VİKİNG KAĞIT VE SELÜLOZ A.Ş.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the financial statements

1. Our opinion

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

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

2. Basis for opinion

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

3. Key audit matters

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015

Key Audit Matters	How the key audit matter was addressed in the audit
Recoverability of trade receivables (Refer to Notes 6 and 7)	
Trade receivables amounting to millions of TL50.5 millions as of 31 December 2020 are material to the financial statements. 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. 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: • The Company's credit risk management policy, including credit limit and collection management, were understood and evaluated. • Trade receivables were tested on a sample basis by sending confirmation letters. • The agings of trade receivable balances were analysed on a sample basis. • The subsequent collections were tested on a sample basis. • The guarantee letters received from customers were tested on a sample basis. • It was assessed if there is a dispute or litigations regarding collectability of trade receivables, and obtained written assessments of legal counsels on outstanding litigations and disputes. • 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. • The compliance of the disclosures regarding recoverability of trade receivables in the financial statements with the relevant financial reporting standards was evaluated.

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

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 26 February 2021.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM
Partner

İstanbul, 26 February 2021

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)
1 JANUARY - 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)

1 JANUARY - 31 DECEMBER 2020 AND 2019

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019

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

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES		**19,803,773**	**(30,260,955)**
Loss for the year		(26,781,617)	(33,522,723)
Adjustments to reconcile net period expense		**50,728,200**	**40,397,444**
Adjustments related to taxation	29	466,743	(224,204)
Adjustments related to depreciation and amortisation	11.12	10,678,267	9,581,819
Adjustments related to provisions		1,869,485	1,210,711
- Adjustments related to provision for employee benefits	18	1,836,082	1,223,539
- Adjustments for (reversal of) lawsuit and/or penalty provisions		33,403	(12,828)
Adjustments for (reversal of) fair value losses		347,000	(26,619)
- Adjustments for (reversal of) impairment loss of receivables	24	347,000	(26,619)
Adjustments related to gain on sales of non-current assets		(303,748)	(37,517)
- Adjustments for impairment on property, plant and equipment	25	(303,748)	(37,517)
Adjustments related to share of profit		(32,637)	(26,744)
Adjustments related to interest (income)/expense		26,279,516	27,516,479
- Adjustments related to interest income		(295,388)	(340,377)
- Adjustments related to interest expense	24, 27	26,574,904	27,856,856
Adjustments related to unrealized foreign currency translation differences		11,423,575	2,403,519
Changes in working capital		**(3,422,841)**	**(36,273,461)**
Adjustments related to decrease/(increase) in trade receivables		(9,068,060)	(6,518,008)
- Changes in trade receivables from related parties	6	1,288,122	5,220,126
- Changes in trade receivables from third parties	7	(10,356,182)	(11,738,134)
Adjustments related to inventories	9	211,756	3,778,280
Adjustments in other receivables related with operations		853,356	(488,327)
- Adjustments in other receivables related with operations		853,356	(488,327)
Changes in prepaid expenses	10	566,177	(45,839)
Adjustments related to trade payables		2,066,900	(32,676,822)
- Changes in trade payables to third parties	7	20,348,887	(53,789,521)
- Changes in trade payables to related parties	6	(18,281,987)	21,112,699
(Decrease)/Increase in payables related to employee benefits	18	245,824	66,745
Adjustments for decrease/(increase) in other payables related with operations		237,647	(447,072)
- Decrease/(increase) in other related party payables related with operations adjustments		237,647	(447,072)
Changes in deferred income	10	1,256,234	(23,140)
Adjustments for other changes in working capital		207,325	80,722
- Changes in other liabilities related with operations		207,325	80,722
Cash generated from operating activities		**20,523,742**	**(29,398,740)**
Employment termination benefits paid	18	(719,969)	(862,215)
CASH FLOWS FROM INVESTING ACTIVITIES		**(17,734,974)**	**(8,186,548)**
Cash outflow from purchases of property, plant and equipment and intangible assets		(16,930,718)	(10,387,986)
- Purchase of property, plant and equipment	11	(16,716,971)	(10,159,295)
- Purchase of intangible assets	12	(213,747)	(228,691)
Cash inflow from sales of property, plant and equipment and intangible assets		303,748	37,517
- Sales of property, plant and equipment		303,748	37,517
Advance given for cash and payables		(1,281,498)	-
Other advance given for cash and payables to related parties		(1,281,498)	-
Repayments of advance given for cash and payables		-	1,795,375
- Repayments of other advance given for cash and payables to related parties	6	-	1,795,375
Dividends received	25	32,637	26,744
Interest received		293,474	341,802
Other cash inflows/outflows		(153,117)	-
CASH FLOWS FROM FINANCING ACTIVITIES		**11,122,170**	**37,631,330**
Cash inflows related to borrowings		142,800,000	173,953,461
- Cash inflows from bank loans	15	142,800,000	173,953,461
Cash outflows on debt payments		(88,858,031)	(127,323,365)
- Cash outflows on loan repayments	15	(90,058,537)	(127,265,525)
- Cash outflows from payments of other financial liabilities		1,200,506	(57,840)
Increase/(Decrease) in other payables to related parties	6	(18,724,014)	20,967,207
Payments of lease liabilities	15	(1,061,513)	(870,948)
Interest paid		(23,034,272)	(29,095,025)
Net decrease/(increase) in cash and cash equivalents before foreign currency translation differences		**13,190,969**	**(816,173)**
Effect of foreign currency translation differences on cash and cash equivalents		1,302,115	(133)
NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS		**14,493,084**	**(816,306)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**5,404,075**	**6,220,381**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**19,897,159**	**5,404,075**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019

