum ("p.a.")).

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.

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

The receivables from and payables to related parties as at 31 December 2019 and 2018 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 2019 | 31 December 2018 |
|---|---|---|
| Yaşar Dış Ticaret A.Ş. ("YDT") | 4,765,106 | 10,173,072 |
| Pınar Süt Mamulleri Sanayi A.Ş. ("Pınar Süt") | 357,260 | 160,584 |
| Other | 101,388 | 7,776 |
| | **5,233,754** | **10,341,432** |

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

**b) Other short-term receivables from related parties**

| | | |
|---|---|---|
| Yaşar Holding | - | 1,795,375 |
| | **-** | **1,795,375** |

As of 31 December 2018, the effective interest rate for non-trade receivables of Company from Yaşar Holding amounting to TL1,795,375 with the effective interest rate 25.5% p.a. and its maturity is within 1 month.

The breakdown of trade and other receivables from related parties as of 31 December 2019 and 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Overdue | 882,351 | 2,308,720 |
| 0-30 days | 4,341,403 | 6,263,044 |
| 31-60 days | - | 3,565,043 |
| | **5,223,754** | **12,136,807** |

The agings of overdue trade receivables from related parties and credit risk analysis as of 31 December 2019 and 2018 are further explained in Note 35.a.

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

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

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

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Yadex Export International GmbH ("Yadex") | 18,515,908 | - |
| Desa Enerji | 3,867,499 | 761,556 |
| YDT | 1,785,443 | 1,715,864 |
| Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP") | 1,550,928 | 900,885 |
| Yaşar Holding | 823,106 | 744,385 |
| Other | 854,743 | 78,576 |
| | **27,397,627** | **4,201,266** |

As of December 31, 2019, 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.

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

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Yaşar Holding | 18,316,113 | 196,449 |
| Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yaşar Bilgi İşlem") | 3,361,608 | - |
| YDT | 85,928 | 273,982 |
| Desa Enerji | 26,405 | 151,690 |
| Other | 309,972 | 88,393 |
| | **22,100,026** | **710,514** |

Other payables to Yaşar Holding and Yaşar Bilgi İşlem consist of non-commercial short-term debts obtained by the related related parties of the Company and the annual effective interest rate applied is 15.5% and within 1 month (31 December 2018: Annual effective interest rate applied to Yaşar Holding for 622.121 TL non-commercial receivables is 25.5% and within 1 month). YDT, Desa and Other Payables consist of bail and financing service fees calculated for the non-commercial debts of the company.

**ii. Transactions with related parties:**

**a) Product sales:**

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| YDT | 74,560,117 | 86,967,311 |
| Yaşar Holding | 143,544 | 49,104 |
| YBP | 59,092 | 104,180 |
| Other | 21,828 | 44,753 |
| | **74,784,581** | **87,255,348** |

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

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **b) Servis sales:** | | |
| Pınar Süt | 66,089 | - |
| | **66,089** | **-** |
| **c) Product purchases:** | | |
| Yadex | 16,775,437 | 1,187,671 |
| | **16,775,437** | **1,187,671** |

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

| | | |
|---|---|---|
| **d) Services purchases:** | | |
| Desa Enerji | 11,484,002 | 8,180,888 |
| Yaşar Holding | 3,016,834 | 2,752,196 |
| YDT | 1,903,872 | 3,347,921 |
| YBP | 90,402 | 66,739 |
| Other | 1,043,883 | 634,621 |
| | **17,538,993** | **14,982,365** |

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.

| | | |
|---|---|---|
| **e) Purchases of property, plant and equipment and intangible assets:** | | |
| Yadex | 818,558 | - |
| Yaşar Holding | 151,036 | 129,829 |
| Pınar Entegre Et ve Un Sanayi A.Ş. | 19,242 | 170,000 |
| Desa Enerji | - | 86,476 |
| Other | 87,886 | 98,940 |
| | **1,076,722** | **485,245** |

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

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

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **f) Sales of property, plant and equipment and intangible assets:** | | |
| Pınar Süt A.Ş. | - | 120,291 |
| | **-** | **120,291** |
| **g) Dividends received:** | | |
| Desa Enerji | 26,743 | 13,704 |
| | **26,743** | **13,704** |
| **h) Finance income:** | | |
| Yaşar Holding | 26,015 | 113,356 |
| | **26,015** | **113,356** |
| **i) Finance expenses:** | | |
| Yaşar Holding | 1,235,152 | 436,266 |
| YDT | 384,235 | 456,958 |
| Desa Enerji | 325,351 | 192,800 |
| YBP | 242,744 | 316,511 |
| Other | 200,067 | - |
| | **2,387,549** | **1,402,535** |

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 0.5% per year (2018: 0.5% per year).

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **j) Other operating income:** | | |
| YDT | 1,692,881 | 3,152,770 |
| Yadex | 1,265,169 | 431,586 |
| Other | 207,683 | 38,549 |
| | **3,165,733** | **3,622,905** |

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

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

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

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **k) Other operating expense:** | | |
| Yadex | 2,187,082 | 899,109 |
| YDT | 1,440,026 | 1,892,650 |
| Other | 1,002,464 | 302,789 |
| | **4,629,572** | **3,094,548** |

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.

**l) Bails received:**

As of 31 December 2019, the Company received bails from Yaşar Holding, YBP, YDT and Desa Enerji, Yaşar Group Companies, regarding the loan amounting TL143,154,623 which is obtained from domestic financial institutions (2018: TL91,544,204).

