

(Convenience translation into English of the independent auditors' report and consolidated financial statements originally issued in Turkish - See Note 33)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated financial statements as of and for the year ended December 31, 2019 together with independent auditor's report

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Table of contents

	<u>Page</u>
Independent auditor's report	1 - 5
Consolidated statement of financial position	6 - 8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12 – 70

(Convenience translation of the independent auditors' report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ege Profil Ticaret ve Sanayi Anonim Şirketi;

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Ege Profil Ticaret ve Sanayi Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

(Convenience translation of the independent auditors' report originally issued in Turkish)

Key Audit Matters	How key audit matters addressed in the audit
<p><u>Provision for impairment of trade receivables</u></p> <p>The balance of the allowance for the doubtful trade receivables is amounting to TL 35.468.212 with respect to total trade receivables at amount of TL 363.501.144 in the consolidated statement of financial position as of December 31, 2019 (Note 7).</p> <p>The collectability of trade receivables is key elements of the Group's credit risk management and business capital management and also includes important judgements and estimation of management.</p> <p>It requires significant management judgment to determine whether trade receivables may be collectible. The Group management assesses all other information together with the aging of trade receivables, analyzing the risk of ongoing lawsuits taking letters from the legal counselors, the qualifications of the collaterals under the credit risk management and the collection performance in the subsequent period.</p> <p>The Group has recognized the expected credit losses estimated related to financial assets in the consolidated financial statements in accordance with TFRS 9.</p> <p>Due to the magnitude of the amounts, the comprehensive and complexity of applications required due to adoption of TFRS 9 and also significant management judgments required for the collectability assessment, the existence and recoverability of trade receivables is considered as a key audit matter.</p>	<p>The following procedures have been applied to ensure the accurate and complete provision for impairment of trade receivables.</p> <ul style="list-style-type: none"> - Analytical examination of the aging tables of its trade receivables and comparison of the collection turnover rate with prior years, - Testing of trade receivables balances by sending confirmation letter to third parties via sampling method, - Testing of collections made in subsequent period via sampling method, - Testing of the collaterals received and evaluating their ability to convert into cash, - Assessing the appropriateness and reasonableness of the methods and data sources used in the calculation of the key discernments and estimations by management, and in accordance with the TFRS 9 Financial Instruments standard, - Investigation of lawsuits related to receivables to check the appropriateness of special provisions reserved for trade receivables and obtaining confirmation letter regarding the proceedings from legal counsel, - Evaluation of the efficiency of the explanations regarding the impairment of trade receivables and trade receivables and their compliance with standards.

(Convenience translation of the independent auditors' report originally issued in Turkish)

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control .
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(Convenience translation of the independent auditors' report originally issued in Turkish)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

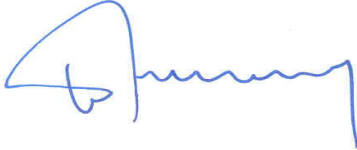
(Convenience translation of the independent auditors' report originally issued in Turkish)

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 19,2020.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2019 and consolidated financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Ethem Kutucular, SMMM
Partner

February 19, 2020
İstanbul, Turkey

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position

as at December 31, 2019

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

ASSETS	Notes	Audited	Audited
		Current period December 31, 2019	Prior period December 31, 2018
Current assets			
- Cash and cash equivalents	4	207.946.450	276.072.429
- Trade receivables	7	363.501.144	434.450.244
- Trade receivables from related parties	7, 29	40.576.094	81.482.247
- Trade receivables from third parties	7	322.925.050	352.967.997
- Other receivables	8	45.180.927	3.876.696
- Other receivables from related parties	8, 29	43.984.454	3.042.045
- Other receivables from third parties	8	1.196.473	834.651
- Derivative instruments	6	1.222.607	-
- Inventories	9	134.484.055	136.786.306
- Prepaid expenses	10	3.062.487	5.222.926
- Current income tax assets	11, 27	7.689.397	3.726.041
- Other current assets	18	3.265.200	8.358.106
SUB TOTAL		766.352.267	868.492.748
- Assets held for sale	26	5.320.001	3.426.866
TOTAL CURRENT ASSETS		771.672.268	871.919.614
Non-current assets			
- Other receivables	8	1.210.681	1.403.407
- Other receivables from third parties	8	1.210.681	1.403.407
- Property, plant and equipment	12.1	401.171.711	394.421.374
- Right of use assets	12.2	44.778.937	-
- Intangible assets	13	6.373.753	6.240.123
- Prepaid expenses	10	4.962.067	5.385.152
TOTAL NON-CURRENT ASSETS		458.497.149	407.450.056
TOTAL ASSETS		1.230.169.417	1.279.369.670

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

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position

as at December 31, 2019 (continued)

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

LIABILITIES	Notes	Audited	Audited
		Current period December 31, 2019	Prior period December 31, 2018
Current liabilities			
- Short term borrowings	5.1	114.031.771	112.777.438
- Current portion of long term borrowings	5.1	91.424.537	92.184.381
- Lease liabilities	5.2	13.622.056	-
- Trade payables	7	296.609.533	363.184.297
- Trade payables to related parties	7, 29	25.589.908	16.706.885
- Trade payables to third parties	7	271.019.625	346.477.412
- Liabilities for employee benefits	17	4.328.829	5.348.060
- Other payables	8	78.882	21.458
- Other payables to third parties	8	78.882	21.458
- Derivative financial instruments	6	-	14.762.427
- Deferred income	16	96.089.155	79.157.200
- Short term provisions	14	6.741.354	5.888.905
- Other short term provisions	14	6.741.354	5.888.905
- Other current liabilities	18	3.861.824	6.881.623
TOTAL CURRENT LIABILITIES		626.787.941	680.205.789
Non-current liabilities			
- Long term borrowings	5.1	117.110.613	144.368.008
- Lease liabilities	5.2	37.085.244	-
- Long term provisions	17	19.226.400	12.918.828
- Provisions for employee termination benefits	17	19.226.400	12.918.828
- Deferred tax liabilities	27	4.371.310	10.928.371
TOTAL NON-CURRENT LIABILITIES		177.793.567	168.215.207

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

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position

as at December 31, 2019 (continued)

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

		Audited	Audited
		Current period	Prior period
	Notes	December 31, 2019	December 31, 2018
EQUITY			
Equity holders of the parent		425.475.311	430.931.463
- Share capital	19	80.980.793	80.980.793
- Adjustment to share capital	19	7.840.703	7.840.703
- Treasury shares (-)		(8.024.832)	(5.193.952)
- Share premium		91.952	91.952
- The impact of business combinations of the entities under common control		(5.972.570)	(5.972.570)
- Other comprehensive income / expense not to be reclassified to profit or loss		82.104.603	87.117.893
- <i>Revaluation surplus for tangible assets</i>		90.907.689	91.251.885
- <i>Remeasurement gain/(loss) arising from defined benefit plan</i>		(8.803.086)	(4.133.992)
- Other comprehensive income / expense to be classified to profit or loss		3.131.067	(801.709)
- <i>Foreign currency translation differences</i>		3.131.067	(801.709)
- Restricted reserves		32.379.717	28.761.185
- Retained earnings		195.957.918	132.057.817
- Net profit for the period		36.985.960	106.049.351
Non-controlling interests		112.598	17.211
TOTAL EQUITY		425.587.909	430.948.674
TOTAL LIABILITIES AND EQUITY		1.230.169.417	1.279.369.670

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

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated statement of profit or loss and other comprehensive income
for the year ended December 31, 2019
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

