ALKİM KAĞIT SANAYİ VE TİCARET
ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEX TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

CONTENTS **PAGE**

STATEMENTS OF BALANCE SHEETS 1-2

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME 3

STATEMENTS OF CHANGES IN EQUITY 4

STATEMENTS OF CASH FLOWS 5-6

NOTES TO FINANCIAL STATEMENTS 7-52

NOTE 1 ORGANISATION AND NATURE OF OPERATIONS 7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS 7-23
NOTE 3 INTEREST IN OTHER ENTITIES 23-24
NOTE 4 CASH AND CASH EQUIVALENTS 24
NOTE 5 TRANSACTIONS AND BALANCES WITH RELATED PARTIES 25-26
NOTE 6 TRADE RECEIVABLES AND PAYABLES 27-28
NOTE 7 INVENTORIES 28
NOTE 8 PREPAID EXPENSES AND DEFERRED INCOME 29
NOTE 9 PROPERTY, PLANT AND EQUIPMENT 29-30
NOTE 10 INTANGIBLE ASSETS 31
NOTE 11 BORROWINGS AND BORROWING COSTS 31-32
NOTE 12 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES 32-33
NOTE 13 EMPLOYMENT TERMINATION BENEFITS 33-34
NOTE 14 EXPENSES BY NATURE 35
NOTE 15 OTHER CURRENT ASSETS 35
NOTE 16 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS 35-36
NOTE 17 REVENUE AND COST OF SALES 37
NOTE 18 GENERAL ADMINISTRATIVE EXPENSES/MARKETING EXPENSES 37
NOTE 19 OTHER OPERATING INCOME AND EXPENSES 38
NOTE 20 FINANCIAL INCOME/EXPENSES 38
NOTE 21 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) 39-42
NOTE 22 EARNING PER SHARE 42
NOTE 23 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS 43-51
NOTE 24 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) 51-52
NOTE 25 SUBSEQUENT EVENTS 52

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2019	31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	102,822,901	64,303,404
Trade receivables		55,943,025	35,417,261
- Trade receivables from third parties	6	55,943,025	35,417,261
Other receivables		318,080	107,273
- Other receivables from third parties		318,080	107,273
Inventories	7	36,697,463	65,055,037
Prepaid expenses		1,922,864	1,722,781
- Prepaid expenses to related parties	5	1,647,832	1,493,781
- Prepaid expenses to third parties	8	275,032	229,000
Other current assets		13,909,637	22,364,047
- Other current assets from third parties	15	13,909,637	22,364,047
TOTAL CURRENT ASSETS		**211,613,970**	**188,969,803**
NON CURRENT ASSETS			
Investments in associates accounted for using equity method	3	1,000,695	849,093
Property, plant and equipment	9	25,040,432	30,074,050
- Land		2,906,021	2,906,021
- Land improvements		685,900	676,366
- Buildings		2,780,714	3,006,392
- Machinery and equipments		15,720,045	18,682,461
- Vehicles		1,152,485	1,459,661
- Furniture and fixtures		1,487,135	1,518,229
- Construction-in-progress		308,132	1,824,920
Intangible assets	10	1,632,832	190,578
- Other intangible assets		1,632,832	190,578
Deferred tax asset	21	668,772	-
Preparid expenses		117,455	137,894
- Prepaid expenses to third parties	8	114,439	137,894
- Prepaid expenses to related parties	5	3,016	-
TOTAL NON-CURRENT ASSETS		**28,460,186**	**31,251,615**
TOTAL ASSETS		**240,074,156**	**220,221,418**

These financial statements at 1 January - 31 December 2019 and for the year then ended were approved for issue by the Board of Directors of Alkim Kağıt Sanayi ve Ticaret A.Ş. on 26 February 2020. General Assembly and specified regulatory bodies have the right to make amendments after statutory financial statements issued.

STATEMENTS OF BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2019	31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	11	36,100,127	4,137
Short-term borrowings to third parties		36,100,127	4,137
- Bank borrowings		36,100,127	4,137
Other financial liabilities	11	-	24,831,593
Trade payables		26,374,740	28,423,642
- Trade payables due to related parties	5	1,659,578	1,499,209
- Trade payables due to third parties	6	24,715,162	26,924,433
Payables related to employee benefits	13	2,281,800	2,228,178
Deferred income		288,894	5,917,027
- Deferred income from third parties	8	288,894	5,917,027
Current income tax liability	21	3,923,256	289,739
Short term provisions		461,799	402,326
- Provision for employee benefits	12	371,917	313,373
- Other short term provisions	12	89,882	88,953
Other current liabilities		112,908	191,329
- Other current liabilities due to third parties		112,908	191,329
TOTAL CURRENT LIABILITIES		**69,543,524**	**62,287,971**
NON-CURRENT LIABILITIES			
Provisions for employee benefits	12	8,200,317	6,687,559
Deferred taxes	21	-	212,650
TOTAL NON-CURRENT LIABILITIES		**8,200,317**	**6,900,209**
TOTAL LIABILITIES		**77,743,841**	**69,188,180**
EQUITY			
Share capital	16	52,500,000	52,500,000
Adjustment to share capital	16	32,414,361	32,414,361
Restricted reserves	16	17,126,792	11,931,406
Other accumulated comprehensive income/(loss) that will not be reclassified to profit or loss		(3,525,802)	(2,777,015)
- Actuarial loss arising from defined benefit plans		(3,525,802)	(2,777,015)
Retained earnings		19,349,743	9,629,078
Net profit for the year		44,465,221	47,335,408
TOTAL EQUITY		**162,330,315**	**151,033,238**
TOTAL EQUITY AND LIABILITIES		**240,074,156**	**220,221,418**

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

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amount expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	17	388,273,224	352,927,369
Cost of sales (-)	17	(319,118,120)	(286,605,106)
GROSS PROFIT		**69,155,104**	**66,322,263**
Marketing, selling and distribution expenses (-)	18	(8,564,711)	(7,255,675)
General administrative expenses (-)	18	(9,534,483)	(7,591,144)
Research and development expenses (-)		(109,426)	(95,039)
Other income from operating activities	19	33,052,786	55,129,578
Other expense from operating activities (-)	19	(19,703,747)	(30,665,757)
OPERATING PROFIT		**64,295,523**	**75,844,226**
Income from investment activities		25,635	664,313
Share of results of investment-in-associates	3	151,602	336,817
OPERATING PROFIT BEFORE FINANCE INCOME/(EXPENSE)		**64,472,760**	**76,845,356**
Financial income	20	2,813,230	9,057,300
Financial expense (-)	20	(10,279,519)	(24,988,551)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**57,006,471**	**60,914,105**
Tax expense of continuing operations		(12,541,250)	(13,578,697)
- Current period tax expense	21	(13,235,475)	(13,388,334)
- Deferred tax income/(expense)	21	694,225	(190,363)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**44,465,221**	**47,335,408**
PROFIT FOR THE YEAR		**44,465,221**	**47,335,408**
Earnings per share		**0.008**	**0.009**
Earnings per 1 Kr number of 100 shares from continuing operations	22	0.008	0.009
OTHER COMPREHENSIVE LOSS			
Other Comprehensive Income that will not be reclassified to Profit or Loss			
Gains (losses) on remeasurements of defined benefit plans		(935,984)	(900,384)
Gains (losses) on remeasurements of defined benefit plans, tax effect	21	187,197	180,077
OTHER COMPREHENSIVE LOSS		**(748,787)**	**(720,307)**
TOTAL COMPREHENSIVE INCOME		**43,716,434**	**46,615,101**

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

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2019 AND 2018

(Amount expressed in Turkish Lira ("TRY") unless otherwise indicated.)