**m) Key management compensation:**

Key management includes Board of Directors, general manager and directors whether key management compensations are as follows:

| | | |
|---|---|---|
| Short-term benefits | 1,313,768 | 1,108,776 |
| Other long-term benefits | 37,869 | 19,745 |
| | **1,351,637** | **1,128,521** |

**n) Donations:**

| | | |
|---|---|---|
| Yaşar Eğitim Vakfı | 60,931 | 68,036 |
| | **60,931** | **68,036** |

**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **a) Trade receivables from third parties:** | | |
| Customer current accounts | 24,675,020 | 17,802,049 |
| Cheques and notes receivable | 15,542,550 | 10,677,387 |
| | **40,217,570** | **28,479,436** |
| Less: Provision for doubtful receivables | (4,490,211) | (4,516,830) |
| | **35,727,359** | **23,962,606** |

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

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

The aging of trade receivables as of 31 December 2019 and 2018 are as follows:

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Overdue | 1,722,424 | 1,899,959 |
| 0 - 30 days | 5,929,588 | 5,948,316 |
| 31 - 60 days | 10,842,024 | 7,211,680 |
| 61 - 90 days | 14,285,783 | 8,036,532 |
| 91 days | 2,947,540 | 866,119 |
| | **35,727,359** | **23,962,606** |

The aging and credit risk analysis of overdue receivables as of 31 December 2019 and 2018 are disclosed in detail in Note 35.a.

The Company has trade receivables of TL1,722,424 that were past due but not impaired as of 31 December 2018, TL646,452 of related overdue receivables has been collected from customers in the subsequent period (2018 TL1,899,959 portion of TL274,302 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:

| | **2019** | **2018** |
|---|---|---|
| **1 January** | **(4,516,830)** | **(4,516,830)** |
| Provisions no longer required (Note 24.a) | 26,619 | - |
| **31 December** | **(4,490,211)** | **(4,516,830)** |

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:**

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Notes payable | 31,396,518 | 86,619,411 |
| Supplier current accounts | 21,275,192 | 20,712,768 |
| | **52,671,710** | **107,332,179** |

TL5,037,168 (2018: TL6,604,269) of trade payables is overdue for 1 month on average as of 31 December 2019 (2018: 1 month).

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### NOTE 8 - OTHER RECEIVABLES AND PAYABLES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **a) Other short-term receivables from third parties:** | | |
| Receivable from insurance companies | 61,027 | 61,027 |
| Receivable from personnel | 11,532 | 24,921 |
| Advances given to personnel | 8,646 | 14,836 |
| Other | 151,978 | 92,665 |
| | **233,183** | **193,449** |
| **b) Other short-term payables to third parties:** | | |
| Taxes and funds payable | 711,328 | 630,587 |
| Other | 1,427 | 1,588 |
| | **712,755** | **632,175** |

### NOTE 9 - INVENTORIES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Raw materials | 17,459,013 | 21,922,163 |
| Work in progress | 10,060,506 | 8,714,606 |
| Finished goods | 5,134,958 | 5,688,004 |
| Trade goods | 211,742 | 381,502 |
| Other | 167,213 | 105,437 |
| | **33,033,432** | **36,811,712** |

Raw materials and supplies mainly consist of cellulose and recycled paper used in cleaning paper production. As of 31 December 2019, TL3,887,678 (2018: TL7,541,209) 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 TL113,707,389 (2018: TL118,347,563) (Note 19).

### NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **a) Short-term prepaid expenses:** | | |
| Prepaid expenses | 728,832 | 682,993 |
| | **728,832** | **682,993** |
| **b) Deferred income:** | | |
| Advances received | 413,934 | 437,074 |
| | **413,934** | **437,074** |

Order advances received as of 31 December 2019 and 31 December 2018 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 (2018: expected to be closed within one year).

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

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 |
|---|---|---|---|---|---|---|---|
| **Cost/revaluation:** | | | | | | | |
| 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 |
| | **191,898,804** | **10,159,295** | **(46,028)** | **-** | **(3,229,298)** | **13,226,096** | **212,008,869** |
| **Less: Accumulated depreciation:** | | | | | | | |
| 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) |
| | **(7,034,268)** | **(8,893,050)** | **46,028** | **-** | **3,229,298** | **-** | **(12,651,992)** |
| **Net book value** | **184,864,536** | | | | | | **199,356,877** |

In the year ended 31 December 2019, 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 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)**

Movements of property, plant and equipment between 1 January - 31 December 2018 were as follows:

| | 1 January 2018 | Additions | Disposals | Transfers | Netting off Acc. Depr. Before Revaluation | Revaluation | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| **Cost/ revaluation:** | | | | | | | |
| Land | 48,685,000 | - | - | - | - | - | 48,685,000 |
| Buildings and land improvements | 28,464,549 | 12,398 | - | 1,145,177 | - | - | 29,622,124 |
| Machinery, plant and equipment | 87,465,810 | 591,798 | (7,465) | 8,502,075 | (5,216,810) | 15,145,494 | 106,480,902 |
| Motor vehicles | 89,707 | - | - | 4,135 | - | - | 93,842 |
| Furniture and fixtures | 6,009,776 | 441,907 | (12,030) | 146,065 | - | - | 6,585,718 |
| Construction in progress | 433,722 | 9,794,948 | - | (9,797,452) | - | - | 431,218 |
| | **171,148,564** | **10,841,051** | **(19,495)** | - | **(5,216,810)** | **15,145,494** | **191,898,804** |
| **Less: Accumulated depreciation:** | | | | | | | |
| Buildings and land improvements | - | (1,585,880) | - | - | - | - | (1,585,880) |
| Machinery, plant and equipment | - | (5,224,275) | 7,465 | - | 5,216,810 | - | - |
| Motor vehicles | (89,707) | (345) | - | - | - | - | (90,052) |
| Furniture and fixtures | (4,966,826) | (403,540) | 12,030 | - | - | - | (5,358,336) |
| | **(5,056,533)** | **(7,214,040)** | **19,495** | **-** | **5,216,810** | **-** | **(7,034,268)** |
| **Net book value** | **166,092,031** | | | | | | **184,864,536** |

During the year ended 31 December 2018, a significant portion of the additions to property, plant and equipment consist of spare parts for machinery for sanitary paper production.