		Audited	Audited
		Current period	Prior period
		January 1 –	January 1 –
	Notes	December 31,	December 31,
		2019	2018
Revenue	20	1.047.210.199	1.105.842.698
Cost of sales (-)	20	(754.321.357)	(754.554.441)
Gross profit		292.888.842	351.288.257
General administrative expenses (-)	21	(69.201.962)	(52.695.401)
Marketing expenses (-)	21	(115.470.643)	(121.432.771)
Research and development expenses (-)	21	(2.279.524)	(1.777.342)
Other operating income	22	56.371.432	141.954.435
Other operating expenses (-)	22	(61.663.677)	(103.070.961)
Operating profit		100.644.468	214.266.217
Income from investment activities	23	24.105.845	12.870.502
Expenses from investment activities (-)	23	(258.475)	(257.297)
Operating profit before financial income / (expense)		124.491.838	226.879.422
Financial income	25	30.173.663	64.387.127
Financial expenses (-)	25	(124.332.660)	(164.538.828)
Profit before tax from continuing operations		30.332.841	126.727.721
Continuing operations tax income / (expense)		6.653.119	(20.678.370)
Current tax income / (expense)	27	1.263.332	(9.169.992)
Deferred tax income / (expense)	27	5.389.787	(11.508.378)
Profit from continuing operations for the period		36.985.960	106.049.351
Profit for the period		36.985.960	106.049.351
Earnings per share	28	0,0046	0,0131
Distribution of profit for the period:			
Equity holders of the parent		36.980.951	106.049.351
Non-controlling interest		5.009	-
Other comprehensive income / (expense)			
Other comprehensive income not to be reclassified to profit or loss		(4.669.094)	(191.559)
- Remeasurement gain/(loss) from defined benefit plan	17	(5.836.368)	(239.449)
- Remeasurement gain/(loss) from defined benefit plan, deferred tax effect	27	1.167.274	47.890
Other comprehensive income to be reclassified to profit or loss		3.204.277	309.714
- Foreign currency translation differences gain/(loss)		3.204.277	309.714
Other comprehensive income / (expense) (net of tax)		(1.464.817)	118.155
Total comprehensive income / (expense)		35.521.143	106.167.506
Total comprehensive income attributable to:			
Parent company interests		35.516.134	106.167.506
Non-controlling interests		5.009	-

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

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated statement of changes in equity

for the year ended December 31, 2019

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

						Other comprehensive income or expenses not to be reclassified to profit or loss	Other comprehensive income or expenses to be reclassified to profit or loss	Accumulated profit						
	Share capital	Adjustment to share capital	Treasury shares(-)	Share Premium	The effect of business combinations of the entities under common control	Remeasurement gain/(loss) arising from defined benefit plan	Revaluation gain/(loss) of tangible assets	Foreign currency translation differences	Restricted reserves	Retained earnings	Net profit for the period	Shareholders' equity	Non-controlling interests	Total equity
Balance as of January 1, 2018	10.980.793	7.840.703	(1.344.496)	91.952	(5.972.570)	(3.942.433)	91.743.971	(1.111.423)	26.406.430	91.176.098	67.143.208	353.012.233	-	353.012.233
Net profit for the period	-	-	-	-	-	-	-	-	-	-	106.049.351	106.049.351	-	106.049.351
Other comprehensive income / (expense)	-	-	-	-	-	(191.559)	-	309.714	-	-	-	118.155	-	118.155
Total comprehensive income / (expense)	-	-	-	-	-	(191.559)	-	309.714	-	-	106.049.351	106.167.506	-	106.167.506
Transfers	-	-	-	-	-	-	(492.086)	-	2.354.755	65.280.539	(67.143.208)	-	-	-
Increase / (decrease) due to share repurchase transactions	-	-	(3.849.456)	-	-	-	-	-	-	436.180	-	(3.413.276)	-	(3.413.276)
Dividends (Note 19)	-	-	-	-	-	-	-	-	-	(24.835.000)	-	(24.835.000)	-	(24.835.000)
Increase / (decrease) due to other changes	-	-	-	-	-	-	-	-	-	-	-	-	17.211	17.211
Balance as of December 31, 2018	10.980.793	7.840.703	(5.193.952)	91.952	(5.972.570)	(4.133.992)	91.251.885	(801.709)	28.761.185	132.057.817	106.049.351	430.931.463	17.211	430.948.674
Balance as of January 1, 2019	10.980.793	7.840.703	(5.193.952)	91.952	(5.972.570)	(4.133.992)	91.251.885	(801.709)	28.761.185	132.057.817	106.049.351	430.931.463	17.211	430.948.674
Net profit for the period	-	-	-	-	-	-	-	-	-	-	36.985.960	36.985.960	-	36.985.960
Other comprehensive income / (expense)	-	-	-	-	-	(4.669.094)	-	3.932.775	-	-	-	(736.319)	-	(736.319)
Total comprehensive income / (expense)	-	-	-	-	-	(4.669.094)	-	3.932.775	-	-	36.985.960	36.249.641	-	36.249.641
Transfers	-	-	-	-	-	-	(344.196)	-	3.618.532	102.775.015	106.049.351	-	-	-
Increase / (decrease) due to share repurchase transactions	-	-	(2.830.880)	-	-	-	-	-	-	649.025	-	(2.181.855)	-	(2.181.855)
Dividends (Note 19)	-	-	-	-	-	-	-	-	-	(40.234.200)	-	(40.234.200)	-	(40.234.200)
Increase / (decrease) due to other changes	-	-	-	-	-	-	-	-	-	710.261	-	710.261	95.387	805.648
Balance as of December 31, 2019	10.980.793	7.840.703	(8.024.832)	91.952	(5.972.570)	(8.803.086)	90.907.689	3.131.067	32.379.717	195.957.918	36.985.960	425.475.311	112.598	425.587.909

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

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Consolidated statement of cash flows
for the year ended December 31, 2019
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

		Audited	Audited
		Current period	Prior period
		January 1 –	January 1 –
	Notes	December 31,	December 31,
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		108.457.765	278.028.686
Net profit		36.985.960	106.049.351
Net profit for the period from continuing operations		36.985.960	106.049.351
Adjustments to reconcile net profit (loss) for the period		85.906.062	93.301.599
Adjustments related to corporate tax (income) expense	27	(6.653.119)	20.678.370
Adjustments related to loss (gain) arising from sale of fixed assets	23	(1.453.212)	(1.414.390)
Adjustments related to depreciation and amortization expenses	24	46.701.029	25.050.474
Adjustments related to rediscount (income) expense		(4.603.533)	(1.352.693)
Adjustments related to impairment loss (reversal) recognized on inventories	9	(111.693)	676.015
Adjustments related to impairment loss (reversal) recognized on receivables	7	(3.953.884)	(8.922.490)
Adjustments related to provisions (reversal) of employee benefits	17	4.838.969	3.064.646
Adjustments related to provisions (reversal) for litigations	14	88.257	580.374
Adjustments related to warranty provisions (reversal)	14	764.192	(124.845)
Adjustments related to fair value loss / (gain)	6	(1.222.607)	14.762.427
Adjustments related to interest income	23	(22.394.158)	(11.198.815)
Adjustments related to interest expenses	25	39.022.247	33.521.468
Adjustments related to profit / (loss) reconciliation	25	34.883.574	17.981.058
Changes in working capital		(7.391.522)	91.334.949
Adjustments related to decrease (increase) in inventories	9	2.413.944	(28.554.908)
Adjustments related to decrease (increase) in trade receivables		75.956.947	60.903.597
Adjustments related to increase (decrease) in trade payables	7	(66.574.764)	149.361.891
Adjustments related to decrease in other receivables		(32.138.000)	(3.725.225)
Adjustments related to increase (decrease) in other payables		12.950.351	(86.650.406)
Cash flows provided by operating activities		115.500.500	290.685.899
Taxes refunded (paid)	27	(4.331.405)	(12.896.033)
Cash inflows from doubtful receivables	7	1.656.435	2.317.740
Employee termination benefits paid	17	(4.367.765)	(2.078.920)
CASH FLOWS FROM INVESTING ACTIVITIES		(12.555.224)	(46.989.923)
Purchase of property, plant and equipment and intangible assets	12.1,13	(39.209.818)	(57.619.311)
Proceeds from sales of property, plant and equipment and intangible assets	12.1,13	3.848.980	2.017.314
Advances given	10	411.456	(2.586.741)
Interest received		22.394.158	11.198.815
CASH FLOWS FROM FINANCING ACTIVITIES		(168.689.794)	(12.175.539)
Proceeds from financial borrowings		201.683.091	364.688.770
Repayments of financial borrowings		(219.554.633)	(293.951.151)
Interest paid		(39.022.248)	(32.724.615)
Other cash outflows		(34.883.574)	(17.981.058)
Dividends paid	19	(40.234.200)	(24.835.000)
Cash outflows from treasury shares		(2.181.855)	(3.413.276)
Cash inflows from derivative financial instruments, net t		(14.762.427)	(3.959.208)
Payment of lease liabilities	5.2	(19.733.948)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		(72.787.253)	218.863.225
Currency translation differences effect related to cash and cash equivalents		4.661.274	309.714
Net increase (decrease) in cash and cash equivalents		(68.125.979)	219.172.939
Cash and cash equivalents at the beginning of the period	4	276.072.429	56.899.490
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	207.946.450	276.072.429