				Other Accumulated Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss	Retained Earnings		
	Share Capital	Adjustment to Share Capital	Restricted Reserves	Gains (Losses) on Remeasurements of Defined Benefit Plans	Retained Earnings	Net rofit for the year	Total Equity
Balances as of 1 January 2018	**52,500,000**	**32,414,361**	**8,421,546**	**(2,056,708)**	**9,629,078**	**27,282,393**	**128,190,670**
Transfers	-	-	-	-	27,282,393	(27,282,393)	-
Dividends (Note 5.e)	-	-	3,509,860	-	(27,282,393)	-	(23,772,533)
Total comprehensive income	-	-	-	(720,307)	-	47,335,408	46,615,101
Profit for the year	-	-	-	-	-	47,335,408	47,335,408
Other comprehensive loss	-	-	-	(720,307)	-	-	(720,307)
Balances as of 31 December 2018	**52,500,000**	**32,414,361**	**11,931,406**	**(2,777,015)**	**9,629,078**	**47,335,408**	**151,033,238**
Balances as of 1 January 2019	**52,500,000**	**32,414,361**	**11,931,406**	**(2,777,015)**	**9,629,078**	**47,335,408**	**151,033,238**
Transfers	-	-	-	-	47,335,408	(47,335,408)	-
Dividends (Note 5.e)	-	-	5,195,386	-	(37,614,743)	-	(32,419,357)
Total comprehensive income	-	-	-	(748,787)	-	44,465,221	43,716,434
Profit for the year	-	-	-	-	-	44,465,221	44,465,221
Other comprehensive loss	-	-	-	(748,787)	-	-	(748,787)
Balances as of 31 December 2019	**52,500,000**	**32,414,361**	**17,126,792**	**(3,525,802)**	**19,349,743**	**44,465,221**	**162,330,315**

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

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise.)

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		**55,979,431**	**10,024,563**
Profit for the year			
Profit from Continuing Operations		44,465,221	47,335,408
Adjustments Related to Reconciliation of Net Profit for The Year		**10,734,657**	**10,481,110**
Adjustments for tax expense	21	12,541,250	13,578,697
Adjustments for depreciation and amortisation expense	14	5,347,039	6,374,204
Provision for impairment of inventories	7	88,149	(30,490)
Adjustments for interest expense and interest gain		2,576,028	(1,008,982)
Adjustments for interest gain	19	(1,435,677)	(2,155,132)
Adjustments for interest expense	20	4,011,705	1,146,150
Adjustments for undistributed profits of investments accounted for using equity method	3	(151,602)	(336,817)
Adjustments for provisions		1,461,072	1,190,833
Adjustments for provisions related with employee benefits		1,461,072	1,190,833
Adjustments for losses (gains) arised from sale of fixed assets		(25,635)	(664,314)
Adjustments for losses (gains) arised from sale of tangible assets		(25,635)	(664,314)
Adjustments for unrealized foreign currency translation differences		(11,101,644)	(8,622,021)
Changes in Working Capitals		**11,265,807**	**(32,117,334)**
Adjustments related to decrease/ (increase) in trade receivables		(15,421,641)	(4,147,414)
Decrease (increase) in trade receivables from related parties	5	-	2,122
Decrease (increase) in trade receivables from third parties		(15,421,641)	(4,149,536)
Adjustments related to decrease/ (increase)in inventories		28,269,425	(24,822,670)
Adjustments related to decrease/ (increase) in other receivables		(210,807)	18,122
Decrease (increase) in other receivables related with operations from non-related parties		(210,807)	18,122
Decrease (increase) in prepaid expenses		(200,083)	383,566
Adjustments for increase (decrease) in trade payables		(3,941,949)	590,655
Increase in trade payables to related parties	5	160,369	383,283
Increase (decrease) in trade payables to non-related parties		(4,102,318)	207,372
Increase (decrease) in payables related to employee benefits	13	53,622	444,300
Increase (decrease) in deferred income	8	(5,628,133)	4,216,491
Other adjustments for other increase (decrease) in working capital		8,345,373	(8,800,384)
Decrease (increase) in other assets related with operations		8,474,849	(8,944,120)
Increase (decrease) in other liabilities related with operations		(129,476)	143,736
Cash Flows from Operations		**66,465,685**	**25,699,184**
Payments related with provisions for employee benefits	13	(884,296)	(647,177)
Income taxes refund (paid)	21	(9,601,958)	(15,027,444)

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

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise.)

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM INVESTING ACTIVITIES		**(296,851)**	**(3,535,936)**
Interest received		1,433,188	2,407,959
Cash outflows due to purchase of fixed assets		(1,755,675)	(7,523,538)
Cash outflows due to purchase of tangible assets	9	(1,726,646)	(7,417,115)
Cash outflows due to purchase of intangible assets	10	(29,029)	(106,423)
Cash inflows due to sale of tangible and intangible assets		25,636	710,779
Repayments from loans and cash advances given		-	868,864
Other repayments from loans and cash advances given		-	868,864
CASH FLOWS FROM FINANCING ACTIVITIES		**(28,862,261)**	**(24,024,867)**
Cash inflows from financial borrowings		76,167,288	-
Paybacks of borrowings		76,167,288	-
Cash outflows from financial borrowings		(69,976,890)	1,656,687
Cash outflows from loans		(69,976,890)	1,656,687
Dividends paid		(32,419,357)	(23,772,533)
Interest paid		(2,633,302)	(1,909,021)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**26,820,319**	**(17,536,240)**
Effect of currency translation differences on cash and cash equivalents		11,696,689	16,461,768
Net increase (decrease) in cash and cash equivalents	4	38,517,008	(1,074,472)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**64,201,325**	**65,275,797**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**102,718,333**	**64,201,325**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Alkim Kağıt San. ve Tic. A.Ş. ("the Company") is the production and sale of woodfree paper, coated paper and photocopy paper, electricity and heat energy production to meet its own needs, sales in case of production surplus. Alkim Alkali Kimya A.Ş. ("Alkim Kimya"), which has a share of 79.93% of the Company. Alkim Kimya is the main shareholder of the Company (Note 16).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 20.00% (31 December 2018: 20.00%) of its shares are quoted on the Borsa Istanbul ("BIST"). The Company is registered with the Capital Markets Board ("CMB").

The average number of personnel is 211 as of 31 December 2019 (31 December 2018: 207 personnel).

The company's registered office address is Organized Industrial Zone Kırovası Mevkii Kemalpaşa - Izmir.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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") and its addendum and interpretations.

The financial statements are presented in accordance with the "Announcement on TAS 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 account and prepares its statutory financial statements in accordance with the principles and conditions set forth by the CMB, the Turkish Commercial Code ("TCC"), the tax legislation and the requirements of the Uniform Chart of Accounts issued by the Ministry of Finance.

These financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS/TFRS. The Company's functional and reporting currency is Turkish Lira ("TRY").

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

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

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations that are in progress and adopted by the Company at 31 December 2019:

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

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

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

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

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

2.2 Amendments in International Financial Reporting Standards (Continued)

a) New standards, amendments and interpretations that are in progress and adopted by the Company at 31 December 2019:

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

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

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

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

b) Standards, amendments and interpretations applicable from 31 December 2019 are not listed as they are not related to the operations of the Company or do not have a material effect on the financial statements.

c) Standards, amendments and interpretations that are issued but not effective as at 1 January 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:

  - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  - clarify the explanation of the definition of material and
  - ncorporate some of the guidance in IAS 1 about immaterial information.

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

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

2.2 Amendments in International Financial Reporting Standards (Continued)

c) Standards, amendments and interpretations that are issued but not effective as at 1 January 2020 (Continued):

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

The company will evaluate the effects of the above changes on its operations and apply them as of the effective date. It is expected that the application of the above standards and comments will not have a significant impact on the Company's financial statements in the future.
Standards and amendments that were published but not in effect yet and are not related to Company activities are not given above as of December 31, 2019.

d) Foreign currency translation

i) Functional and reporting currency

The financial statements of the Company and each subsidiary are measured in terms of the currency in which the entity is located and the main currency in which the operations are carried out ("functional currency"). The financial statements have been prepared in Turkish Lira ("TRY"), which is the functional currency of the Company.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, within finance income and expense and other operating income and expense except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.3 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which not control. Unrealised gains on transactions between the Company has significant influence, but which not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2.3 Basis of Consolidation (Continued)

According to the equity method, the total comprehensive income / (expense) including the tax after the purchases of the affiliates is reflected in the Company's total comprehensive income / (expense) to the extent of the share of the Company in the subsidiary. Dividends received or to be received from associates are recognized as a decrease in the book value of the investment.