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

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

**a) Right of Use Assets**

| | 1 January 2019 | Changes effects in accounting polities | Additions | 31 December 2019 |
|---|---|---|---|---|
| Motor vehicles | - | 2,201,549 | - | 2,201,549 |
| Less: Accumulated depreciation | - | - | (576,720) | (576,720) |
| **Net book value** | **-** | **2,201,549** | **(576,720)** | **1,624,829** |

Current year's depreciation and amortization costs amounting to TL8,010,382 (2018: TL6,336,754) are charged to production cost and TL528,383 (2018: TL384,409 to general administrative expenses (Note 23.b), TL913,631 (2018: TL497,627) to marketing expenses (Note 23.a) and TL129,422 (2018: TL97,727) to research and development expenses (Note 23.c).

As of 31 December 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 2019 and 2018 were as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **1 January** | **103,325,983** | **94,163,591** |
| Depreciation transfer resulting from revaluation increase classified to retained earnings | (4,674,170) | (3,692,505) |
| Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings | 934,834 | 738,502 |
| Disposal from revaluation reserve due to sales of property, plant and equipment - net | 11,250,377 | - |
| Increase in revaluation reserve of machinery, plant and equipment - net | - | 12,116,395 |
| **31 December** | **110,837,024** | **103,325,983** |

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 2019 and 2018 are as follows:

| **31 December 2019:** | Land | Buildings and land improvements | Machinery and equipment |
|---|---|---|---|
| Cost | 741,930 | 23,502,316 | 127,663,445 |
| Less: Accumulated depreciation | - | (15,895,635) | (81,228,805) |
| **Net book value** | **741,930** | **7,606,681** | **46,434,640** |

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### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

| **31 December 2018:** | **Land** | **Buildings and land improvements** | **Machinery and equipment** |
|---|---|---|---|
| Cost | 741,930 | 22,286,239 | 121,293,558 |
| Less: Accumulated depreciation | - | (14,252,217) | (74,406,441) |
| **Net book value** | **741,930** | **8,034,022** | **46,887,117** |

### NOTE 12 - INTANGIBLE ASSETS

| | **1 January 2019** | **Additions** | **31 December 2019** |
|---|---|---|---|
| Cost | 3,085,342 | 228,691 | 3,314,033 |
| Less: Accumulated depreciation | (2,320,812) | (112,048) | (2,432,860) |
| **Net book value** | **764,530** | | **881,173** |

| | **1 January 2018** | **Additions** | **31 December 2018** |
|---|---|---|---|
| Cost | 2,924,714 | 160,628 | 3,085,342 |
| Less: Accumulated depreciation | (2,218,335) | (102,477) | (2,320,812) |
| **Net book value** | **706,379** | | **764,530** |

### 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

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Short-term borrowings | 65,864,503 | 5,000,000 |
| Short-term portion of long-term borrowings | 31,409,037 | 48,586,638 |
| Short-term finance lease payables | 651,197 | 77,517 |
| **Short-term financial liabilities** | **97,924,737** | **53,664,155** |
| Long-term borrowings | 47,112,475 | 45,329,933 |
| Long-term finance lease payables | 1,110,236 | 6,955 |
| **Long-term financial liabilities** | **48,222,711** | **45,336,888** |
| **Total financial liabilities** | **146,147,448** | **99,001,043** |

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

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

**a) Bank loans:**

| | Effective weighted average interest rate p.a. (%) | | Original currency | | TL equivalent | |
|---|---|---|---|---|---|---|
| | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** | **31 December 2019** | **31 December 2018** |
| **Short-term borrowings:** | | | | | | |
| TL borrowings (*) | 16.38 | 26.10 | 65,864,503 | 5,000,000 | 65,864,503 | 5,000,000 |
| **Short-term portion of long-term borrowings:** | | | | | | |
| TL borrowings (**) | 15.27 | 15.33 | 31,409,037 | 48,586,638 | 31,409,037 | 48,586,638 |
| **Total short-term borrowings** | | | | | **97,273,540** | **53,586,638** |
| **Long-term borrowings:** | | | | | | |
| TL borrowings (**) | 13.99 | 14.46 | 47,112,475 | 45,329,933 | 47,112,475 | 45,329,933 |
| **Total long-term borrowings** | | | | | **47,112,475** | **45,329,933** |
| **Total borrowings** | | | | | **144,386,015** | **98,916,571** |

(*) TL denominated short-term bank borrowings consist of borrowings with fixed interest rates between 13% and 26.40% p.a. (2018: 14.90% and 27.00%).

(**) TL denominated long-term bank borrowings consist of borrowings with fixed interest rates between 11.90% and 18.31% p.a. (2018: 11.90% and 23.41%).

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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 2019 and 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| 2020 | - | 28,074,601 |
| 2021 | 35,357,076 | 14,071,361 |
| 2022 | 7,469,684 | 3,183,971 |
| 2023 | 4,285,715 | - |
| | **47,112,475** | **45,329,933** |

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

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| Bank borrowings | 143,437,370 | 98,916,571 | 150,319,745 | 90,973,696 |

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 TL denominated bank borrowings, respectively (2018: The fair values are based on cash flows discounted using the effective weighted rates based on the borrowing rate of 21.37% p.a. for TL denominated bank borrowings, respectively).

The movement schedule of net borrowings as of 31 December 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| **1 January** | **92,696,190** | **90,617,511** |
| Cash inflows from borrowings | 173,953,461 | 70,920,000 |
| Cash outflows from borrowings | (127,323,365) | (64,265,785) |
| Exchange rate differences | (1,238,349) | (395,510) |
| Effect of interest accrual | (870,948) | - |
| Change in cash and cash equivalents | 816,306 | (4,180,026) |
| **31 December** | **138,033,295** | **92,696,190** |

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

**NOTE 16 - OTHER FINANCIAL LIABILITIES**

None (2018: None).

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

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **a) Short term provisions:** | | |
| Provisions for lawsuit | 572,776 | 585,604 |
| | **572,776** | **585,604** |

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

| | | |
|---|---|---|
| **1 January** | **585,604** | **193,560** |
| Provision allocated in the period | - | 392,044 |
| Provisions of lawsuit no longer required | (12,828) | - |
| **31 December** | **572,776** | **585,604** |

**b) Guarantees received:**

| | | |
|---|---|---|
| Bails | 143,154,623 | 91,544,204 |
| Letters of guarantee | 25,203,126 | 22,170,605 |
| Mortgages | 1,476,800 | 1,476,800 |
| | **169,834,549** | **115,191,609** |

Bails received as of 31 December 2019, from Yaşar Holding, YBP, YDT and Desa Enerji which are Yaşar Holding companies, are related to the loans obtained from domestic financial institutions amounting to TL143,154,623 (2018: TL91,544,204).