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

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

1. The Group’s organization and nature of operations

Ege Profil Ticaret ve Sanayi Anonim Şirketi (“the Company”) is a registered company in Izmir. The main operations of the Company are manufacturing and sales of all types of plastic pipes, spare parts, profiles and plastic goods. In the following sections, the Company and its Subsidiaries will be referred to as “Group”.

The head office address is as follows:

Atatürk Plastik OSB Mahallesi. 5. Cadde. No: 4 35660 Menemen / İzmir.

As of December 31, 2019 and 2018, the shareholder structure of the Company is as follows:

	December 31, 2019	December 31, 2018
	Ownership rate (%)	Ownership rate (%)
Deceuninck N.V.	95,88	95,88
Public owned	4,12	4,12
	100	100

As of December 31, 2019, 4,12% of the Company’s shares are listed on Borsa Istanbul. Treasury shares disclosed in Note 19. The Company’s parent and ultimate parent company is Deceuninck N.V.

As of December 31, 2019 and 2018, the number of personnel by category is as follows.

	December 31, 2019	December 31, 2018
Administrative	277	311
Manufacture	712	702
Total	989	1.013

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements

2.1 Basis of presentation

The Group maintains its books of account and prepares its statutory consolidated financial statements in Turkish Lira in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation. Subsidiaries of the Company which currently operate in foreign countries maintain their books of account and prepare their consolidated financial statements in accordance with the local tax legislations of the countries where they are operating and they maintain their books of account and prepare their consolidated financial statements in terms of national currency.

The accompanying consolidated financial statements are prepared in accordance with the 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 the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“IFRIC”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”) Turkish Accounting Standards Boards. The consolidated financial statements of the Group are prepared as per the CMB announcement of 15 April 2019 relating to financial statements presentations.

The consolidated financial statements are based on the statutory records of the Company and its Subsidiaries and presented in TL in accordance with the TAS/TFRS with certain adjustments and reclassifications to provide a true and fair view of the financial position of the Company and its Subsidiaries.

The consolidated financial statements are prepared on historical cost basis, except for the derivative financial instruments and lands and buildings under tangible assets carried at fair value in accordance with TAS 16.

Functional and presentation currency

The consolidated financial statements are presented in TL, which is the functional currency of the Company and the presentation currency of the Group. The functional currencies used by the Company's branch in India and its subsidiaries in Chile are Indian Rupee, Chilean Peso, respectively. The items of the statement of financial position are translated at the foreign exchange rate valid at the reporting date; and the income and expense items are translated at the average rate of exchange for the period. Gains and losses arising from translation operations are stated in the “foreign exchange translation differences” account in the condensed consolidated statement of other comprehensive income. The condensed consolidated financial statements as of December 31, 2019 and the prior period financial data used for comparison purposes are all prepared in TL.

Going concern

The Group prepared interim consolidated financial statements in accordance with the going concern assumption.

Approval of consolidated financial statements

Consolidated financial statements were approved by the Board of Directors on February 19, 2020. The General Assembly and related legal entities have the right to amend the consolidated financial statements prepared in accordance with legal regulations and these consolidated financial statements.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Consolidation principles

The consolidated financial statements include the accounts of the parent company, Ege Profil Ticaret ve Sanayi A.Ş., its Subsidiaries, and its Branches on the basis set out as below. The consolidated financial statements of the Companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with “TAS/TFRS” and the application of uniform accounting policies and presentation.

Subsidiaries are companies on which the Company has rights or exposed to variable returns from its involvement with the investee and at the same time it has the power to affect these returns through its power over the investee by constituting the power to control the activities of the these companies.

- All balance sheet items other than the paid-in capital of the Parent Company and its subsidiaries and their equities at the acquisition date are added, and inter-company balances are eliminated.
- The Parent Company’s interest in the subsidiaries is set off against the financial assets account of the Parent Company and the share capital accounts of the subsidiaries.
- As of the acquisition date that the entity included in the consolidation becomes a subsidiary and in the subsequent share acquisitions, the acquisition cost of the Parent Company’s shares in its subsidiaries is set off against the value representing these shares in the equity account of the Subsidiary’s statement of financial position drawn up according to fair value.
- Shares other than those of the Parent Company shares and its Subsidiaries are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as “Non-controlling Interests” in the equity account group of the consolidated statement of financial position.
- The purchase and sales among the Parent Company and its subsidiaries and the profit and losses arising from these transactions are eliminated in the condensed consolidated statement of profit or loss and other comprehensive income. Profit and losses arising from the purchase or sale of marketable securities, inventories, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

As of December 31, 2019 and 2018 the Group’s proportion of ownership interests of subsidiaries has been shown in the following table:

	December 31, 2019	December 31, 2018
Deceuninck Importadora Limitada (Chile)	99,9%	99,9%
Deceuninck Profiles India Private Limited (India) (*)	99,0%	99,0%

(*) The Company acquired 99% share of Deceuninck Profiles India Private Limited which belongs to Deceuninck Group from Deceuninck N.V. as its Parent Company amounting to TL 1.303.801 and acquired 1% share from Deceuninck N.V which belongs to Deceuninck Group amounting to TL 13.304 on June 22, 2018.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Subsidiaries that have control over activities are taken into the scope of consolidation as of the date it is transferred to the Group and on the date of acquiring the control are also excluded from the scope of consolidation. Subsidiaries have been consolidated statement of financial position and income statements using the full consolidation method and the carrying value of the equity owned subsidiary the Company has been eliminated. Intercompany transactions and balances between the Company and its subsidiaries have been eliminated on consolidation level. The cost of the shares owned by the Company's value and dividends arising from these are eliminated from the related equity and income statement.

2.2 Comparative information and classification of prior period consolidated financial statements

The consolidated financial statements of the Group in the consolidated financial statements are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. Consolidated statement of financial position of the Group as at December 31, 2019 has been prepared comparatively with consolidated financial position of Group as at December 31, 2018 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the period ended December 31, 2019 have been prepared comparatively with consolidated statement profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated changes in equity of Group for the period ended December 31, 2018.