The accounting policies of the investing entity accounted for using the equity method of accounting have been amended accordingly to ensure consistency with the accounting policies applied by the Company.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2019 and 2018:

	Shareholding (%)	
Investments-in-associates	**31 December 2019**	**31 December 2018**
Alkim Sigorta Aracılık Hiz. Ltd. Şti. (Residing in Turkey)	50.00	50.00

2.4 Offsetting

All items that are significant in terms of content and amount are shown separately in the financial statements, even if they are of a similar nature. Non-significant amounts are shown as aggregated by items similar to each other in terms of principles or functions. In the event that the essence of the transaction and the event necessitates the offsetting, it is not treated as a violation of the rule of non-offsetting, whether the transaction and the event are shown over the net amounts or the assets are followed over their amounts after deducting the impairment. As a result of the transactions carried out in the normal course of business, revenues other than the revenues defined in the "Revenue" section are presented over their net values, provided that they correspond to the essence of the transaction or event.

2.5 Comparative information

Financial statements of the Company are prepared in comparison with prior financial period in order to enable determination of the financial situation and performance trends. The Company has prepared its balance sheet as of 31 December 2019 in comparison with the balance sheet as of 31 December 2018, and its statement of comprehensive income, cash flow and changes in equity in 1January - 31 December 2019 financial period in comparison with 1 January - 31 December 2018 financial period.

2.6 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.

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

2.6 Restatement and errors in the accounting policies and estimates (Continued)

The Company has applied accounting policy changes resulting from the first time adoption of TFRS 16, 'Leases' effective from 1 January 2019, in accordance with the transition requirements of the related standard.

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:

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

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

c) The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and

d) The Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:

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

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

Right of use asset

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

a) The amount of the initial measurement of lease liability,

b) Any lease payments made at or before the commencement date, less any lease incentives received,

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

2.6 Restatement and errors in the accounting policies and estimates (Continued)

c) Any initial direct costs incurred by the lessee and

d) 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:

a) Less any accumulated depreciation and any accumulated impairment losses and

b) Adjusted for any remeasurement of the lease liability.

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

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

Lease liability

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

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

a) Fixed payments, less any lease incentives receivable,

b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

c) 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:

a) Increasing the carrying amount to reflect interest on the lease liability,

b) Reducing the carrying amount to reflect the lease payments made and

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

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

2.6 Restatement and errors in the accounting policies and estimates (Continued)

Extension and early termination options

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

Variable rent payments

The mentioned variable lease payments, which are not covered by the TFRS 16 standard, are recorded as income on the income statement in the relevant period.

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 was applied to a portfolio of leases with reasonably similar characteristics (such as leases with the similar remaining lease term for a similar asset class in a similar economic environment).

The Company - as a lessor

The Company's activities as a lessor do not include a significant amount.

Transition to IFRS 16 "Leases

The Company applied IFRS 16 "Leases", which superseded IAS 17 "Leases", and accounted in the financial statements by using "cumulative effect method" on the transition date of 1 January 2019. In accordance with the simplified transition method defined in standard, no restatement has been required in the comparative information of the financial statements and has no impact on retained earnings. The Company concluded that there was no significant impact on the past and current period within the scope of the evaluation.

2.7 Summary of significant accounting policies

A summary of significant accounting policies used in the preparation of the consolidated financial statements are as follows:

2.7.1 Revenue recognition

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

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

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

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

2.7 Summary of significant accounting policies (Continued)

2.7.1 Revenue recognition (Continued)

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

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

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

Revenue from product sales

The company generates revenue by producing and selling the first pulp paper, coated paper and copier paper products. Revenue is recognized when the control of products is transferred to the customer.

The Company evaluates the transfer of control of the goods sold to the customer,

a) ownership of the right to collect goods or services,
b) ownership of the right of the customer,
c) the transfer of the physical possession of the goods,
d) ownership of significant risks and benefits of property ownership,
e) takes into account the conditions of the customer's acceptance of the goods.

For each performance obligation, the Company determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Company records revenue from product sales in the financial statements following the transfer of control to the customer.

In the event that the Company has the right to collect a price directly corresponding to the value of its customer (from the delivery of products), the Company pays the revenue to the financial statements for the amount that it has the right to invoice.

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

2.7 Summary of significant accounting policies (Continued)

2.7.1 Revenue recognition (Continued)

The Company reflects a return obligation to the financial statements if the company expects to pay back some or all of the amount charged to a customer to this customer. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions.

2.7.2 Inventories

Inventories of the Company consist of cellulose inventories, convolved or sized semi-finishing and fnished goods, chemicals, operating supplies and spare parts. 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 all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monhtly weighted average basis (Note 7).

2.7.3 Property, plant and equipment

Property, plant and equipments acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TRY as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any.

Property, plant and equipment 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.

Buildings, land and land improvements and machinery and equipments 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 in prepaid expenses 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 cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 9). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

	Years
Land and land improvements	5 - 50
Buildings	5 - 50
Machinery and equipments	3 - 30
Motor vehicles	4 - 10
Furniture and fixtures	2 - 50

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

2.7 Summary of significant accounting policies (Continued)

2.7.3 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying value recognised as seperate 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. Property, plant and equipment 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, property plant and equipment 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.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and re included in the related income and expense accounts, as appropriate (Note 19).

2.7.4 Intangible assets

Intangible assets consist of nights, information systems and computer software. Intangible assets acquired separately from business are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives (5-15 years). If any impoirment occurs, the carrying amount of intangible assets are recorded at recoverable amounts.

2.7.5 Impairment of assets

Impairment of financial assets:

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.7.6 Borrowing and borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 20). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 11).

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

2.7 Summary of significant accounting policies (Continued)

2.7.6 Borrowing and borrowing cost

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.7.7 Trade payables

Trade payables are recognized at fair value on the date they are received and subsequently measured at amortized cost (Note 6).

2.7.8 Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Company management determines the classification of its financial assets at initial recognition. The Company does not have any financial asset - held to maturity or fair value changes accounted through statements of income or expenses

Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. Financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

2.7.9 Effects of currency differences

Transactions in foreign currencies have been translated into TRY at the exchange rates at which the transaction was made. Monetary assets and liabilities denominated in foreign currencies are translated into TRY using the exchange rates at the balance sheet date. Exchange differences arising as a result of these transactions are included in the comprehensive income table.

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

2.7 Summary of significant accounting policies (Continued)

2.7.10. Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 22).

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 per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued 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.

2.7.11. 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 authorised for issue (Note 25).

In the case that events require a correction to be made occur 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.

2.7.12. Provisions, contingent liabilities and contingent assets

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 (Note 11). The Company does not recognize 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.

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 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 recognized 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 PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of significant accounting policies (Continued)

2.7.12. Provisions, contingent liabilities and contingent assets (Continued)

i. Employee benefits - defined benefit obligation (Provision for employment termination benefits)

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. All actuarial gains and losses are recognized in other comprehensive income.

ii. Unused vacation provision

As of the balance sheet date, the estimated total allowance of possible future liabilities related to the days of entitlement that employees did not use is reflected as accumulated leave provisions by the Company within their financial statements.

2.7.13. Related parties

a) A person or a member of his or her immediate family is deemed to be associated with the Company if:

The person in question,

(i) in the case of possession of control or joint control over the Company,
(ii) if it has significant influence over the Company,
(iii) is a member of key management personnel of the Company or a subsidiary of the Company.

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

(i) If the business and the company are members of the same group,
(ii) The operator is an affiliate or a business partner of the other business (or a member of a group that is also a member of another business),
(iii) If both businesses are partnerships of the same third party,
(iv) One of the businesses is a third-party business partner and the other is a third-party affiliate,
(v) In the event of an employee having benefit plans provided after leaving the Company in relation to the employees of the Company or an enterprise associated with the Company. If there is such a plan of the company itself, sponsor employers are also associated with the Company,
(vi) The operator is controlled or jointly controlled by a person described in (a),
(vii) has a significant effect on the business of a person identified in (i) or is a member of the key management personnel of the said entity (or its parent company).