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:**

| | | |
|---|---|---|
| Letters of guarantee | 5,172,357 | 4,453,658 |
| | **5,172,357** | **4,453,658** |

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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 2019 and 2018 were as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Currency** | **Amount** | **TL Equivalent** | **Currency** | **Amount** | **TL Equivalent** |
| **CPM provided by the Company:** | | | | | | |
| **A.** Total amount of CPM given on behalf of the Company | | | *5,172,357* | | | *4,453,658* |
| | *TL* | *5,172,357* | *5,172,357* | *TL* | *4,453,658* | *4,453,658* |
| | - | - | - | - | - | - |
| **B.** Total amount of CPM given on behalf of fully consolidated companies | - | - | - | - | - | |
| **C.** Total amount of CPM given for continuation of its economic activities on behalf of third parties | - | - | - | - | - | |
| **D.** Total amount of other CPM | - | - | - | - | - | |
| **i.** Total amount of CPM given on behalf of the main shareholder | - | - | - | - | - | |
| **ii.** Total amount of CPM given on behalf other group companies which are not in scope of B and C | - | - | - | - | - | |
| **iii.** Total amount of CPM given on behalf of third parties which are not in scope of C | - | - | - | - | - | |
| | **-** | **-** | **5,172,357** | **-** | - | **4,453,658** |
| The ratio of total amount of other CPM to equity | | | 0% | | | 0% |

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

**NOTE 18 - EMPLOYEE BENEFITS**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **a) Payables for employee benefits:** | | |
| Social security premiums payable | 484,672 | 415,196 |
| Payables to personnel | 744 | 3,475 |
| | **485,416** | **418,671** |
| **b) Long-term provisions for employee benefits:** | | |
| Provision for employment termination benefits | 5,726,331 | 4,491,214 |
| Senior incentive bonus | 313,493 | 277,727 |
| | **6,039,824** | **4,768,941** |

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 TL6,379.86 at 31 December 2019 (31 December 2018: TL5,434.42).

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 TL6,730.15 (1 January 2019: TL6,017.60) effective from 1 January 2020 since the retirement pay provision is set every six months. The following actuarial assumptions were used to calculate the total liability:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Discount rate (p.a.) (%) | 5.00 | 5.00 |
| Probability of retirement (%) | 96.30 | 96.22 |

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### NOTE 18 - EMPLOYEE BENEFITS (Continued)

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

| | 2019 | 2018 |
|---|---|---|
| **1 January** | **4,491,214** | **3,854,947** |
| Interest costs | 699,185 | 740,152 |
| Actuarial loss | 909,561 | 1,017,659 |
| Current service cost | 488,586 | 405,746 |
| Paid during the year | (862,215) | (1,527,290) |
| **31 December** | **5,726,331** | **4,491,214** |

The total of interest cost and current service cost amounting to TL1,187,771 (2018: TL1,145,897) were allocated to general administrative expenses for TL488,586 and to financial expense for TL699,185.

### NOTE 19 - EXPENSES BY NATURE

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Raw materials | 113,707,389 | 118,347,563 |
| Energy | 31,362,953 | 25,117,811 |
| Staff costs | 19,651,778 | 17,982,761 |
| Transportation | 11,648,470 | 11,925,272 |
| Repair and maintenance | 10,243,498 | 8,436,567 |
| Outsourced services | 9,591,252 | 9,484,893 |
| Depreciation and amortization | 9,581,819 | 7,316,517 |
| Consultancy charges | 2,446,041 | 2,082,594 |
| Advertisement | 478,822 | 658,457 |
| Other | 7,502,922 | 9,954,937 |
| | **216,214,944** | **211,307,372** |

### NOTE 20 - OTHER ASSETS AND LIABILITIES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **a) Other current assets:** | | |
| Value Add Tax "VAT" receivable | 1,590,512 | 1,210,452 |
| Other | 15,591 | 1,430 |
| | **1,606,103** | **1,211,882** |

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

**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 2019 and 2018 are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| 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 nonrecurringly-except for cash injection-through capital increase from internal sources. Registered share capital may not be exceeded through capital increase by cash injection.

The compositions of the Company's share capital at 31 December 2019 and 2018 were as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| **Shareholders** | **Share (%)** | **Share Amount (TL)** | **Share (%)** | **Share Amount (TL)** |
| 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 |
| **Total share capital** | **100** | **42,000,000** | **100** | **42,000,000** |

The Company has 4,200,000,000 (31 December 2018: 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 2019.

As of 31 December 2019, share premium amounting to TL253,929 (2018: TL253,929) represents the difference between face value and selling price of common stocks offered to the public.

The legal reserves consists 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 2019 (2018: None).

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

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.

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2016.

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

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Domestic sales | 197,535,410 | 167,655,490 |
| Export sales | 74,560,116 | 86,967,311 |
| Less: Discounts | (47,383,873) | (24,069,565) |
| Returns (-) | (665,493) | (374,301) |
| **Net sales** | **224,046,160** | **230,178,935** |
| **Cost of sales (-)** | **(182,233,988)** | **(177,004,473)** |
| **Gross profit** | **41,812,172** | **53,174,462** |

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

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **a) Marketing expenses:** | | |
| Transportation | 11,589,663 | 11,881,243 |
| Personnel | 3,427,786 | 3,142,589 |
| Commission | 2,305,299 | 2,542,477 |
| Outsourced services | 1,954,943 | 1,762,413 |
| Depreciation and amortisation | 913,631 | 497,627 |
| Licence | 859,184 | 804,354 |
| Advertisement | 478,822 | 658,457 |
| Energy | 361,486 | 356,451 |
| Rent | 158,631 | 583,878 |
| Other | 730,665 | 743,459 |
| | **22,780,110** | **22,972,948** |