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

			Other Comprehensive Income/(Expens	
			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 2019	**42,000,000**	**253,929**	**103,325,983**	**(4,046,036)**
Transfers	-	-	(3,739,336)	-
Total Comprehensive Expense	-	-	11,250,377	(727,648)
- Profit/Loss for The Year	-	-	-	-
- Other Comprehensive Income	-	-	11,250,377	(727,648)
31 December 2019	**42,000,000**	**253,929**	**110,837,024**	**(4,773,684)**
Current Period				
1 January 2020	**42,000,000**	**253,929**	**110,837,024**	**(4,773,684)**
Transfers	-	-	(3,844,918)	-
Total Comprehensive Expense	-	-	-	(2,152,964)
- Profit/Loss for The Year	-	-	-	-
- Other Comprehensive Income	-	-	-	(2,152,964)
31 December 2020	**42,000,000**	**253,929**	**106,992,106**	**(6,926,648)**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

e)

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

The address of the registered office is as follows:

Yalı Mahallesi, Hürriyet Caddesi No:474
Aliağa- İzmir

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

2.2 Amendments in Turkish Financial Reporting Standards

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

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

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

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

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

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

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

1.2 Amendments in Turkish Financial Reporting Standards (Continued)

- o Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- o Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

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

2.3 Restatement and Errors in the Accounting Policies and Estimates

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

2.4 Comparative Information

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

2.5 Summary of Significant Accounting Policies

2.5.1 TFRS 16, 'Leases'

The Company as the lessee

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

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

2.5.1 TFRS 16, 'Leases' (Continued)

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

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

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

Right of use asset

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

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

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

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

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

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

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

2.5.1 TFRS 16, 'Leases' (Continued)

Lease liability

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

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

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

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

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

Extension and early termination options

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

Facilitative practices

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

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

2.5.2 Revenue recognition

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

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.5.2 Revenue recognition (Continued)

Revenue from product sales

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

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

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

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

2.5.3 Financial assets

Classification and measurement

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

a) Financial assets recognized at amortized cost

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

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

2.5.3 Financial assets (Continued)

Impairment

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

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

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

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

2.5.4 Restatements and errors in the accounting policies

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

2.5.5 Offsetting

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

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

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

2.5.6 Inventories

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

2.5.7 Property, plant and equipment

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

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

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

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

	Years
Buildings and land improvements	4-40
Machinery and equipment	5-20
Motor vehicles	10
Furniture and fixtures	2-40

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

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

2.5.7 Property, plant and equipment (Continued)

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

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

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

2.5.8 Intangible assets

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

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

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

2.5.9 Borrowing and borrowing costs

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

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

2.5.9 Borrowing and borrowing costs (Continued)

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

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

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

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

2.5.10 Share capital and dividends

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

2.5.11 Trade receivables

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

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

2.5.12 Trade payables

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

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

2.5.13 Loss per share

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

2.5.14 Subsequent events

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

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

2.5.15 Provisions, contingent assets and liabilities

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

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

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

2.5.16 Employee benefits/employment termination benefits

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

2.5.17 Related parties

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

a) A person or a member of this person's close family is deemed to be related to the reporting enterprise in the following cases:

   i) If the person in question has control or joint control power over the reporting Enterprise,
   ii) If the reporting entity has a significant impact,
   iii) The reporting enterprise or the reporting entity is a member of key management personnel of a parent company.