Transactions with a related party are transfers between a reporting entity and a related party, irrespective of whether a resource, service or obligation is a consideration.

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

2.7 Summary of significant accounting policies (Continued)

2.7.14. Segment reporting

The business segments are evaluated in parallel with the internal reporting and strategic departments submitted to the bodies or individuals authorized to make decisions regarding the Company's operations. The bodies and individuals authorized to make strategic decisions regarding the activities of the Company are defined as the senior executives of the Company in order to make decisions regarding the resources to be allocated to these departments and to evaluate the performance of the departments.

The Company's top executives take their strategic decisions in a way to cover all the activities of the Company, taking into account the Company's operations in a single area. For this reason, in accordance with the relevant provisions in TFRS 8, "Operating Segments", the Company has a single reporting segment that can be reported and financial information is not reported according to operating segments.

2.7.15 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other operating expenses.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. 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 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, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date.

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized 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.

2.7.16. Statement of cash flow

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

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

2.7 Summary of significant accounting policies (Continued)

2.7.17 Trade receivables and impairment

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 6).

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. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, 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.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

2.7.18 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment is established.

2.7.19 Offsetting

Financial assets and liabilities are shown in the balance sheet when there is a legally enforceable right to net off, with the power to enforce sanctions, and when there is an intention to collect/pay such assets or liabilities on a net basis or to concurrently conclude them.

2.7.20 Accounting policies, changes and errors in accounting estimates

If any, significant changes in accounting policies and significant accounting errors are detected, changes are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively.

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

2.8 Significant accounting estimates and assumptions

The preparation of financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the balance sheet date, the explanations of contingent assets and liabilities and the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Company management's best knowledge of current events and transactions, actual results may differ from these assumptions. The Company's significant accounting assumptions and estimates are:

- The Company management believes that there is no risk of collection of overdue receivables due to past experiences and related with the related customers. The Company has made provision based on its past experience in collecting trade receivables. The management believes that there are no additional doubtful receivables other than the doubtful receivables

2.9 Compliance decleration to resolutions published by POAASA and TAS/TFRS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. The Company management, has declared 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 Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2019		31 December 2018	
	TRY	**(%)**	**TRY**	**(%)**
Alkim Sigorta	1,000,695	50.00	849,093	50.00
	1,000,695		**849,093**	

Movement in investments-in-associates during the years 2019 and 2018 are as follows:

	2019	**2018**
1 January	**849,093**	**512,276**
Share of profit of investments in associates - net	151,602	336,817
31 December	**1,000,695**	**849,093**

NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

Condensed financial statements of investments-in -associates are as follows:

	2019	2018
Total assets	5,214,307	4,529,310
Total liabilities	3,127,364	2,831,126
Total equity	2,086,943	1,698,184
Net sales	738,938	699,642
Net profit of the year	303,205	673,633

Details of nature of business and business location of investment-in-associate of the Company as of 31 December 2019 and 2018 are as follows:

Associate	Nature of business	Business location
- Alkim Sigorta	Insurance	Turkey

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	30,638	25,574
Banks	102,743,683	64,047,556
- Time deposits	96,335,808	62,027,995
- Demand deposits	6,407,875	2,019,561
Other cash equivalents (*)	48,580	230,274
Cash and cash equivalents	**102,822,901**	**64,303,404**
Less: Time deposit interest accruals	(104,568)	(102,079)
Cash and cash equivalents for the cash flow statement	**102,718,333**	**64,201,325**

As of 31 December 2019 the effective weighted average interest rates of time deposits are 2.12% for USD (31 December 2018: 5.15% USD.), maturity periods are less than one month (31 December 2018: 1 month).

(*) Other cash equivalents include credit card receivables with an average maturity of 1 month (31 December 2018: 1 month)

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 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2019 and 2018 are as follows:

a) Prepaid expenses to related parties

	31 December 2019	31 December 2018
Alkim Sigorta (1)	1,650,848	1,493,781
	1,650,848	**1,493,781**

b) Trade payables due to related parties

Alkim Sigorta (1)	1,649,706	1,491,827
Alkim Kimya (2)	9,865	7,375
Diğer	7	7
	1,659,578	**1,499,209**

c) Product sales

	1 January - 31 December 2019	1 January - 31 December 2018
Alkim Kimya (2)	13,277	21,793
Sodaş Sodyum A,Ş. (3)	1,678	1,455
	14,955	**23,248**

d) Service purchases

Alkim Sigorta (1) (**)	1,593,579	1,536,714
Alkim Kimya (2) (*)	171,508	140,616
Sodaş Sodyum A.Ş. (3)	44,925	23,380
	1,810,012	**1,700,710**

(1) Subsidiary of the Company
(2) Shareholder of the Company
(3) The company in which the company shareholders own

(*) There are various service purchases and accounted under marketing selling and distribution expenses.
(**) There are insurance service purchases which are accounted under general administrative expenses and cost of goods sold.

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Dividends and profit shares to related parties

	1 January - 31 December 2019	1 January - 31 December 2018
Alkim Kimya	25,575,805	18,794,133
Diğer	6,843,552	4,978,400
	32,419,357	**23,772,533**

At the Ordinary General Assembly Meeting as of 26 March 2019, it was decided to distribute as gross dividend to shareholders amounting TRY31,998,326 and TRY421,031 to Board of Directors (31 December 2018: The Company has decided to distribute as gross dividend to shareholders amounting TRY23,513,660 and TRY258,873 to Board of Directors at the Ordinary General Assembly Meeting held on 27 March 2018).

f) Key management compensation

Key management includes members of board of directors, general manager and general manager assistant. The compensation paid or payable to key management are shown below:

Short term benefits	3,378,909	3,606,644
	3,378,909	**3,606,644**

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	31 December 2019	31 December 2018
Customer current accounts, net	44,196,383	29,817,243
Cheques and notes receivables, net	11,746,642	5,600,018
Doubtful receivables (*)	32,704,995	32,704,995
	88,648,020	**68,122,256**
Less: Provision for doubtful receivables	(32,704,995)	(32,704,995)
	55,943,025	**35,417,261**

(*) As of December 31, 2019 and December 31, 2018, the receivable provision is composed of doubtful trade receivables which are overdue and legal enforcement proceedings have been initiated from "İnterpap Dış Ticaret ve Mümessilik Anonim Şirketi ("Interpap")" which is a customer of the Company. During the period when it was decided to initiate legal proceedings for the Company's aforementioned checks and current receivables amounting to USD 13,273,594. Istanbul 13th Commercial Court of First Instance decided to bankruptcy of Interpap. In accordance with the bankruptcy decision, the bankruptcy of Interpap was opened with the table numbered 2015/8 of Istanbul 1st Bankruptcy Directorate, and the Company was registered in September 2015 regarding all such trade receivables. As a result of the expert examination made by the Bankruptcy Directorate, the expert report submitted to the file revealed that the company partners transferred money through irregular transactions. Upon this report, the bankruptcy desk filed a complaint against the Istanbul Chief Public Prosecutor's Office with fraudulent bankruptcy crime. As a result of the investigation by the prosecution, an indictment was prepared and the indictment prepared was accepted by the Istanbul 19th High Criminal Court. A criminal case was filed before the Istanbul 19th High Criminal Court with a fraudulent bankruptcy crime with the file numbered 2016/287 E. The Company has a total of TRY 30,000,000 personal bail received from the partners of the mentioned Interpap company. Regarding the case belonging to TRY 6,032,488 of our total receivables; On December 6, 2018, TC Istanbul. According to the short court decision of the hearing before the 7. Commercial Court of First Instance; resulted in favor of our company, with appeal and open remedy. It is decided to be taken from the defendants and given to the plaintiff with the advance interest to be processed as of September 10, 2014. Legal processes continue within the scope of the lawsuit filed against our commercial receivable.