2.3 Accounting policies, changes and errors in accounting estimates:

The significant changes that were made on accounting policies applied retrospectively and the consolidated financial statements of preceding period are restated. If changes in accounting estimates are only for a period, changes are applied to the current year but if the changes in the estimates are for the following period changes are applied both to the current and future years prospectively.

The accounting policies applied in the preparation of the consolidated financial statements as of January 1 - December 31, 2019 are consistent with those applied in the preparation of the consolidated financial statements as of December 31, 2018, except for the new TFRS 16 – Leasing Standard.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

**Notes to the consolidated financial statements
as at December 31, 2019 (continued)**
(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

The Group has performed a detailed impact assessment of TFRS 16 as of 1 January 2019. In summary the impact of TFRS 16 adoption is expected to be, as follows:

Assets

Right-of-use assets : 53.356.658 TL

Liabilities

Lease liabilities : 53.356.658 TL

Summary of new accounting policies

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities (Financial liabilities)

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amendments to TAS 28 “Investments in Associates and Joint Ventures” (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “TAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have a significant impact on the financial position or performance of the Group.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- *TAS 12 Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- *TAS 23 Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 “Plan Amendment, Curtailment or Settlement” The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortized cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortized cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows

- Highly probable requirement,
- Prospective Assessments,
- Retrospective Assessments
- Separately identifiable risk components.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

2.5 Summary of significant accounting policies

Financial instruments

Financial assets

i) Classification

Group classifies its financial assets in two categories of financial assets measured at amortized cost, and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

ii) Recognition and measurement

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

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

i) Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

ii) Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets. Provision for loss measured as below;

- -12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument
Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

A financial instrument is both a contract that establishes the financial asset of a business and another entity’s financial liability or equity instrument.

The Group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks with an original maturity of three months or less. Cash and cash equivalents are short term and highly liquid assets which can easily be converted into cash, with an original maturity of maximum three months and without carrying an insignificant risk of impairment

Trade receivables

Cheques receivables classified as trade receivables are carried at amortized cost using the effective interest rates, after deducting the allowance for doubtful trade receivables which is considering ELC model from the invoiced amount.

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under “other operating income/expenses” in the consolidated statement of income or loss

The discounted value of trade receivables and the provision for doubtful receivables are assumed to be equivalent to the fair value of the assets.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

Other financial liabilities

Other financial liabilities (short term and long term bank loans) are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis (Note 5).

Derecognition of financial liabilities Financial liabilities are derecognized only when the Group's liability is eliminated, canceled or expired. The difference between the carrying amount of the financial liability and the amount paid or to be paid, including the transferred non-cash assets or the liabilities assumed, is recognized in profit or loss.

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a borrowing instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Derivative financial instruments

The Group makes forward foreign exchange contracts in the foreign currency market. According to the Group 's risk management policies, such futures contracts entered for hedging purposes are classified as held for trading because they do not meet the requirements for hedge accounting in accordance with IFRS 9 Financial Instruments liabilities and assets are recognized at fair value and changes in fair value are reflected in the income statement. If the gain or loss arising from the fair value measurement of the derivative financial instruments at the reporting date and the gain or loss arising from derivative transactions realized within the period relates to the operating activities of the derivative transactions, are recognized in "other income (expenses) from the main operations" and within the derivative transactions are related to financing activities are recognized in "financial income / (expenses)" in the consolidated statements profit or loss.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

Related parties

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity; or,
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. In the consolidated financial statements, the shareholders of the Company, the Companies they own, their directors and other groups known to be related are defined as related companies.

The book value of receivables from related parties and the liability to related parties is assumed to be equivalent to the fair value of assets and liabilities.

Key management personnel are composed of chairman and members of board of directors, general manager and general manager assistants.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition:

Raw material cost is calculated using the weighted average method. Direct material cost and labor cost and fixed and variable general administration cost included at certain rates to work in process and finished goods and calculated using weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

Property, plant and equipment

Property, plant and equipment are recognized after deducting accumulated depreciation if any, after made provision for impairment losses, except for land, land and land improvements and buildings, which are remeasured at their fair value according to the revaluation model. The revenues measured in accordance with the revaluation model are shown by deducting the accumulated amortization from the fair values of the buildings and underground structures and buildings. The difference between the net book value determined after deducting the accumulated depreciation from the historical cost value and the fair value is followed up with the net deferred tax effect on the "Property, plant and equipment revaluation and measurement gains (losses)" account under equity. The fair value of property, plant and equipment measured in accordance with the Group's revaluation model exercises by a real estate appraisal company licensed by the Capital Markets Board.

In addition, the difference between the depreciation calculated based on the revalued amount carried at the asset and the depreciation calculated based on the first day value of the asset has been transferred from the tangible fixed assets revaluation fund under the depreciation effect equity accounts calculated annually by the linear method considering the economic life together with the deferred tax effect are transferred to the retained earnings (losses) account.

Tangible fixed assets are depreciated and registered under profit or loss after the estimated surplus value is deducted by using the straight-line method of depreciation on the basis of the date of purchasing or installation according to the estimated useful lives of assets.

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

	Time (Year)
Land improvements	10-40
Buildings	10-42
Furniture and fixtures	3-10
Machinery and equipment	2-25
Vehicles	4-8
Other tangible assets	5

Cost value of tangible asset; the purchase price, the import tax, and the non-taxable taxes, are expenses incurred to make the tangible asset ready to use. Expenses such as repairs and maintenance that occur after the use of the tangible asset have started are recorded as expense in the period in which they are incurred. If expenditure provides an economic value increase in the future use of the related tangible asset, these expenditures are added to the cost of the asset and amortized over the remaining economic useful life.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

Intangible assets

Intangible assets and accumulated amortization of the cost, if any, shown by their impairment loss.

Intangible assets consist of license that are bought, brand, industrial software, dealer list, software license right and other rights and they capitalized according to IFRS 3 assets that are composed of other rights and are capitalized at the fair value determined at the time of purchase in accordance with IFRS 3 "Business Combinations". Positive goodwill, trademark and outsourced license fee resulting from the related business combination are not subject to amortization due to the non-existence of a certain economic life, but it is examined whether there is any impairment in the carrying value each year.

Other intangible assets (software licensing rights and other rights) are amortized over the estimated useful life of the asset in accordance with the normal depreciation method of 3-20 years. The carrying values of these intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Assets classified as held for sale

Non-current asset are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Assets are classified as assets held for sale when their carrying amount is considered to be recovered principally through a sale transaction instead of usage. When the court obtains the right to use the asset by means of an order or customer's inquiry, the amount of the related doubtful trade receivable is netted from the value determined in the expert reports and classified as held for sale asset, and the difference between the fair value of the asset and the amount of trade receivable is reflected in the income statement. Assets held for sale are stated at the lower of carrying amount and fair value. The impairment loss is recognised as expense under consolidated profit or loss statement of the period, at which time the carrying value is less than the fair value. No amortization is recognized for these assets.

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey exchange rates prevailing at the statement of the financial position dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized under the other operating income/expenses and financial income/expense in the statement of profit or loss.

Foreign currency exchange rates used by the Group at the time of statement of financial position dates are as follows:

	USD/ TL	Euro / TL
December 31, 2019	5,9402	6,6506
December 31, 2018	5,2609	6,0280

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Impairment of non-financial assets

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and the provision is recognized in the statement of comprehensive income as an expense, offsetting the impairment loss

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. The value in use of the mentioned assets represents the net present value of the net cash inflows from the continuous use and sales of these assets discounted with an appropriate discount rate.