b) If any of the following conditions exist, the entity is considered to be associated with the reporting entity:

   i) If the entity and the reporting entity are members of the same group (i.e. each parent, subsidiary and other subsidiary is associated with others),
   ii) The entity's other entity (or a member of a group to which the other entity is a member) if it is an affiliate or joint venture,
   iii) If both businesses are a joint venture of the same third party,
   iv) If one of the enterprises is a business partnership of a third enterprise and the other enterprise is an affiliate of the third enterprise in question,
   v) The enterprise has post-employment benefit plans for employees of the reporting enterprise, or a business associated with the reporting enterprise (If the reporting business itself has such a plan, the sponsoring employers are also associated with the reporting business.),
   vi) In the event that the business is controlled or jointly controlled by a person defined in (a),
   vii) A person identified in item (a) of item (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 data (Note 29).

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

2.5.20 Statement of cash flows

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

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

2.6 Critical Accounting Estimates and Judgements

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

(i) Going Concern

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

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

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

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

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

2.6 Critical Accounting Estimates and Judgements (Continued)

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

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

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

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

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

- In the fair value calculations, the most effective and efficient use assessment was made, and the current usage objectives were determined as the most effective and efficient use, and the peer comparison method, underground and aboveground layouts and the cost approach method for buildings were used.

- In the comparison method, the existing market information was utilized, price adjustments were made within the framework of the criteria that could affect the market value, and the average m^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.

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

2.6 Critical Accounting Estimates and Judgements (Continued)

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

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

(iii) Recoverability of trade receivables

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

(iv) Important Changes Regarding the Current Period

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

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

(v) Employee benefits/employment termination benefits

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

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

2.6 Critical Accounting Estimates and Judgements (Continued)

(vi) Useful lives of tangible fixed assets

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

2.7 Compliance 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

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

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

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

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

NOTE 4 - SEGMENT REPORTING

Please see Note 2.5.18.

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NOTE 5 - CASH AND CASH EQUIVALENTS

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

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

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

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i. Balances with related parties:

a) Due from related parties - current:

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

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

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

Overdue	754,235	882,351
0-30 days	4,053,088	4,341,403
	4,807,323	**5,223,754**

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

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

b) Short-term trade payables to related parties:

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

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

c) Other short-term payables to related parties:

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

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

ii. Transactions with related parties:

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

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

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
c) Services purchases:		
Desa Elektrik Enerjisi Tedarik ve Toptan A.Ş. ("Desa Elektrik")	11,412,190	8,002,430
Desa Enerji	3,461,038	3,481,572
Yaşar Holding	3,237,673	3,016,834
YDT	1,485,950	1,903,872
Yabim	835,703	601,312
YBP	88,565	90,402
Other	216,007	442,571
	20,737,126	**17,538,993**

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.

	1 January - 31 December 2020	1 January - 31 December 2019
d) Purchases of property, plant and equipment and intangible assets:		
Yaşar Holding	187,003	151,036
Desa Enerji	5,000	-
Yadex	-	818,558
Other	17,240	107,128
	209,243	**1,076,722**
e) Sales of property, plant and equipment and intangible assets:		
Pınar Süt	400,000	-
	400,000	**-**
f) Dividends received:		
Desa Enerji	32,637	26,743
	32,637	**26,743**

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

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

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

h) Other operating income:

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

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

ı) Other operating expense:

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

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

i) Bails received:

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

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

	1 January - 31 December 2020	1 January - 31 December 2019

j) Key management compensation:

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

Short-term benefits	1,459,024	1,313,768
Other long-term benefits	28,854	37,869
	1,487,878	**1,351,637**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019

a) Trade receivables from third parties:

Customer current accounts	34,072,585	24,675,020
Cheques and notes receivable	16,501,167	15,542,550
	50,573,752	**40,217,570**
Less: Provision for doubtful receivables	(4,837,211)	(4,490,211)
	45,736,541	**35,727,359**

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

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

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

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

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

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

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

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

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

NOTE 9 - INVENTORIES

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

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

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

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

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

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

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

a) Property, Plant, Equipment

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

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

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

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

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

	1 January 2019	Additions	Disposals	Transfers	Netting off Acc. Depr. Before Revaluation	Revaluation	31 December 2019
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**

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

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

b) Right of Use Assets

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

	Changes effects in accounting policies	Additions	31 December 2019
Cost/ revaluation:			
Machinery and equipment	746,201	-	746,201
Motor vehicles	1,445,348	-	1,445,348
	2,201,549	**-**	**2,201,549**
Accumulated depreciation:			
Machinery and equipment	-	(142,134)	(142,134)
Motor vehicles	-	(434,586)	(434,586)
	-	**(576,720)**	**(576,720)**
Net book value	**2,201,549**		**1,624,829**