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

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **b) General administrative expenses:** | | |
| Personnel | 3,157,458 | 3,065,809 |
| Consultancy | 2,446,041 | 2,082,594 |
| Outsourced services | 1,570,992 | 1,795,614 |
| Depreciation and amortisation | 528,383 | 384,409 |
| Employment termination benefit | 488,586 | 405,746 |
| Energy | 288,913 | 275,866 |
| Representation | 210,770 | 207,515 |
| Tax (other than corporation tax) | 141,557 | 751,925 |
| Other | 989,641 | 1,241,601 |
| | **9,822,341** | **10,211,079** |
| **c) Research and development expenses:** | | |
| Personnel | 847,232 | 810,588 |
| Outsourced services | 346,147 | 158,924 |
| Depreciation and amortisation | 129,422 | 97,727 |
| Other | 55,704 | 51,633 |
| | **1,378,505** | **1,118,872** |

### NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **a) Other operating income:** | | |
| Foreign exchange gain arising from trading activities | 6,204,755 | 26,985,831 |
| Scrap sales income | 342,576 | 392,276 |
| Unutilised provision for doubtful receivables | 26,619 | - |
| Other | 435,214 | 1,423,700 |
| | **7,009,164** | **28,801,807** |
| **b) Other operating expenses:** | | |
| Foreign exchange loss arising from trading activities | (13,181,496) | (46,761,686) |
| Interest expense | (1,362,884) | (593,155) |
| Litigation and tax expenses | (31,812) | (662,482) |
| Other | (128,836) | (917,300) |
| | **(14,705,028)** | **(48,934,623)** |

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

| **Income from investment activities:** | **1 January - 31 December 2019** | **1 January - 31 December 2018** |
|---|---|---|
| Gain on property, plant and equipment sale | 37,517 | 120,291 |
| Dividend income | 26,744 | 13,704 |
| | **64,261** | **133,995** |

### NOTE 26 - EXPENSES CLASSIFIED BY CLASS

Please refer to Note 19.

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

| **a) Finance income:** | **1 January - 31 December 2019** | **1 January - 31 December 2018** |
|---|---|---|
| Foreign exchange gain | 1,025,248 | 4,646,956 |
| Interest income | 283,045 | 256,432 |
| | **1,308,293** | **4,903,388** |

**b) Finance expense:**

| | | |
|---|---|---|
| Interest expense | (27,193,157) | (16,899,047) |
| Bail expense and bank commissions | (4,094,695) | (3,475,344) |
| Foreign exchange gain | (2,774,506) | (2,250,151) |
| Past due interest charges | (1,192,475) | (119,756) |
| | **(35,254,833)** | **(22,744,298)** |

### NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see the Income Statement.

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

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

Tax income for the periods ended at 31 December 2019 and 2018 are summarised as follows:

| | **1 January - 31 December 2019** | **1 January - 31 December 2018** |
|---|---|---|
| Less: Prepaid corporate tax | (84,634) | (31,696) |
| **Current income tax assets** | **(84,634)** | **(31,696)** |

Tax income for the periods ended at 31 December 2019 and 2018 are summarised as follows:

| | | |
|---|---|---|
| Deferred tax (expense)/income | 224,204 | (368,763) |
| **Total tax (expense)/income** | **224,204** | **(368,763)** |

Corporation tax is payable at a rate of 22% (2018: 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.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2018: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2018: 20%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may berefunded 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 25th 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.

In Corporate Tax Law, there has been settled a number of exemptions for companies, of which the Company may benefit are explained as follows:

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

According to Turkish Corporate Income Tax Law numbered 5520, effective from 5 December 2017, a 50% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax as of 5 December 2017. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realised.

Dividend income from shares in the capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) is exempt from corporate tax.

Stock issuance premium gains derived from corporations' profits earned from the sale of initial coupons and from the exclusion of the nominal value of the stocks issued by the joint stock companies in the course of their incorporation or capital increase are exempt from corporation tax.

Accordingly, the aforementioned gains/(losses) which have been included in trade profit/ (loss) have been taken into consideration in calculation of Company's corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8th article of Corporate Tax Law, and 40th article of the Income Tax Law, together with other deductions mentioned in 10th article of Corporate Tax Law, have been taken into consideration in calculation of the Company's corporate tax.

*Transfer Pricing*

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred , will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

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

The reconciliation of the tax expense for the periods between 1 January - 31 December 2019 and 2018 are as follows:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **Loss before tax** | **(33,746,927)** | **(18,968,168)** |
| Tax calculated using the current tax rate | 7,424,324 | 4,172,997 |
| Non-deductible expenses | (798,288) | (491,048) |
| Income not subject to tax | 108,762 | 277,498 |
| Current period loss over which no deferred income tax asset was recognized | (7,374,999) | (4,240,866) |
| Other | 864,405 | (87,344) |
| **Total tax (expense)/ income** | **224,204** | **(368,763)** |

**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. Therefore, deferred tax assets and liabilities shall be measured in accordance with materiality at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences will be measured by 20% (2018: %20).

In terms of prudency principle the Company used 20% tax rate for the calculation of deferred tax by considering these factors: the Company does not recognize deferred tax assets due to carry forward tax lossess and expect that temporary differences for the years 2018, 2019 and 2020 subject to deferred tax calculation would be immaterial.

Details of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 December 2019 and 2018, using enacted tax rates at the balance sheet dates, were as follows:

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

| | Cumulative temporary differences | | Deferred tax assets/(liabilities) | |
|---|---|---|---|---|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| Revaluation of land, land improvements, buildings, machinery and equipment | 136,351,601 | 123,125,505 | (20,840,401) | (19,799,522) |
| Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets | 16,485,845 | 11,910,721 | (3,328,446) | (2,413,421) |
| Provision for employment termination benefits | (5,726,331) | (4,491,214) | 1,145,266 | 898,243 |
| Other | (421,772) | 210,642 | 92,790 | (46,490) |
| **Deferred income tax assets/liabilities - net** | | | **(22,930,791)** | **(21,361,190)** |

The Company did not recognise deferred income tax assets of TL15,340,691 (2018: TL8,989,115) 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.