If the impairment provision recognized in previous years is no longer valid, or if a lower provision is required to be set aside, the amount is withdrawn and reflected in the income statement.

However, an increase in the carrying value of the reversal of the impairment loss is recorded, provided that no impairment has been recognized in the previous years. The carrying amount of the remeasurement of fixed assets is initially recognized as a liability, net of the revaluation reserve in equity, and then an amount remaining after the total impairment is recognized as expense in the income statement.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 22% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax. The rate of corporate tax in India is 25%, and the rate of corporate tax in Chile is 27%.

As of December 31, 2019 and December 31, 2018, income tax provisions have been accrued in accordance with the prevailing tax legislation.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

75% of the income derived by the Group from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Group from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2019 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred 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 utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Income and expenses

Accruals basis accounting is applied for the recognition of revenue and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

Revenue recognition

In accordance with TFRS 15 "Revenue Standard from Customer Agreements", which is effective as of January 1, 2018, Group accounts in the consolidated financial statements of the revenue consignment in accordance with the following five-tiered model.

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

The Group assesses the goods or services undertaken by each contract made with the customers and sets each commitment to transfer such goods or services as a separate performance obligation. For each performance obligation, at the beginning of the contract, the obligation to fulfill the obligation is to be delivered in time or at a certain time. When the control of a good or service is over time and the Group fulfills its performance obligations related to sales in a timely manner, the Group takes the consolidated statements in the console at the expiration time by measuring the progress towards fulfillment of the fulfillment obligations. When Group fulfills the obligation to perform the obligation by transferring a promised good or service to the customer, it records the transaction value corresponding to the obligation as revenue in the consolidated financial statements.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

When Group evaluates the transfer of the customer for the control of the goods or services sold,

- a) Group owns the right to collect the goods or services,
- b) Owns legal ownership of the goods or services,
- c) The transfer of the possession of the goods or services,
- d) Ownership of the significant risks and rewards of ownership of the property of the customer,
- e) Takes into consideration the conditions under which the customer accepts goods or services.
- f) It is probable that the Group 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.

Within the scope of TFRS 15, if Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Interest income

Interest income is accrued on an effective interest rate basis. In the case of unpaid interest accrual prior to the acquisition of an interest-bearing security; the collected interest is divided into pre-acquisition and post-acquisition periods and only the portion after the acquisition is reflected in the consolidated financial statements as revenue.

Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of profit or loss is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “Bonus Share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. Presentation of the consolidated financial statements (continued)

Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

Provision for warranty

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization.

Contingent assets and liabilities

The contingent liabilities are not reflected in the financial statements but disclosed in the footnotes if the circumstances requiring the transfer of resources are not highly probable. The contingent assets are disclosed in footnotes if they are not reflected in the consolidated financial statements but are likely to generate economic benefits.

Employee benefits

Defined benefit plan (Provisions for termination indemnity)

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees or reasons except for resignation and behaviors stated in labor law, calculated in accordance with the Turkish Labor Law.

In the consolidated financial statements, the Group has recognized a liability using the “Projected Unit Credit Method” based upon factors derived using the Group’s experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the consolidated statement of comprehensive income.

Provisions for unused vacations

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

Leases

Financial leasing

Financial leases that transfer all the risks and benefits of ownership of the leased asset are reflected at the beginning of the lease on the basis of the fair value of the leased asset and the present value of the lease payments. Financial lease payments are allocated as principal and finance interest during the lease term to generate a fixed periodic rate of interest for the remaining debt for each period. Financing expenses are reflected directly to the income statement over periods. Activated leased assets are depreciated over their estimated useful lives. Leases where the leaseholder holds all risks and benefits of the leased asset are classified as operating leases. Operational rent payments are recorded in the income statement as a straight line expense over the lease maturity.

Segment reporting

The Group has identified operating segments based on internal reports regularly audited by the competent authority to make decisions on its activities. The Group's chief executive officer is the Group's general manager and Board of Directors.

The decision-making authority of the Group examines the results and activities in terms of customer groups with different risks and benefits, in order to make decisions about the resources allocated to the divisions and to evaluate the performance of the divisions. The distribution of the Group on the basis of customer groups is as follows: Domestic market, foreign market and other. Certain assets and liabilities, income and expenses are not included in the segments because they are centrally managed at the group level.

Goodwill

Goodwill is measured as the sum of the fair value of the acquirer's share of the previously acquired acquirer's share of the consideration transferred, the non-controlling interests ownership in the acquire and, if any, the acquire in an incremental business combination, the identifiable assets of the acquire at the date of acquisition, and is calculated as the amount exceeding the net amount of the identifiable liabilities assumed. If the entity acquired after reassessment exceeds the net amount of identifiable assets and identifiable liabilities recognized at the acquisition date, the fair value of the transferred consideration, the non-controlling interests in the acquired business and, if any, the fair value of the interests in the business acquired prior to the acquisition, are recognized directly in profit or loss as gain on disposal.

Capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period which they are approved and declared.

Share premiums

Share premium represents differences resulting from the sale of the Group's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

The effect of business combinations of the entities under common control

Business combinations arising from the transfer of the shares of companies under the control of shareholder that controls the Group are recognized like they took place at the beginning of the earliest comparative period offered and if it, took place later, on the date the joint control is established. To this end comparative periods are restated. Acquired assets and liabilities are recorded over the carrying amount registered in the consolidated financial statements of the shareholders under the Group's control. The shareholders equity items for the acquired companies are added to the same items in the Group's equity except for the capital and resulting profit or loss is recognized within equity.

Subsequent events

Subsequent events and 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 statement of financial position date and the date when the statement of financial position is authorized for issue

The Group adjusts the amounts recognized in its consolidated financial statements to reflect adjusting events occurring after the reporting date. If non-adjusting events after the reporting date have material influence on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements.

Statement of cash flows

Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group's activities. The Group has preferred to present the cash inflows and outflows from operating activities in the consolidated financial statements in indirect way.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Offsetting

When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

Treasury shares

When the shares that were recognized as paid-in capital are bought back the amount paid is deducted from equity in a way to include the amount resulting from the deduction of the tax impact of costs attributable to buyback. Shares bought back are indicated as a reduction in shareholders' equity. When the shares are sold or re-issued, the amount obtained is registered as capital increase and the resulting transaction surplus/(deficit) is transferred to retained earnings.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

2.5 Significant accounting judgments, estimates and assumptions

In preparation of the consolidated financial statements in accordance with TAS, the Group management is required to make some judgments, estimates and assumptions which will affect the amount of reported assets and liabilities, contingent liabilities and commitments and the income and expense amounts as of the reporting date. These estimates and assumptions may differ from actual results and the Group Management although based on the best knowledge about current events and transactions. Those estimates are reviewed regularly and any necessary corrections are made and reflected in the statement of profit or loss in the period in which they occur.