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

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

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

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

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

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

31 December 2020:	**Land**	**Buildings and land improvements**	**Machinery and equipment**
Cost	741,930	25,282,508	140,963,428
Less: Accumulated depreciation	-	(17,703,543)	(88,955,649)
Net book value	**741,930**	**7,578,965**	**52,007,779**

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 12 - INTANGIBLE ASSETS

	1 January 2020	Additions	31 December 2020
Cost	3,314,033	213,248	3,527,281
Less: Accumulated depreciation	(2,432,860)	(239,371)	(2,672,231)
Net book value	**881,173**		**855,050**

	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**

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

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NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

a) Bank loans:

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

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NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

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

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

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

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

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

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

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

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

NOTE 16 - OTHER FINANCIAL LIABILITIES

None (2019: None).

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
a) Short-term provisions:		
Provisions for lawsuit	606,627	572,776
	606,627	**572,776**

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

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

b) Guarantees received:

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

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

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

c) Guarantees given:

	31 December 2020	31 December 2019
Letters of guarantee	5,299,759	5,172,357
	5,299,759	**5,172,357**

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

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

	31 December 2020			31 December 2019		
	Currency	**Amount**	**TRY Equivalent**	**Currency**	**Amount**	**TRY Equivalent**
CPM provided by the Company:						
A. Total amount of CPM given on behalf of the Company	-	-	5,299,759	-	-	*5,172,357*
	TL	*5,299,759*	*5,299,759*	*TL*	*5,172,357*	*5,172,357*
B. 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	-	-	-	-	-	-
			5,299,759			**5,172,357**
The ratio of total amount of other CPM to equity			-			-

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NOTE 18 - EMPLOYEE BENEFITS

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

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary for each year of service and is limited to TRY7,117.17 at 31 December 2020 (31 December 2019: TRY6,379.86).

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

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

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

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

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

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

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NOTE 19 - EXPENSES BY NATURE

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

NOTE 20 - OTHER ASSETS AND LIABILITIES

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

NOTE 21 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

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

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

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

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

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

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

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

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

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

- In accordance with related announcements of CMB 'Share capital', 'Restricted Reserves' and 'Share Premium' shall be carried at their statutory amounts. The valuation differences (e.g. the differences raising from inflation adjustments) shall be classified as follows:

- The difference arising from the 'Paid-in Capital' shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet,

- The difference due to the 'Restricted Reserves' and 'Share Premium' shall be classified as 'Retained earnings' if the amount has not been utilised in dividend distribution or capital increase yet. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards. "Inflation Adjustment to Share Capital" can only be added to the capital.

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NOTE 22 - REVENUE AND COST OF SALES

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

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

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

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

c) Research and development expenses:

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

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

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

b) Other operating expenses:

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

NOTE 25 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

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

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NOTE 26 - EXPENSES CLASSIFIED BY CLASS

Please refer to Note 19.

NOTE 27 - FINANCIAL INCOME/(EXPENSES)

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

NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see the Income Statement.

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

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

	31 December 2020	31 December 2019
Less: Prepaid corporate tax	(36,163)	(84,633)
Current income tax assets	**(36,163)**	**(84,633)**

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

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

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

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

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2019: 22%) on their corporate income. Advance tax is payable by the 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 be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 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.

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

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

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

Deferred taxes

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

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

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

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

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

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

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

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

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

NOTE 30 - LOSS PER SHARE

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

		1 January - 31 December 2020	1 January - 31 December 2019
Net loss for the period	A	(26,781,617)	(33,522,723)
Weighted average number of shares with face value of Kr1 each (Note 21)	B	4,200,000,000	4,200,000,000
Loss per 100 shares with face value of Kr1 each	**A/B**	**(0.6377)**	**(0,7982)**

NOTE 31 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

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

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

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

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

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

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

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,

- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures,

- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

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

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

31 December 2020	Receivables					
	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)	**4,807,323**	**45,736,541**	**-**	**256,474**	**19,897,159**	**70,697,497**
- The part of maximum credit risk covered with guarantees	-	10,580,000	-	-	-	10,580,000
A. Net book value of financial assets not due or not impaired (3)	4,053,088	43,952,544	-	256,474	19,897,159	68,159,265
B. 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)	754,235	1,783,997	-	-	-	2,538,232
- The part covered by guarantees	-	455,481	-	-	-	455,481
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	4,837,211	-	-	-	4,837,211
- Impairment amount (-)	-	(4,837,211)	-	-	-	(4,837,211)
- The part covered by guarantees-	-	-	-	-	-	
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.-	-	-	-	-	-	
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 32 - 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)	4,341,403	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	-	-	-	1,899,959
- 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 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