Trade receivables as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Overdue	8,867,286	3.559.553
0 - 30 days due	15,344,298	17,800,745
31 - 60 days due	12,904,824	9,187,949
61 - 90 days due	6,836,500	4,241,303
91 - 120 days due	4,966,670	627,711
121 days and over	7,023,447	-
	55,943,025	**35,417,261**

The Company management believes that there is no collection risk of overdue receivables due to past experiences and related with the customer relationships. In addition, TRY6,034,166 portion of the receivables that are overdue but not yet reserved for impairment is secured by the guarantee letter.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables from third parties (Continued)

As of 31 December 2019, trade receivables amounting to TRY6,983,409 are from a single customer and mainly consists of receivables matures on January 2020 (as of 31 December 2018, the amount of trade receivables are TRY7,220,409). Besides,the Company obtains 16% of sales in 2019 from the same customer (31 December 2018: 12%). As of 31 December 2018, there is a bank guarantee letter of TRY6,000,000 from this customer.

The Company reserved provision based on its past experience in collecting trade receivables. The management believes that there are no additional doubtful receivable.

b) Short-term trade payables to third parties

	31 December 2019	31 December 2018
Suppliers	24,715,162	26,924,433
	24,715,162	**26,924,433**

NOTE 7 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	7,876,020	6,934,355
Work in progress	2,585,283	10,386,369
Finished goods	3,031,943	7,478,752
Raw materials in transit	14,038,429	31,670,032
Other inventories	9,308,195	8,639,787
Provision for impairment of inventories (-)	(142,407)	(54,258)
	36,697,463	**65,055,037**

The costs of inventories recognised as expense and included in cost of sales amounted to TRY259,262,182 (31 December 2018: TRY229,000,016). Raw materials consist mainly of cellulose and chemical substances used in paper production. Other inventories mainly consist of spare parts. As of 31 December 2019, inventories amounting to TRY303,575 and inventories amounting to TRY142.407 were valued with net realizable value and remaining inventory items were valued with cost (31 December 2018: Inventory amounting to TRY257,989, TRY54,258 net of recoverable amounts, while remaining inventory is valued at cost.

The movement of the allowance for impairment of inventories for the products for the accounting periods ending at 31 December is as follows:

	2019	2018
1 January	**54,258**	**84,748**
Charged/(reserved) to the statement of comprehensive income- net	88,149	(30,490)
31 December	**142,407**	**54,258**

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2019	31 December 2018
Short-term prepaid expenses		
Prepaid expenses for next months	243,242	191,418
Advances given for inventories	31,790	37,582
	275,032	**229,000**
Long-term prepaid expenses		
Advances given for fixed assets	113,509	132,576
Prepaid expenses for next years	930	5,318
	114,439	**137,894**
Deferred income		
Advances received	288,894	5,910,443
Other	-	6,584
	288,894	**5,917,027**

Advances received consist of payments received from customers for sales to be made in the subsequent periods and it is anticipated that such advances will close within one year.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2019	Additions	Disposals	Transfers(*)	31 December 2019
Cost:					
Land	2,906,021	-	-	-	2,906,021
Land and land improvements	1,822,698	108,940	-	-	1,931,638
Buildings	10,696,528	184,358	-	-	10,880,886
Machinery and equipment	103,130,357	846,757	-	-	103,977,114
Motor vehicles	2,071,358	86,866	(22,209)	-	2,136,015
Furniture and fixtures	4,573,178	359,656	-	-	4,932,834
Construction in progress	1,824,920	140,069	-	(1,656,857)	308,132
	127,025,060	**1,726,646**	**(22,209)**	**(1,656,857)**	**127,072,640**
Accumulated Depreciation					
Land and land improvements	(1,146,332)	(99,406)	-	-	(1,245,738)
Buildings	(7,690,136)	(410,036)	-	-	(8,100,172)
Machinery and equipment	(84,447,896)	(3,809,173)	-	-	(88,257,069)
Motor vehicles	(611,697)	(394,042)	22,209	-	(983,530)
Furniture and fixtures	(3,054,949)	(390,750)	-	-	(3,445,699)
	(96,951,010)	**(5,103,407)**	**22,209**	**-**	**(102,032,208)**
Net book value	**30,074,050**				**25,040,432**

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

A significant portion of the additions that took place during the accounting period as of 31 December 2019, consists of purchasing paper machine drying rasps.

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

	1 January 2018	Additions	Disposals	Transfers(*)	31 December 2018
Cost:					
Land	2,906,021	-	-	-	2,906,021
Land and land improvements	1,796,933	25,765	-	-	1,822,698
Buildings	10,571,719	124,809	-	-	10,696,528
Machinery and equipment	99,097,056	3,206,155	(76,772)	903,918	103,130,357
Motor vehicles	1,196,465	1,104,949	(230,056)	-	2,071,358
Furniture and fixtures	3,952,411	623,626	(2,859)	-	4,573,178
Construction in progress	397,027	2,331,811	-	(903,918)	1,824,920
	119,917,632	**7,417,115**	**(309,687)**	**-**	**127,025,060**
Accumulated Depreciation					
Land and land improvements	(1,054,394)	(91,938)	-	-	(1,146,332)
Buildings	(7,283,361)	(406,775)	-	-	(7,690,136)
Machinery and equipment	(79,332,364)	(5,172,472)	56,940	-	(84,447,896)
Motor vehicles	(481,736)	(334,625)	204,664	-	(611,697)
Furniture and fixtures	(2,750,340)	(306,227)	1,618	-	(3,054,949)
	(90,902,195)	**(6,312,037)**	**263,222**	**-**	**(96,951,010)**
Net book value	**29,015,437**				**30,074,050**

A significant portion of the additions that took place during the accounting period as of 31 December 2018, consists of the purchase of gas turbines and the costs of the Company based on SAP investment.

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TRY4,727,006 (31 December 2018: TRY6,156,853), to general administrative expenses by TRY614,274 (31 December 2018: TRY208,540), to marketing, selling and distribution expenses by TRY5,759
(31 December 2018: TRY8,811), to inventories by TRY91,893 (31 December 2018: TRY331,401).

As of 31 December 2019 and 2018, there are no pledges or mortgages on assets.

NOTE 10 - INTANGIBLE ASSETS

The movements of intangible assets for the period 1 January - 31 December 2019 were as follows:

	1 January 2019	Additions	Transfers	31 December 2019
Cost:				
Rights - Software	1,002,655	29,029	1,656,857	2,688,541
Less: Accumulated amortisation	(812,077)	(243,632)	-	(1,055,709)
	190,578			**1,632,832**

The movements of intangible assets for the period 1 January - 31 December 2018 were as follows:

	1 January 2019	Additions	Transfers	31 December 2019
Cost:				
Rights - Software	896,232	106,423	-	1,002,655
Less: Accumulated amortisation	(749,910)	(62,167)	-	(812,077)
	146,322			**190,578**

As of 31 December 2019 and 2018, there are no pledges and mortgages on assets.

NOTE 11 - BORROWING AND BORROWING COSTS

a. Bank borrowings:

	31 December 2019	31 December 2018
Short-term borrowings	36,100,127	4,137
Short-term financial liabilities	**36,100,127**	**4,137**
Total financial liabilities	**36,100,127**	**4,137**

	31 December 2019		31 December 2018	
	Effective weighted average interest rate p.a (%)	Amount	Effective weighted average interest rate p.a (%)	Amount
Short term borrowings:				
USD borrowings	3.75	33,637,620	-	-
TRY borrowings (with interest)	21.75	2,459,143	-	-
TRY borrowings (without interest)	-	3,364	-	4,137
		36,100,127		**4,137**

As of 31 December 2019 Bank loans denominated in USD and TRY consist of fixed interest loans and no guarantees are given for these loans.

The original currency values of the related loans are presented in Note 23. The fair value of bank loans approximates the carrying value.