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

- The provision for impairment on trade receivables is calculated in accordance with ECL (expected credit loss) model under a simplified approach. In accordance with the mentioned model, the Group follows its customers in terms of payment performances in the previous periods and the aging its receivables. In calculation of the provision for impairment, the Group performs net risk calculation also considering the letter of guarantees on customer basis and used the expected credit loss rates determined by the previous experiences. In each reporting period, the Group management reviews the expected credit loss ratios and fair values of the collaterals ,in the portfolios considered in the credit risk calculation. As of December 31, 2019 the Group's provision for impairment of trade receivables and letter of guarantees in its portfolio has been disclosed in Note 7 and Note 2.5.
- The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of mainly related to tangible and intangible assets. The Group recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note .2.5 (Note 12 and13).
- Deferred tax assets are recognized if they are more likely to benefit from temporary differences and from accumulated losses by generating future taxable profits. It is necessary to make important estimates and assessments of the taxable profits that may arise in the future when the amount of deferred tax assets to be recorded is determined. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither an accounting nor taxable profit/ (loss). The fully or partially recoverable amount of deferred tax assets are estimated under available circumstances. The future income projections, current period losses, unused losses and expiration dates of other tax assets and tax planning strategies that can be used when necessary are considered during the evaluation of estimations. The details of tax assets and liabilities explained in Note 27.
- Retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). Due to these plans are long-term, these assumptions contain significant uncertainties. Provisions for benefits provided to employees are included in Note 17.
- When provisions of litigations are made, the probability of losing the case and the consequences cash outflows that will be tolerate in case of losing are evaluated by the legal advisers of the Group and the management of the Group makes the necessary provisions by using the data on hand and these provisions have been recognized in its consolidated financial statements. In addition in accordance with the tax laws in force within the framework of the ongoing tax examination, the Group has been accounted for by calculating the cash outflows on the basis of the best estimates within the available information, taking into account the opinions of the tax consultants. (Note 14).

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

2. Presentation of the consolidated financial statements (continued)

- Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization in accordance with its domestic sales with legal regulation in Turkey. The Group has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 14).
- The Group management assesses at each reporting period whether there are any circumstances indicating impairment in the scope of the impairment assessment of the assets; it uses independent real estate appraisal works for buildings and buildings intended for use as measured by revaluation model. The Group management, taking into consideration the transactions carried out for the assets held for sale in the current period and in the following period and taking into account the assessments made with the real estate experts regarding the tangible assets measured in accordance with the other revaluation model, indicates any impairment in their non-financial asset. Concludes that there is no case.

3. Segment reporting

The Group's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Group structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Group are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

4. Cash and cash equivalents

Cash and cash equivalents are as follows:

	December 31, 2019	December 31, 2018
Cash on hand	2.984	7.849
Cash at banks		
- TL time deposits (***)	119.816.913	163.059.000
- Foreign currency time deposits (****)	67.893.444	79.183.200
- TL demand deposits	3.233.049	6.738.258
- Foreign currency demand deposits	5.296.453	643.020
Cheques at collection (*)	6.933.243	26.439.446
Other (**)	4.770.364	1.656
	207.946.450	276.072.429

(*) Cheques at collection represent the cheques on the company's bank accounts for collection that have maturities are close or close to the due date reporting and the cheques are collected in the following period.

(**) It refers to the assets held by brokerage houses regarding the liquidity provision transactions conducted by the Company through the purchase and sale of its own shares in the Exchange under the CMB legislation.

(***) As of December 31, 2019, the interest rate range of the TL deposits at banks are 9,75% - 11,50% (December 31, 2018: 18,50% - 22,75%) and their maturity periods are within 1-3 days.

(****) As of December 31, 2019, the interest rates of forward foreign exchange deposits at banks are 0,5% - 0,6% (December 31, 2018: 2,25% - 4,00%) and their maturity dates are within 1-3 days

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

5. Financial and leasing liabilities

5.1 Financial liabilities

As of December 31, 2019, and 2018, the detail of short term borrowings are as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency Amount	TL amount	Weighted average interest rate (%)	Foreign currency Amount	TL amount	Weighted average interest rate (%)
Short term bank borrowings		114.031.771			112.777.438	
TL (free of interest)	-	1.041.146		-	60.285	
TL (*)	-	60.000.000	23,60	-	65.000.000	23,67
TL (**)	-	-		-	10.000.000	39,75
Euro (**)	7.500.000	49.879.500	0,68	5.000.000	30.140.000	3,00
TL (****)	-	-		-	-	-
Interest accrual	-	3.111.125		-	7.577.153	
	-	-		-	-	
Current portion of long term bank borrowings		91.424.537			92.184.381	
TL (*)	-	6.000.000	13,88	-	12.000.000	13,88
TL (***)	-	20.000.000	15,25	-	50.000.000	14,72
Euro (*)	4.545.454	30.229.996	3,17	4.545.454	27.399.997	3,17
Euro (***)	5.000.000	33.253.000	4,5	-	-	-
Interest accrual	-	1.941.541		-	2.784.384	
	-	-		-	-	
		205.456.308			204.961.819	

As of December 31, 2019, and 2018, the detail of long term borrowings are as follows:

	December 31, 2019			December 31, 2018		
	Foreign currency Amount	TL amount	Weighted average interest rate (%)	Foreign currency Amount	TL amount	Weighted average interest rate (%)
TL (***)	-	50.000.000	12,3	-	20.000.000	15,25
TL (*)	-	-		-	6.000.000	13,88
Euro (*)	10.090.911	67.110.613	1,96	14.636.365	88.228.008	2,82
Euro (***)	-	-		5.000.000	30.140.000	4,50
		117.110.613			144.368.008	

- (*) Interest payable every six months, fixed interest rate, no guarantee
(**) Interest payable at the end of the period, fixed interest rate, no guarantee
(***) Interest payable every three months, fixed interest rate, no guarantee
(****) Interest payable in advance, fixed interest rate, no guarantee

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

5. Financial liabilities (continued)

The repayment schedule of the Group's long term bank borrowings as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Within 1 - 2 years	80.229.996	83.539.997
Within 2 – 3 years	30.230.017	54.800.011
Within 3 – 4 years	6.650.600	6.028.000
	117.110.613	144.368.008

There is no guarantee given by the Group for the short and long bank borrowings given as of December 31, 2019 and December 31, 2018.

5.2 Financial liabilities

December 31, 2019	Amount
Short term financial liabilities	13.622.056
Long term financial liabilities	37.085.244
	50.707.300

Movement of lease liabilities is as follows;

	Lease liabilities
Effect of TFRS 16 – lease liabilities, January 1, 2019	53.356.658
Additions	8.193.226
Interest expense	5.260.215
Changes in TFRS 16 – lease liabilities	(826.118)
Unrealized foreign exchange differences	4.457.267
Leasing payments (-)	(19.733.948)
December 31, 2019	50.707.300

6. Derivative instruments

The Group has made forward exchange contracts during the period for hedging risks that may arise upon foreign currency fluctuations.

As of December 31, 2019, the total nominal value of unfunded forward foreign exchange contracts and options is USD 2.000.000 (December 2018 – USD 10.600.000), Euro 17.000.000 (December 31, 2018 Euro – 28.500.000) and Chilean Peso 4.784.024.400 (December 31, 2018 – Chilean Peso 4.420.347.150).

As a result of the fair value measurement of the foreign currency purchase / sale agreements that are not yet outstanding, the Group has recorded a liability for derivative financial instruments amounting to TL 1.222.607 (December 31, 2018 – TL 14.762.427).

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

7. Trade receivables and payables

The details of short term trade receivables of the Group are as follows:

	December 31, 2019	December 31, 2018
Trade receivables from related parties (Not 29)	40.576.094	81.482.247
	40.576.094	81.482.247
Trade receivables	87.850.194	59.802.690
Cheques and notes receivables	240.607.863	305.787.145
Rediscount on trade receivables (-)	(5.533.007)	(12.621.838)
Doubtful receivables	35.468.212	37.765.661
Provision for doubtful receivables (-)	(35.468.212)	(37.765.661)
	322.925.050	352.967.997
	363.501.144	434.450.244

Effective interest rates used when calculating the reduced cost value for trade receivables are 13,75% (December 31, 2018: 24,58%), for TL, effective Libor for US Dollar and Euro.

The average maturity period for trade receivables is 72 days (December 31, 2018: 95 days).