Years of expiration of tax losses carried forward over which no deferred income tax assets were not recognised as of 31 December 2019 and 2018 are as follows:

| **Expiration years** | **31 December 2019** | **31 December 2018** |
|---|---|---|
| 2019 | - | 4,511,279 |
| 2020 | 9,688,280 | 9,688,280 |
| 2021 | 4,996,917 | 4,996,917 |
| 2022 | 6,472,433 | 6,472,433 |
| 2023 | 19,276,664 | 19,276,664 |
| 2024 | 29,296,120 | - |
| | **69,730,414** | **44,945,573** |

Movements in deferred income tax liabilities can be analysed as follows:

| | **2019** | **2018** |
|---|---|---|
| **1 January** | **(21,361,190)** | **(18,166,860)** |
| Calculated on revaluation fund | (1,975,719) | (3,029,099) |
| Charged to actuarial gain/loss arising from defined benefit plans | 181,912 | 203,532 |
| Charged to statement of comprehensive income | 224,204 | (368,763) |
| **31 December** | **(22,930,793)** | **(21,361,190)** |

According to the amendment to Turkish Corporate Income Tax Law numbered 5520, effective from 5 December 2017, the portion the gains derived from the sale real estate are exempt from corporate tax is decreased from 75% to 50%. Accordingly, the sale of real estate in the years 2018, 2019 and 2020 the corporate tax and deferred tax calculations calculated for the earnings gained were calculated as 22% of the remaining 50% , 20% of the remaining 50% for 2021 and later periods.

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**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 2019 | 1 January - 31 December 2018 |
|---|---|---|---|
| Net loss for the period | A | (33,522,723) | (19,336,931) |
| Weighted average number of shares with face value of Kr1 each (Note 21) | B | 4,200,000,000 | 4,200,000,000 |
| **Loss per 100 shares with face value of Kr1 each** | **A/B** | **(0.7982)** | **(0.4604)** |

There is no difference between actual and relative loss per share in any periods.

**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 35.c.i.

**NOTE 32 - REPORTING IN HYPERINFLATIONARY ECONOMIES**

With the decision taken on 17 March 2005, numbered 11/367, the CMB announced that, effective from 1 January 2006, the application of inflation accounting is no longer required for companies operating and publicly quoted in Turkey. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2006.

**NOTE 33 - FINANCIAL INSTRUMENTS**

Please refer to Note 2.5.7 and 3.

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**NOTE 34 - 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 reevaluated 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 2019 and 2018 are as follows:

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**NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

| **31 December 2019** | **Receivables** | | | | | |
|---|---|---|---|---|---|---|
| | **Trade Receivables (1)** | | **Other Receivables** | | | |
| | **Related Parties** | **Third Parties** | **Related Parties** | **Third Parties** | **Bank Deposits and Other Cash Equivalents** | **Total** |
| **Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)** | **5,223,754** | **35,727,359** | **-** | **233,183** | **5,403,802** | **46,588,098** |
| - The part of maximum credit risk covered with guarantees | - | 13,233,461 | - | - | - | 13,233,461 |
| **A.** Net book value of financial assets not due or not impaired (3) | 4,310,403 | 34,004,935 | - | 233,183 | 5,403,802 | 43,983,323 |
| **B.** Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3) | - | - | - | - | - | - |
| **C.** Net book value of assets past due but not impaired (3) | 882,351 | 1,722,424 | - | - | - | 2,604,775 |
| - The part covered by guarantees | - | 646,452 | - | - | - | 646,452 |
| **D.** 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. | - | - | - | - | - | - |
| **E.** 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 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

| **31 December 2018** | **Receivables** | | | | | |
|---|---|---|---|---|---|---|
| | **Trade Receivables (1)** | | **Other Receivables** | | | |
| | **Related Parties** | **Third Parties** | **Related Parties** | **Third Parties** | **Bank Deposits and Other Cash Equivalents** | **Total** |
| **Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)** | **10,341,432** | **23,962,606** | **1,795,375** | **193,449** | **6,219,823** | **42,512,685** |
| - The part of maximum credit risk covered with guarantees, etc. | - | 17,385,198 | - | - | - | 17,385,198 |
| **A.** Net book value of financial assets not due or not impaired (3) | 8,032,712 | 22,062,647 | 1,795,375 | 193,449 | 6,219,823 | 38,304,006 |
| **B.** Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3) | - | - | - | - | - | - |
| **C.** Net book value of assets past due but not impaired (3) | 2,308,720 | 1,899,959 | - | - | - | 4,208,679 |
| - The part covered by guarantees | - | 274,302 | - | - | - | 274,302 |
| **D.** Net book value of assets impaired | - | - | - | - | - | - |
| - Past due amount (gross book value) | - | 4,516,830 | - | - | - | 4,516,830) |
| - Impairment amount (-) | - | (4,516,830) | - | - | - | (4,516,830 |
| - The part covered by guarantees | - | - | - | - | - | - |
| - Not due (gross book value) | - | - | - | - | - | - |
| - Impairment amount (-) | - | - | - | - | - | - |
| - The part of net value covered with guarantees etc. | - | - | - | - | - | - |
| **E.** 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.