NOTE 11 - BORROWING AND BORROWING COSTS (Continued)

b. Other financial liabilities:

	31 December 2019	31 December 2018
Other financial liabilities	-	24,831,593
	-	**24,831,593**

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Other short-term provisions

	31 December 2019	31 December 2018
Litigation provisions	89,882	88,953
	89,882	**88,953**

b) Short-term provisions for employee benefits

Provisions for unused vacations	371,917	313,373
	371,917	**313,373**

c) Long-term provisions for employee benefits

Provision for employee termination benefits	7,958,808	6,424,347
Provisions for unused vacations	241,509	263,212
	8,200,317	**6,687,559**

d) Guarantees received

Letters of guarantee	24,140,333	14,331,566
Protection of trade receivables (*)	7,990,018	5,749,668
Guarantee cheques	960,432	851,744
Guarantee notes	25,000	25,000
	33,115,783	**20,957,978**

(*) Customer business refers to services from an international professional organization against receivables risks such as doubtful receivables, past due receivables, commercial and political risks.

e) Guarantees given

Letters of guarantee (*)	24,784,073	13,192,304
	24,784,073	**13,192,304**

(*) A significant portion of the letters of guarantee given by the bank consist of guarantees given to the tax office for the purposes of VAT refund the Ministry of National Education, the Customs Directorate and the Civil Court

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
A. Total amount of CPM given for the Company's own legal personality	24,784,073	13,192,304
B. Total amount of CPM given on behalf of fully 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 majority shareholder	-	-
ii. Total amount of CPM's given on behalf of the 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	-	-
	24,784,073	**13,192,304**
The ratio of total amount of other CPM to Equity	0%	0%

f) Contingent assets

The sum of the personal bails obtained from the shareholders of Interpap is TRY30,000,000. As of 31 December 2018, the legal process related to the trade receivables of Interpap has been continued by the Company Management. Therefore, legal proceedings have been initiated within the scope of the lawsuits related to commercial receivables for this personal guarantee received from Interpap firm shareholders. The cases related to TRY6,032,488 of the above-mentioned cases were filed on 6 December 2018 by T.C. According to the short court decision of the hearing held in the 7th Commercial Court of Istanbul, it was concluded in favor of the Company and it is decided to be taken from the defendants and to be given to the plaintiff with the advance interest to be processed as of 10 September 2014. that the appeal and the judiciary were open.

NOTE 13 - EMPLOYMENT TERMINATION BENEFITS

a) Payables for employee benefits

	31 December 2019	31 December 2018
Payables to personnel	1,102,695	1,250,980
Social security premium payables	1,179,105	977,198
	2,281,800	**2,228,178**

b) Short term provisions for employee benefits

Provisions for unused vacations	371,917	313,373
	371,917	**313,373**

NOTE 13 - EMPLOYEE BENEFITS (Continued)

c) Long term provisions for employee benefits

	31 December 2019	31 December 2018
Provision for employment termination benefits	7,958,808	6,424,346
Provisions for unused vacations	241,509	263,212
	8,200,317	**6,687,559**

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 limited to a maximum of TRY6,379.86 for each year of service as of 31 December 2019 (2018: TRY 5,434.42).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

TAS 19 requires the use of a number of actuarial valuation methods in the calculation of the provision for the Company's long-term employee termination benefit liability in accordance with the Employee Benefits Standard. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

Discount rate (%)	4,20	4,57
Probability of retirement (%)	97,71	97,40

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 rate of actual inflation

Effective from 1 January 2020, the termination indemnity ceiling has been increased from TRY6,017.60 to TRY6,730.15.

Movements of the provision for employment termination benefits during the years are as follows:

	2019	2018
1 January	**6,424,346**	**5,119,690**
Interest cost	931,529	588,764
Actuarial gains	935,984	900,384
Paid during the year	(884,296)	(647,177)
Annual charge	551,245	462,685
31 December	**7,958,808**	**6,424,346**

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Raw materials and materials	(259,262,182)	(229,000,016)
Energy	(28,286,342)	(20,035,003)
Personnel	(24,909,849)	(21,208,543)
Depreciation and amortization	(5,347,039)	(6,374,204)
Transportation	(4,863,679)	(3,750,516)
Operating supplies	(3,784,585)	(3,094,607)
Repair and maintenance	(2,105,346)	(2,243,138)
Outsourced labor costs	(1,686,747)	(1,393,216)
Insurance	(1,478,720)	(1,183,351)
Consultancy	(1,427,783)	(807,571)
Cost of trade goods sold	(176,626)	(3,308,733)
Other	(3,997,842)	(9,148,066)
	(337,326,740)	**(301,546,964)**

NOTE 15 - OTHER CURRENT ASSETS

	31 December 2019	31 December 2018
Value added tax ("VAT") receivable	8,357,889	18,543,834
VAT receivable	5,481,190	3,731,717
Advances given for business	11,386	8,146
Other	59,172	80,350
	13,909,637	**22,364,047**

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

	31 December 2019		31 December 2018	
Shareholder	**Ownership rate(%)**	**Ownership amount (TRY)**	**Ownership rate (%)**	**Ownership rate (TRY)**
Alkim Kimya	79,93	41,962,500	79,93	41,962,500
Public quotation	20	10,500,000	20	10,500,000
Other	0,07	37,500	0,07	37,500
Paid-in capital	**100**	**52,500,000**	**100**	**52,500,000**
Capital adjustment differences (*)		32,414,361		32,414,361
		84,914,361		**84,914,361**

(*) Adjustment to share capital represents the difference between the inflation adjusted amounts of the cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

As of 31 December 2019, the company's capital consists of 5,25 billion shares (2018: 5,25 billion shares). As of 31 December 2019, the shares are valued at TRY0.01 per share (2018: TRY0.01 per share).

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the paid-up capital of the company. The second legal reserve is 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses, unless they exceed 50% of the paid capital, and it is not possible to use them any other way.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2019, the restricted reserves of the Company amount to TRY17,126,792 (2018: TRY11,931,406)

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014.

Partnerships distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the relevant legislation, by the decision of the general assembly. Based on CMB Communiqué, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of their articles of association and their previously publicly declared profit distribution policies.

Reserve funds required to be allocated according to the TCC and dividend determined in the articles of association or profit distribution policy for shareholders are allocated; It is not possible to decide to allocate another reserve fund, to transfer profit to the following year and to distribute dividends to redeemed shareholders, members of the board of directors, shareholders and non-shareholders.

Inflation adjustment differences of shareholders' equity and bonus share capital increase of extraordinary reserves; cash profit distribution or loss deduction. However, equity inflation adjustment differences will be subject to corporation tax if used for cash profit distribution.

Since the General Assembly for 2019 has not been made yet, no profit distribution decision has been taken.

NOTE 17 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	359,642,549	321,372,931
Export sales	31,493,407	32,971,430
Gross sales	**391,135,956**	**354,344,361**
Less: Discounts	(2,454,710)	(1,182,030)
Less: Returns	(408,022)	(234,962)
Net sales	**388,273,224**	**352,927,369**
Cost of sales	**(319,118,120)**	**(286,605,106)**
Gross profit	**69,155,104**	**66,322,263**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES/MARKETING EXPENSES

a) General administrive expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel	(6,610,400)	(5,719,701)
Consultancy	(1,296,098)	(693,867)
Depreciation and amortization	(614,274)	(208,540)
Transportation	(173,402)	(161,309)
Litigation	(95,369)	(28,924)
Other	(744,940)	(778,803)
	(9,534,483)	**(7,591,144)**

b) Marketing expenses:

Transportation	(4,863,679)	(3,750,516)
Personnel	(1,692,133)	(1,850,267)
Commission	(397,624)	(480,265)
Travel	(163,409)	(153,091)
Taxes, duties and charges	(156,192)	(385,955)
Insurance	(88,693)	(77,332)
Rent	(67,500)	(66,000)
Communication	(11,926)	(13,717)
Depreciation and amortization	(5,759)	(8,811)
Other	(1,117,796)	(469,721)
	(8,564,711)	**(7,255,675)**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreing exchange gain	30,069,332	50,501,769
Interest income on bank deposits	1,435,677	2,344,126
Scrap sales income	276,928	230,095
Interest income on term sales	234,839	1,729,157
Insurance claims indemnity	157,735	152,387
Other	878,275	172,044
	33,052,786	**55,129,578**

b) Other operating expenses:

Foreing exchange loss	(19,236,008)	(29,067,916)
Interest expense on term sales	(388,372)	(1,499,077)
Litigation expenses	(65,778)	(53,530)
Other	(13,589)	(45,234)
	(19,703,747)	**(30,665,757)**

NOTE 20 - FINANCIAL INCOME/ EXPENSES

a) Financial income:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gain	2,813,230	9,057,300
	2,813,230	**9,057,300**

b) Financial expenses:

Foreign exchange loss	(6,124,733)	(23,135,141)
Interest expense	(4,011,705)	(1,534,522)
Other	(143,081)	(318,888)
	(10,279,519)	**(24,988,551)**

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2019	31 December 2018
Provision for corporate tax	13,235,475	13,388,334
Less: Prepaid corporate tax	(9,312,219)	(13,098,595)
Current income tax liabilities	**3,923,256**	**289,739**

Taxation on income in the statement of comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Current period corporate tax	(13,235,475)	(13,388,334)
Deferred tax income/(expense)	694,225	(190,363)
Total tax expense	**(12,541,250)**	**(13,578,697)**

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities shall be measured at the tax rate of 22% that are expected to apply to these periods when the assets is realized or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences will be measured by 20%.

Corporation tax is payable at a rate of 22% for 2019. (2018: 22%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2018: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2018: 22%) on their corporate income. Advance tax is declared by 17th and payable by the 17th of the second month following each calendar quarter end (2018: 17th). 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

If, despite offsetting, there remains a prepaid tax amount, this amount can be refunded or offset against any other financial liability to the state.

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

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during when the tax authorities have the right to examine 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 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Corporate Tax Law, there are many exemptions for corporations, those related to the Company are explained below:

The dividend income of the institutions from the participation of the capital of another institution subject to full liability is exempt from the corporate tax (except for the profit shares obtained from the investment certificates share certificates and investment trusts share certificates).

According to the Law No. 5520 on Corporate Income Tax, the exemption rate of the profits arising from the sale of the shares of the participations, real estates, preferential rights, founding sans and usufruct shares in the assets of the institutions for at least two full years is 75% to 50%. In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made. Accordingly, the Company computes corporate tax and deferred tax calculations for earnings generated from the sale of immovable property for the years 2018, 2019 and 2020 to 22% of the remaining 50%, 20% of the remaining 50% for 2021 and subsequent periods

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax. Accordingly, the aforementioned gains/ (losses) which have been included in trade profit/ (loss) have been taken into consideration in calculation of Company's corporate tax.

Therefore, the above mentioned gains/(losses) in the trading profit/(loss) figure are taken into consideration in the calculation of corporate tax.

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

Transfer pricing

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

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Transfer pricing (Continued)

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

Reconciliations of taxation on income for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before taxation income	**57,006,471**	**60,914,105**
Legal tax rate	22%	22%
Tax calculated at tax rates applicable to the profit	(12,541,424)	(13,401,103)
Tax adjustment effects:		
Non-deductible expenses	(49,173)	(212,002)
Effect of investments valued by equity method	33,352	74,100
Effect of non-taxable income under exception	12,435	10,141
Other	3,560	(49,833)
Total taxation expense	**(12,541,250)**	**(13,578,697)**

Deferred income taxation

The Company calculates its deferred tax assets and liabilities by using the tax rates enacted as of the balance sheet date, based on the temporary differences between the registered values of the assets and liabilities on the balance sheet and the tax values.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with this Act entering into force, deferred tax assets and liabilities are calculated with a tax rate of 22% for those periods when assets are realized or liabilities are fulfilled. Realisations of temporary differences for 2021 and subsequent periods will be calculated at 20%.

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred income taxation (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2019 and 2018 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable Cumulative Temporary Differences		Deferred Income Tax Assets/ (liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Differences due to property, plant and equipment and intangible assets	5,427,854	6,919,797	(1,194,128)	(1,522,355)
Provision for employment termination benefits	(7,958,808)	(6,424,347)	1,750,938	1,413,356
Inventories exchange difference	(121,946)	(797,790)	24,389	(159,558)
Provision for unused vacations	(613,426)	(576,587)	134,954	126,849
Provision for impairtment in inventories	(142,406)	(54,258)	31,329	11,937
Other	393,549	414,395	(78,710)	(82,879)
Deferred income tax assets/ (liabilities)-net			**668,772**	**(212,650)**

Movements in deferred income tax assets/(liabilities) can be analysed as follows:

	2019	2018
1 January	**(212,650)**	**(202,364)**
Charged to startement of comprehensive income	694,225	(190,363)
Charged to other comprehensive (income)/ loss	187,197	180,077
31 January	**668,772**	**(212,650)**

NOTE 22 - EARNINGS PER SHARE

Earning per share disclosed in the statement of comprehensive income are determined by dividing net profit for the year by the weighted average number of shares that have been outstanding during the year concerned.

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 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.

Earnings per share is calculated by dividing the net gain by the weighted average number of ordinary shares outstanding during the period.

		31 December 2019	31 December 2018
Net profit for the year	A	44,465,221	47,335,408
Weighted average number of shares	B	5,250,000,000	5,250,000,000
Earning per 100 shares with a Kr1 face value	**A/B**	**0,008**	**0,009**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

The Company activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk and price 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 over-all 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 defined 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; and

- 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, trade receivables from related parties and other trade receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has established an effective control system over its dealer network and risks arising from transactions with dealers are followed by obtaining sufficient amounts of guarantees from the dealers (excluding related parties) for dealing with credit risk. The Company manages this risk from dealers and direct customers by limiting the credit lines according to the amount of the guarantees received and updating these guarantees 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 Company management on the basis of past experiences and current economic conditions. After required provision is booked for doubtful receivables, the net amount is recognized in the balance sheet.

Credit risk intensification arises as a result of the fact that more than one counterparty has similar economic characteristics that will affect the ability to meet contractual obligations due to similar business activities or activity in the same geographical region or changes in economic, political and other conditions. Concentration refers to the relative sensitivity of Company performance to developments affecting a particular sector.

It has clear requirements to focus on maintaining a diversified portfolio to prevent excessive risk concentration. The credit concentration (credit) defined is controlled and managed accordingly.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued)

The credit risk exposure in terms of financial instruments as of 31 December 2019 were as follows:

31 December 2019:

	Receivables					
	Trade receivables (1)		Other receivables			
Credit risks exposed by types of financial instruments	**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**-**	**55,943,025**	**-**	**318,080**	**102,743,683**	**159,004,788**
- The part of maximum credit risk covered with guarantees	-	6,034,166	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	-	47,075,739	-	318,080	102,743,683	150,137,502
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired		8,867,286	-	-	-	8,867,286
- The part covered by guarantees etc	-	(6,034,166)	-	-	-	(6,034,166)
D, Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32,704,995	-	-	-	32,704,995
- Impairment (-)	-	(32,704,995)	-	-	-	(32,704,995)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(2) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued)

The credit risk exposure in terms of financial instruments as of 31 December 2018 were as follows:

31 December 2018:

	Receivables					
	Trade receivables (1)		Other receivables			
Credit risks exposed by types of financial instruments	**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**2,122**	**35,417,261**	**-**	**107,273**	**64,047,556**	**99,574,212**
- The part of maximum credit risk covered with guarantees etc	-	18,684,129	-	-	-	18,684,129
A. Net book value of financial assets not due or not impaired (3)	2,122	31,857,708	-	107,273	64,047,556	96,014,659
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	3,559,553	-	-	-	3,559,553
- The part covered by guarantees etc		(1,113,666)	-	-	-	(1,113,666)
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32,704,995	-	-	-	32,704,995
- Impairment (-)	-	(32,704,995)	-	-	-	(32,704,995)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(2) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The maturity distribution of assets that have been outstanding but not impaired as at 31 December 2019 and 2018 are as follows:

	31 December 2019 Trade receivables	31 December 2018 Trade receivables
1-30 days overdue	8,122,497	2,903,208
1-3 months overdue	719,560	634,461
3-9 months overdue	25,229	21,884
	8,867,286	**3,559,553**
The amount covered by guarantee	**(6,034,166)**	**(1,113,666)**

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. 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. The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2019 and 2018 are as follows:

31 December 2019:

Contractual maturity dates:	Carrying Value	Total Cash Outflows Peir Agreement (=I+II+III)	Less Than 3 Months (I)	3 - 12 Months (II)	1 - 5 Years (III)
Non-Derivative Financial Liabilities:					
Bank borrowings	36,100,127	36,100,127	36,100,127	-	-
Trade payables to related parties	1,659,578	1,659,578	1,659,578	-	-
Trade payables to third parties	24,715,162	24,715,162	24,715,162	-	-
	62,474,867	**62,474,867**	**62,474,867**	-	-

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk (Continued)

31 December 2018:

Contractual maturity dates:	Carrying Value	Total Cash Outflows Peir Agreement (=I+II+III)	Less Than 3 Months (I)	3 - 12 Months (II)	1 - 5 Years (III))
Non-Derivative Financial Liabilities:					
Bank borrowings	4,137	4,137	4,137	-	-
Trade payables to related parties	1,499,209	1,499,209	1,499,209	-	-
Trade payables to third parties	26,924,433	27,312,805	27,312,805	-	-
Other financial liabilities	24,831,593	24,831,593	15,111,659	9,719,934	-
	53,259,372	**53,647,744**	**43,927,810**	**9,719,934**	**-**

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. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are closely monitored in Audit Committee and Board of Director's meetings and the foreign currency position of the Company and foreign exchange rates are closely followed up.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

i) Foreign currency risk (Continued)

The following table summarizes the Company's foreign currency risk as of 31 December 2019 and 31 December 2018. The registered amounts of foreign currency assets and liabilities held by the Company are as follows according to foreign currency types

Foreign exchange risk management

31 December 2019	**Foreign Currency Position**			
	TRY Equivalent	**USD**	**EUR**	**Other (TRY Equivalent)**
1. Trade Receivables	45,198,110	7,084,751	468,119	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	102,625,275	16,960,228	282,057	2,280
2b Non-Monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4 Current Assets (1+2+3)	**147,823,385**	**24,044,979**	**750,176**	**2,280**
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)	**147,823,385**	**24,044,979**	**750,176**	**2,280**
10 Trade Payables	(16,295,951)	(2,714,362)	(25,877)	-
11. Financial Liabilities	(33,637,618)	(5,662,708)	-	-
12a. Other Monetary Liabilities	(290,389)	(47,758)	(1,007)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(50,223,958)**	**(8,424,828)**	**(26,884)**	**-**
14. Trade Payables	-	-	-	-
15. . Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	**(50,223,958)**	**(8,424,828)**	**(26,884)**	**-**
19. Net Asset/(Liability) Position of Off - Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	-	-	-	-
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	-	-	-	-
20. Net Foreign Currency (Liability)/ Asset Position (9-18+19)	**97,599,427**	**15,620,151**	**723,292**	**2,280**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**97,599,427**	**15,620,151**	**723,292**	**2,280**
22, Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-
23. Amount of foreign currency denominated assets hedged	-	-	-	-
24. Amount of foreign currency denominated liabilities hedged	-	-	-	-
25. Export	**31,493,407**	**3,314,174**	**2,035,848**	**-**
26. Import	**227,172,574**	**38,642,495**	**331,062**	**268,483**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

i) Foreign currency risk (Continued)

31 December 2018	Foreign Currency Position			
	TRY Equivalent	USD	EUR	Other (TRY Equivalent)
1. Trade Receivables	24,641,082	4,242,352	385,284	-
2a. Monetary Financial Assets	-	-	-	-
(Cash, Bank accounts included)	58,389,730	10,891,806	180,337	1,956
2b Non-Monetary Financial Assets				
3. Other	32	6	-	-
4 Current Assets (1+2+3)	**83,030,843**	**15,134,164**	**565,621**	**1,956**
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)	**83,030,843**	**15,134,164**	**565,621**	**1,956**
10. Trade Payables	(23,194,589)	(4,092,577)	(276,037)	-
11. Financial Liabilities	(24,831,596)	(4,720,028)	-	-
12a. Other Monetary Liabilities	(3,121,507)	(572,363)	(18,308)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(51,147,691)**	**(9,384,968)**	**(294,345)**	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**(51,147,691)**	**(9,384,968)**	**(294,345)**	-
19. Net Asset/(Liability) Position of Off - Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments				
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
20. Net Foreign Currency (Liability)/ Asset Position (9-18+19)	**31,883,152**	**5,749,196**	**271,276**	**1,956**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**31,883,121**	**5,749,190**	**271,276**	**1,956**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Amount of foreign currency denominated assets hedged	**-**	**-**	**-**	**-**
24. Amount of foreign currency denominated liabilities hedged	**-**	**-**	**-**	**-**
25. Export	**32,971,256**	**7,007,172**	**-**	**-**
26. Import	**214,563,840**	**47,103,221**	**-**	**-**

At 31 December 2019, foreign currency denominated assets and liabilities are translated into the following currencies: TRY5,9402 = USD1, TRY6,6506 = EUR1, (31 December 2018: TRY5,2609 = USD1, TRY6,0280 = EUR1).

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

i) Foreign currency risk (Continued)

31 December 2019	Exchange Rate Sensitivity Analysis Table			
	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	9,278,682	(9,278,682)	-	-
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**9,278,682**	**(9,278,682)**	**-**	**-**
Change of EUR by 10% against TRY:				
4- Asset/liability denominated in EUR - net	481,033	(481,033)	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**481,033**	**(481,033)**	**-**	**-**
Change of other currencies by 10% against TRY:				
7- Asset/liability denominated in other currencies- net	226	(226)	-	-
8- The part of other currency risk hedged (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**226**	**(226)**	**-**	**-**
Total (3+6+9)	**9,759,941**	**(9,759,941)**	**-**	**-**

31 December 2018	Exchange Rate Sensitivity Analysis Table			
	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	3,024,595	(3,024,595)	-	-
2- The part of USD risk hedged (-)			-	-
3- USD Effect - net (1+2)	**3,024,595**	**(3,024,595)**	**-**	**-**
Change of EUR by 10% against TRY:				
4- Asset/liability denominated in EUR - net	163,525	(163,525)	-	-
5- The part of EUR risk hedged (-)			-	-
6- EUR Effect - net (4+5)	**163,525**	**(163,525)**	**-**	**-**
Change of other currencies by 10% against TRY:				
7- Asset/liability denominated in other currencies - net	194	(194)	-	-
8- The part of other currency risk hedged (-)			-	-
9- Other foreign currency effect - net (7+8)	**194**	**(194)**	**-**	**-**
Total (3+6+9)	**3,188,314**	**(3,188,314)**	**-**	**-**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

ii) Interest risk

As of 31 December 2019 and 2018, the Company does not have any financial instruments against floating interest rate.

d) Capital risk management

In managing capital, The Company's objective is to safeguard the Company's ability to continue providing returns for shareholders and benefits for other stakeholders and maintaining an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Company monitors capital on the basis of the debt/capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the balance sheet, less cash and cash equivalents.

	31 December 2019	31 December 2018
Total Liabilities	(62,474,867)	(53,259,372)
Less: Cash and cash equivalents	102,822,901	64,303,404
Financial assets, net	40,348,034	11,044,032
Total equity	**162,330,315**	**151,033,238**
Net assets/equity ratio	**25%**	**7%**

The company management monitors the net asset/total capital ratio regularly and updates it when necessary.

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Fair value of financial instruments

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

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Fair value of financial instruments (Continued)

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

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. It is foreseen that the registered values of trade receivables reflect the fair value together with the relevant impairment provisions.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are assumed to keep their fair values due to their short-term nature.

NOTE 25 - SUBSEQUENT EVENTS

None.

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