As of December 31, 2019 and 2018, movement of provision for doubtful trade receivables is as follows:

	2019	2018
As of January, 1	37.765.661	44.370.411
Current year collections	(1.656.435)	(2.317.740)
Current year provision expense/ income), net	(641.014)	(4.287.010)
As of December, 31	35.468.212	37.765.661

The aging analysis of trade receivables (included receivables from related parties) amount was overdue but not impaired as of December 31, 2019 and 2018 is as follows:

	Trade receivables that are overdue but not impaired					
	Total	30 days overdue	30-60 days overdue	60-90 days overdue	90-180 days overdue	180 days overdue
December 31, 2019	25.948.830	5.764.816	3.044.172	3.793.941	5.836.889	7.509.012
December 31, 2018	44.799.507	8.139.359	7.961.346	2.896.706	5.352.241	20.449.855

As the received collateral amounts meet the number of uncollected receivables in the related Group as of December 31, 2019 and 2018, an additional provision in the accompanying consolidated financial statements is not reflected in these amounts.

As of December 31, 2019, there is a letter of guarantee amounting to TL 134.441.507 and a note of guarantee amounting to TL 10.143.083 TL and a mortgage amounting to TL 261.059.123 Explanations on the credit risk management of the Group are given in Note 30

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements
as at December 31, 2019 (continued)
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

7. Trade receivables and payables (continued)

The details of trade payables of the Group are as follows:

	December 31, 2019	December 31, 2018
Trade payables to related parties (Note 29)	25.589.908	16.706.885
	25.589.908	16.706.885
Trade payables	263.823.069	199.768.571
Notes payable	7.901.707	149.899.290
Rediscount on trade payables (-)	(705.151)	(3.190.449)
	271.019.625	346.477.412
	296.609.533	363.184.297

Effective interest rates used when calculating the reduced cost value for trade payables are 13,75% (December 31, 2018: 24,58%), for TL, effective Libor and Euribor rates for US Dollar and Euro.

The average maturity of trade payables is 130 days (December 31, 2018: 150 days).

8. Other receivables and payables

The details of short term other receivables of the Group are as follows:

	December 31, 2019	December 31, 2018
Other receivables from related parties (Note 29)	43.984.454	3.042.045
Deposits and guarantees given	790.799	751.736
Due from personnel	131.454	6.015
Other receivables	274.220	76.900
	45.180.927	3.876.696

The details of long term other receivables of the Group are as follows:

	December 31, 2019	December 31, 2018
Deposits and guarantees given	1.210.681	1.403.407
	1.210.681	1.403.407

The details of other payables of the Group are as follows:

	December 31, 2019	December 31, 2018
Other payables	78.882	21.458
	78.882	21.458

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements
as at December 31, 2019 (continued)
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

9. Inventories

As of December 31, 2019, and 2018 the Group's inventories are as follows:

	December 31, 2019	December 31, 2018
Raw materials and supplies	35.874.516	46.074.937
Semi-finished goods	10.884.619	19.431.694
Finished goods	45.695.703	37.763.651
Merchandise	46.674.686	38.273.186
Provision for inventory impairment (-)	(4.645.469)	(4.757.162)
	134.484.055	136.786.306

The movements in the provision for impairment of inventories as of December 31, 2019 and 2018 are as follows:

	2019	2018
As of January 1	4.757.162	4.081.147
Increase / (decrease) in the period, net	(111.693)	676.015
As of December 31	4.645.469	4.757.162

10. Prepaid expenses

The details of short term and long term prepaid expenses of the Group are as follows:

	December 31, 2019	December 31, 2018
Short term prepaid expenses:		
Prepaid expenses for the following months	2.686.259	2.948.893
Advance given for stock purchases	376.228	2.274.033
	3.062.487	5.222.926

	December 31, 2019	December 31, 2018
Long term prepaid expenses:		
Advance given for the purchase of fixed assets	4.939.521	5.350.977
Prepaid expenses for the following years	22.546	34.175
	4.962.067	5.385.152

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

11. Current income tax assets

Current income tax assets of the Group are as follows:

	December 31, 2019	December 31, 2018
Prepaid taxes and funds (Note 27)	7.689.397	3.726.041
	7.689.397	3.726.041

12.1 Property, plant and equipment

The movement of property, plant and equipment and related accumulated depreciations as of December 31, 2019 is as follows:

	January 1, 2019	Additions	Transfers	Disposals	December 31, 2019
Cost or revalued amount					
Land	108.654.488	-	-	-	108.654.488
Land improvements	6.847.531	908.186	-	-	7.755.717
Buildings	140.603.302	589.636	-	-	141.192.938
Machinery and equipment	258.768.734	23.475.622	20.968.577	(3.381.360)	299.831.573
Vehicles	791.670	423.727	-	-	1.215.397
Furniture and fixtures	17.003.467	769.071	-	(57.487)	17.715.051
Construction in progress	28.652.721	12.681.613	(20.968.577)	-	20.365.757
	561.321.913	38.847.855	-	(3.438.847)	596.730.921
Less: Accumulated depreciation					
Land improvements	(2.063.039)	(272.623)	-	-	(2.335.662)
Buildings	(15.127.922)	(3.773.350)	-	-	(18.901.272)
Machinery and equipment	(138.733.777)	(23.580.261)	-	1.023.082	(161.290.956)
Vehicles	(490.540)	(152.339)	-	-	(642.879)
Furniture and fixtures	(10.485.261)	(1.923.175)	-	19.995	(12.388.441)
	(166.900.539)	(29.701.748)	-	1.043.077	(195.559.210)
Net book value	394.421.374				401.171.711

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

12.1 Property, plant and equipment (continued)

The movement of property, plant and equipment and related accumulated depreciations as of December 31, 2018 is as follows:

	January 1, 2018	Additions	Transfers	Disposals	December 31, 2018
Cost or revalued amount					
Land	108.654.488	-	-	-	108.654.488
Land improvements	4.251.793	2.595.738	-	-	6.847.531
Buildings	140.057.860	693.373	16.500	(164.431)	140.603.302
Machinery and equipment	228.716.430	30.143.405	2.150.653	(2.241.753)	258.768.735
Vehicles	671.531	154.979	-	(34.840)	791.670
Furniture and fixtures	15.786.245	1.245.536	-	(28.314)	17.003.467
Construction in progress	8.051.328	22.768.546	(2.167.153)	-	28.652.721
Other tangible assets	232.368	-	-	(232.368)	-
	506.422.043	57.601.577	-	(2.701.706)	561.321.914
Less: Accumulated depreciation					
Land improvements	(1.927.499)	(135.540)	-	-	(2.063.039)
Buildings	(10.420.858)	(4.743.726)	-	36.662	(15.127.922)
Machinery and equipment	(122.258.514)	(18.357.054)	-	1.881.791	(138.733.777)
Vehicles	(454.377)	(71.003)	-	34.840	(490.540)
Furniture and fixtures	(8.889.070)	(1.602.505)	-	6.313	(10.485.262)
Other tangible assets	(195.376)	-	-	195.376	-
	(144.145.694)	(24.909.828)	-	2.154.982	(166.900.540)
Net book value	362.276.349				394.421.374

The latest study of the Group's property, plant and equipment were revalued according to revaluation model by a valuation company licensed by the CMB in 2017. The valuation of the Group's lands and buildings is based on the relevant domestic market prices. The accumulated depreciation of the revalued buildings is netted from cost value and the net amount of the buildings were came to same level revalued amount. The valuation difference was accounted, after net of deferred tax, as an increase in "property, plant and equipment revaluation fund", which is included in under equity with through other comprehensive income. There are no mortgages or pledges on the revalued lands and buildings.