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

**NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

The aging of overdue trade receivables as of 31 December 2019 and 2018 are as follows:

| **31 December 2019** | **Trade Receivables** | | |
|---|---|---|---|
| | **Related Parties** | **Third Parties** | **Total** |
| 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) |
| | **882,351** | **1,722,424** | **2,604,775** |

As of the date of approval of the financial statements, all of the receivables that are past due but not impaired are collected.

| **31 December 2018** | **Trade Receivables** | | |
|---|---|---|---|
| | **Related Parties** | **Third Parties** | **Total** |
| 1 - 30 days overdue | 2,068,456 | 1,899,959 | 3,968,415 |
| 1 - 3 months overdue | 80,451 | - | 80,541 |
| 3 - 12 months overdue | 159,813 | - | 159,813 |
| The amount covered by guarantees | - | (274,302) | (274,302) |
| | **2,308,720** | **1,899,959** | **4,208,764** |

**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 34 - 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 2019 and 2018 are as follows:

| 31 December 2019: | Carrying Value | Total Cash Outflows Per Agreement (=I+II+III) | Less than 3 Months (I) | 3 - 12 Months (II) | 1 - 5 Years (III) |
|---|---|---|---|---|---|
| **Contractual Maturity Dates:** | | | | | |
| **Non-Derivative Financial Liabilities:** | | | | | |
| Financial liabilities | 146,147,448 | 165,616,979 | 40,199,583 | 70,439,544 | 54,977,852 |
| Trade payables | 80,491,642 | 80,491,642 | 80,491,642 | - | - |
| | **226,639,090** | **246,108,621** | **120,691,225** | **70,439,544** | **54,977,852** |

| 31 December 2018: | Carrying Value | Total Cash Outflows Per Agreement (=I+II+III) | Less than 3 Months (I) | 3 - 12 Months (II) | 1 - 5 Years (III) |
|---|---|---|---|---|---|
| **Contractual Maturity Dates:** | | | | | |
| **Non-Derivative Financial Liabilities:** | | | | | |
| Financial liabilities | 99,001,043 | 118,033,144 | 10,598,818 | 55,622,911 | 51,811,415 |
| Trade payables | 111,533,445 | 110,720,527 | 57,932,240 | 52,788,287 | - |
| | **210,534,488** | **228,753,671** | **68,531,058** | **108,411,198** | **51,811,415** |

**c) Market risk:**

**i) Foreign currency risk:**

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL 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 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

| | Foreign Currency Position | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 December 2019 | | | | 31 December 2018 | | | |
| | TL Equivalent | USD | EUR | Other | TL Equivalent | USD | EUR | Other |
| 1. Trade Receivables | 4,765,107 | 469,843 | 141,082 | 1,035,863 | 7,121,028 | 574,472 | 79,293 | 3,620,811 |
| 2a. Monetary Financial Assets (Cash, Bank accounts included) | 665,464 | 107,513 | 1,358 | 17,781 | 4,630,673 | 846,665 | 22,538 | 40,636 |
| 2b. Non-Monetary Financial Assets | - | - | - | - | - | - | - | - |
| 3. Other | - | - | - | - | - | - | - | - |
| **4. Current Assets (1+2+3)** | **5,430,571** | **577,356** | **142,440** | **1,053,644** | **11,751,738** | **1,421,137** | **101,831** | **3,661,447** |
| 5. Trade Receivables | - | - | - | - | - | - | - | - |
| 6a Monetary Financial Assets | - | - | - | - | - | - | - | - |
| 6b. Non-Monetary Financial Assets | - | - | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - | - | - |
| **8. Non-Current Assets (5+6+7)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **9. Total Assets (4+8)** | **5,430,571** | **577,356** | **142,440** | **1,053,644** | **11,751,738** | **1,421,137** | **101,831** | **3,661,447** |
| 10. Trade Payables | 51,664,111 | 5,472,189 | 2,880,171 | 3,348 | 88,284,638 | 16,651,207 | 113,047 | 2,858 |
| 11. Financial Liabilities | - | - | - | - | - | - | - | - |
| 12a. Other Monetary Liabilities | - | - | - | - | - | - | - | - |
| 12b. Other Non-Monetary Liabilities | - | - | - | - | - | - | - | - |
| **13. Short-Term Liabilities ( (10+11+12)** | **51,664,111** | **5,472,189** | **2,880,171** | **3,348** | **88,284,638** | **16,651,207** | **113,047** | **2,858** |
| 14. Trade Payables | - | - | - | - | - | - | - | - |
| 15. . Financial Liabilities | - | - | - | - | - | - | - | - |
| 16a. Other Monetary Liabilities | - | - | - | - | - | - | - | - |
| **17. Long-Term Liabilities (14+15+16)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **18. Total Liabilities (13+17)** | **51,664111** | **5,472,189** | **2,880,171** | **3,348** | **88,284,638** | **16,651,207** | **113,047** | **2,858** |
| **19. Net Asset/(Liability) Position of Off – Balance Sheet Derivative Instruments (19a-19b)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **19a. Amount of Foreign Currency Denominated Assets Hedged** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **19b. Amount of Foreign Currency Denominated Liabilities Hedged** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **20. Net Foreign Currency (Liability) /Asset Position (9-18+19)** | **(46,233,540)** | **(4,894,833)** | **(2,737,731)** | **1,050,296** | **(76,532,900)** | **(15,230,070)** | **(11,216)** | **3,658,589** |
| **21. Net Foreign Currency Asset/Liability Position of Monetary Items (=1+2a+3+5+6a-10-11-12a-14-15-16a)** | **(46,233,540)** | **(4,894,833)** | **(2,737,731)** | **1,050,296** | **(76,532,900)** | **(15,230,070)** | **(11,216)** | **3,658,589** |
| **22. Amount of Foreign CurrencyDenominated Liabilities Hedged** | | | | | | | | |
| **23. Export** | **74,560,116** | **4,874,486** | **1,805,590** | **36,072,545** | **86,967,311** | **5,490,388** | **2,722,834** | **43,162,736** |
| **24. Import** | **62,599,628** | **9,623,760** | **1,312,961** | **199,995** | **85,159,450** | **17,178,891** | **803,623** | **116,873** |

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**NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

As of 31 December 2019 and 2018, the sensitivity analysis of exchange rate risk are as follows:

**Table of Sensitivity Analysis for Foreign Currency Risk**

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

**NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

**Table of Sensitivity Analysis for Foreign Currency Risk (Continued)**

| **31 December 2018** | **Profit/(Loss)** | | **Equity** | |
|---|---|---|---|---|
| | **Appreciation of Foreign Currency** | **Depreciation of Foreign Currency** | **Appreciation of Foreign Currency** | **Depreciation of Foreign Currency** |
| **Change of USD by 10% against TL:** | | | | |
| 1- Asset/liability denominated in USD - net | (8,012,388) | 8,012,388 | (8,012,388) | 8,012,388 |
| 2- The part of USD risk hedged (-) | - | - | - | - |
| **3- USD Effect - net (1+2)** | **(8,012,388)** | **8,012,388** | **(8,012,388)** | **8,012,388** |
| **Change of EUR by 10% against TL:** | | | | |
| 4- Asset/liability denominated in other currencies- net | (6,761) | 6,761 | (6,761) | 6,761 |
| 5- The part of EUR risk hedged (-) | - | - | - | - |
| **6- EUR Effect - net (4+5)** | **(6,761)** | **6,761** | **(6,761)** | **6,761** |
| **Change of other currencies by 10% against TL:** | | | | |
| 7- Asset/liability denominated in other currencies- net | 365,859 | (365,859) | 365,859 | (365,859) |
| 8- The part of other currency risk hedged (-) | - | - | - | - |
| **9- Other Foreign Currencies Effect - net (7+8)** | **365,859** | **(365,859)** | **365,859** | **(365,859)** |
| **TOTAL (3+6+9)** | **(7,653,290)** | **7,653,290** | **(7,653,290)** | **7,653,290** |

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**NOTE 34 - 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.

| | Interest Rate Position Schedule | |
|---|---|---|
| | **31 December 2019** | **31 December 2018** |
| **Financial instruments with fixed interest rate** | | |
| Financial assets | 46,588,371 | 42,513,243 |
| Financial liabilities | 249,029,566 | 211,877,177 |

**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.

**d) Capital risk management:**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns and benefits for shareholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors its capital on the basis of debt to equity ratio and assessing earnings before interest, tax, depreciation and amortisation ("EBITDA") fluctuations. Debt to equity ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings as presented in the balance sheet), less cash and cash equivalents.

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Total Financial Liabilities | 146,147,448 | 99,001,043 |
| Less: Cash and cash equivalents (Note 5) | (5,404,075) | (6,220,381) |
| Net debt | 140,743,373 | 92,780,662 |
| Total equity | 4,842,108 | 27,665,736 |
| **Net debt/equity ratio** | **2.907%** | **335%** |

**NOTE 35 - 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 (Note 5), trade receivables (Notes 6 and 7) and other receivables (Note 6), 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 (Note 15), other financial liabilities (Note 16), trade payables (Note 7) and other payables (Note 6) 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:

***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:

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**NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)**

- 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 2019 and 2018:

**31 December 2019**

| | Level 1 | Level 2 | Level 3 (*) | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Financial assets carried at fair value through other comprehensive income | - | - | 404,168 | 404,168 |
| **Total assets** | **-** | **-** | **404,168** | **404,168** |

(*) See Note 3 for Level 3 Financial instruments.

**31 December 2018**

| | Level 1 | Level 2 | Level 3 (*) | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Financial assets carried at fair value through other comprehensive income | - | - | 227,802 | 227,802 |
| **Total assets** | **-** | **-** | **227,802** | **227,802** |

(*) See Note 3 for Level 3 Financial instruments.

The following table presents the Company's non-financial assets measured at fair value at 31 December 2019 and 2018:

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

**NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)**

**31 December 2019**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ***Property Plant and Equipment:*** | | | | |
| Land | - | 55,380,000 | - | 55,380,000 |
| Building and land improvements | - | 34140,000 | - | 34,140,000 |
| Machinery, plant and equipment | - | 106,208,220 | - | 106,208,220 |
| **Total Assets** | **-** | **195,728,220** | **-** | **195,728,220** |

**31 December 2018**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ***Property Plant and Equipment:*** | | | | |
| Land | - | 48,685,000 | - | 48,685,000 |
| Building and land improvements | - | 28,036,244 | - | 28,036,244 |
| Machinery, plant and equipment | - | 106,484,692 | - | 106,484,692 |
| **Total Assets** | **-** | **183,205,936** | **-** | **183,205,936** |

**NOTE 36 - 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. In 2020 the main goal will be to increase productivity through new structuring by reviewing the efficiency of the current work flows 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.
- Revenue and profitability will be increased by supporting profitable products instead of those with low profit margins.
- Sales channels with shorter collection periods and higher profitability will be focused on.
- 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.

ii. 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.

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**NOTE 36 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS (Continued)**

iii. 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 waste paper. Since the costs related to the waste paper 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.
iv. The Company plans to increase the capacity of the recycling facility with an investment planned for the last quarter of 2020.
v. As a result of all these actions, the Company aims for its operations to become more profitable in the next periods.
vi. The Company continues to negotiate with suppliers and potential suppliers of cellulose and waste paper 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, taking into account 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, taking into account 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. Moreover, the Company management prepared an interim balance sheet ("TCC 376 balance sheet") based on the possible sales prices of the Company's assets as per CMB decision No. 11/352 titled "Implementation of Article 376 of TCC No. 6102 from the Perspective of Publicly-Held Companies" dated 10 April 2014 and Article 376 of TCC. Within the scope of the valuation of the intangible assets in this TCC 376 balance sheet, the Company's brands were assessed by an independent professional valuer, and the Company management concluded no other precaution mentioned in TCC 376 will be necessary due to the positive effect (amounting to TL42 million) of this value on shareholders equity.

| | **31 December 2019** |
|---|---:|
| Total Current Assets | 82.041.371 |
| Total Non-Current Assets | 244.503.046 |
| Total Current Liabilities | 202.278.981 |
| Total Non-Current Liabilities | 77.193.328 |
| Total Equity | 47.072.108 |

With regard to the TCC 376 balance sheet, as per the decision of the Board of Directors dated 27 February 2020, in line with CMB resolution No. 11/352, the Company decided to make a special circumstances disclosure dated 2 March 2020 on the Public Disclosure Platform. The Company management and the parent company believe that the precautions and regulations listed above will contribute positively to the Company's performance, and that, acting in line with these precautions, the Company will be able to continue operating for the foreseeable future.

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