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

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

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**

b) Liquidity risk:

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

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

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

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

31 December 2020:	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:					
Financial liabilities	204,632,708	220,938,720	63,172,647	129,044,696	28,721,377
Trade payables	94,638,099	94,638,099	94,638,099	-	-
	299,270,807	**315,576,819**	**157,810,746**	**129,044,696**	**28,721,377**

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:					
Financial liabilities	146,147,448	165,616,979	40,199,583	70,439,544	54,977,852
Trade payables	80,069,337	80,069,337	80,069,337	-	-
	226,216,785	**245,686,316**	**120,268,920**	**70,439,544**	**54,977,852**

c) Market risk:

i) Foreign currency risk:

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

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

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

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

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

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

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

31 December 2019	**Profit/(Loss)**		**Equity**	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
Change of USD by 10% against TRY:				
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 TRY:				
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 TRY:				
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**

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

ii) Interest rate risk:

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

	Interest Rate Position Schedule	
	31 December 2020	**31 December 2019**
Financial instruments with fixed interest rate		
Financial assets	70,697,497	46,588,371
Financial liabilities	303,566,460	249,029,566

iii) Price risk:

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

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

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an existing market price.

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

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

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

Financial assets

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

Financial liabilities

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

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

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

31 December 2020

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

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

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**

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

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

i. Although the COVID-19 pandemic, which emerged in 2019 and affected all countries of the world in 2020, positively affected retail sales in the cleaning paper sector, in line with the measures implemented throughout the country, the sales of the export channel were negatively affected due to the out-of-home consumption channel and similar measures abroad. During this period, the Company focused on increasing retail sales, took measures to keep market risks under control, and prioritized working capital and cash management. In 2021, it is expected that the out-of-home consumption and export channel sales will be positively affected by the developments and normalization with the help of starting the controlling of the epidemic.

ii. During the COVID-19 pandemic, while consumers' needs for hygiene and cleanliness diversified and their demands increased, the Company worked to shape its production processes and product portfolio according to new consumption preferences. The preperations about "Lily Lemon Cologne" product were already started in 2020 and launched at the beginning of 2021.

iii. In 2021 the main goal will be increasing productivity through new structuring by reviewing the efficiency of the current workflows and operations while reinforcing intracompany productivity in line with the goals of sustainable growth and profitability.

- Due to increasing competition and the narrowing profit margin in the sanitary paper products industry, savings measures will be taken regarding fixed-cost items, in addition to taking actions that will increase income.
- Increasing revenue and profitability by supporting products with high contribution margin in the product portfolio.
- Focusing on Sales channels with shorter collection periods and higher profitability,
- Raw materials will be procured based on minimum inventory levels of each raw material group and in this way the effective usage of resources will be ensured.

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

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

iv. Energy expenses, which make up a significant percentage of cost items, will decrease with the use of the cogeneration facility, and this will continue to have a positive impact on operational profitability.

v. The Company is among the firms in the sanitary paper products industry that have deinking facilities. The Company ensures its cost advantage compared to its rivals by recycling wastepaper. Since the costs related to the wastepaper used in the deinking facility are lower than the cost of using cellulose, focus will be placed on the sale of products that have this cost advantage. The Company plans to increase the capacity of the recycling facility with an investment planned for the last quarter of 2021.

vi. The Company continues to negotiate with suppliers and potential suppliers of cellulose and wastepaper to buy the raw materials that are most suitable for the production structure at the most advantageous prices.

vii. The Company continuously rehabilitates its dealers, considering risk and guarantee structures, and plans to continue working with dealers that can improve its products in the future. The company has been making and will continue to make dealer changes in this regard.

viii. The Company is trying to make the most suitable sales distribution, considering profitability, market risk and cash management, by evaluating Turkey's economic conditions, the company's long-term strategic plans and the cost structures of the channels.

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

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

Total equity in CMB Financial Reporting Standards	(23,888,755) TRY
Fair value gain arising from the valuation of intangible assets (Note 2.6 (i))	42,230,000 TRY
Equity	**18,341,245 TRY**

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

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

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

Unrealized currency differences	4,667,601 TRY
Half of personnel expenses	11,691,527 TRY
Half of leasing expenses	76,691 TRY
Half of depreciation expenses	
	5,339,134 TRY
Expenses which were excluded from the calculation	**21,774,953 TRY**

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

NOTE 35 - SUBSEQUENT EVENTS

None (31 December 2019: None).

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