	December 31, 2019	December 31, 2018
Total amount of insurance on assets	1.236.638.189	1.059.400.402

There are no mortgages or pledges on the tangible assets of the Group.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

12.2 Right of use assets

Cost	Buildings	Vehicles	Machinery and equipment	Total
Effects of changes in accounting policy	35.872.060	4.247.620	13.236.978	53.356.658
Additions	5.508.364	652.247	2.032.615	8.193.226
December 31, 2019	41.380.424	4.899.867	15.269.593	61.549.884
Accumulated depreciation (-)				
January 1, 2019	-	-	-	-
Expenses	(7.783.786)	(1.739.476)	(7.247.685)	(16.770.947)
December 31, 2019	(7.783.786)	(1.739.476)	(7.247.685)	(16.770.947)
Net book value	33.596.638	3.160.391	8.021.908	44.778.937

13. Intangible assets

The movements in intangible assets and related accumulated amortization as of December 31, 2019 and 2018 are as follows:

	January 1, 2019	Additions	Disposals	December 31, 2019
Cost				
License	877.469	-	-	877.469
Trademark	3.987.406	-	-	3.987.406
Industrial design	71.645	-	-	71.645
Dealer list	2.274.223	-	-	2.274.223
Rights and other	823.022	361.964	-	1.184.986
	8.033.765	361.964	-	8.395.729
Accumulated amortization (-)				
Industrial design	(71.645)	-	-	(71.645)
Dealer list	(1.472.911)	(159.547)	-	(1.632.458)
Rights and other	(904.968)	(68.787)	-	(973.755)
	(2.449.524)	(228.334)	-	(2.677.858)
Net book value	5.584.241	133.630	-	5.717.871

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

13. Intangible assets (continued)

	January 1, 2018	Additions	Disposals	December 31, 2018
Cost	859.735	-	-	859.735
License	3.987.406	-	-	3.987.406
Trademark	71.645	-	-	71.645
Dealer list	2.274.223	-	-	2.274.223
Rights and other	918.522	17.734	(95.500)	840.756
	8.111.531	17.734	(95.500)	8.033.765
Accumulated amortization (-) (-)				
Trademark	(71.645)	-	-	(71.645)
Dealer list	(1.364.534)	(108.377)	-	(1.472.911)
Rights and other	(911.999)	(32.269)	39.300	(904.968)
	(2.348.178)	(140.646)	39.300	(2.449.524)
Net book value	5.763.353			5.584.241

Goodwill

The detail of goodwill of the Group as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
Winsa	655.882	655.882
Total	655.882	655.882

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

14. Provisions, contingent assets and liabilities

As of December 31, 2019, and 2018, the provisions for current liabilities are as follows:

	December 31, 2019	December 31, 2018
Provisions for litigation (*)	4.303.465	4.215.208
Provisions for warranty	1.901.629	1.137.437
Provisions for tax penalty (**)	536.260	536.260
Total	6.741.354	5.888.905

(*) As of December 31, 2019 and 2018, most of the provisions for litigation are related to labor receivables of workers who have been terminated from the factory located in Gebze because of the relocation of Pimas Company Headquarter.

(**) In accordance with tax inspection reports issued by the Ministry of Finance Revenue Administration within the scope of tax inspection for 2007, tax penalty notifications issued were communicated to the Parent Company within 2011. Accordingly, the Parent Company was imposed with principal tax and tax loss penalty communicated on 2 April 2012 amounting to a total of TL 3.605.914. The Parent Company initiated a tax case at Izmir 4th Tax Court against tax penalty on 30 April 2012. As a result of the first hearing held on 6 December 2012, a portion of TL 2.358.150 out of the tax penalties communicated to the Parent Company was reversed by the court.

Provisions for warranty

	2019	2018
Opening balance	1.137.437	1.262.282
Current period provision expense, net	764.192	(124.845)
Closing balance	1.901.629	1.137.437

Provisions for litigation

	2019	2018
Opening balance	4.215.208	3.634.834
Current year provision	88.257	580.374
Closing balance	4.303.465	4.215.208

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

15. Commitments, guarantees, pledges and mortgages (GPM)

As of December 31, 2019, and 2018, the details of guarantees/pledges/mortgages of the Group are as follows:

	December 31, 2019		December 31, 2018	
	TL equivalent	Foreign currency	TL equivalent	Foreign currency
Letters of guarantees received				
Euro	3.158.349	474.897	301.400	50.000
USD	4.169.664	701.940	-	-
TL	127.113.495	127.113.495	113.017.143	113.017.143
Guarantee notes received				
Euro	1.424.559	214.200	1.632.081	270.750
TL	8.718.525	8.718.525	9.088.525	9.088.525
Mortgages received				
Euro	961.963	144.643	871.908	144.643
TL	260.097.160	260.097.160	257.872.840	257.872.840
Total guarantees and mortgages received (*)	405.643.715		382.783.897	
Guarantees given				
Euro	49.879.500	7.500.000	-	-
TL	13.575.482	13.575.482	8.753.984	8.753.984
Total guarantees given	63.454.982		8.753.984	

(*) The guarantees (bank letter of guarantee) and mortgages (1st degree real estate mortgages) received represent the guarantees that are received from its customers in the context of credit risk management related to the company's commercial activities.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

15. Commitments, guarantees, pledges and mortgages (GPM) (continued)

As of December 31, 2019, and 2018, the Group's statements on its position related to guarantees / pledges / mortgages are as follows:

	December 31, 2019	December 31, 2018
A.Total amount of GPM's given in the name of its own legal personality	63.454.982	8.753.984
B.Total amount of GPM's given on behalf of fully consolidated companies	-	-
C.Total amount of GPM's given on behalf of third parties for ordinary course of business	-	-
D.Total amount of other GPM's given	-	-
Total	63.454.982	8.753.984

As of December 31, 2019 and December 31, 2018, the Company and its Subsidiaries have no guarantees, pledges or mortgages received from or given to its related parties. As of December 31, 2019, percentage of tether guarantees, pledges or mortgages given by the Company and its Subsidiaries to the Group's equity is 0% (December 31, 2018 – 0%).

The Company's export commitments are as follows:

The Company has received export commitments from Ziraat Bankası A.Ş., İş Bankası A.Ş., Ekonomi Bankası and Garanti Bankası A.Ş., Akbank, Şekerbank, Finansbank and Halk Bankası are as follows:

- Loan agreements amounting to EUR 5.000.000 with a maturity of 24 months used in 2018 amounted to EUR 5.456.250.
- Loan agreements amounting to TL 20.000.000 with a maturity of 24 months used in 2018 amounted to EUR 4.567.183.
- Loan agreements amounting to EUR 5.152.083 with a maturity of 12 months used in 2018 amounted to EUR 5.152.083.
- Loan agreements amounting to TL 25.000.000 with a maturity of 24 months used in 2019 amounted to EUR 4.901.806.
- Loan agreements amounting to TL 10.000.000 with a maturity of 12 months used in 2019 amounted to EUR 1.994.718.
- Loan agreements amounting to TL 15.000.000 with a maturity of 12 months used in 2019 amounted to EUR 3.037.180.
- Loan agreements amounting TL 10.000.000 with a maturity of 12 months used in 2019 amounted to EUR 1.710.909.
- Loan agreements amounting to EUR 850.000 with a maturity of 12 months used in 2019 amounted to EUR 856.375.
- Loan agreements amounting to EUR 850.000 with a maturity of 12 months used in 2019 amounted to EUR 856.375.
- Loan agreements amounting to EUR 850.000 with a maturity of 12 months used in 2019 amounted to EUR 856.375.
- Loan agreements amounting to EUR 900.000 with a maturity of 12 months used in 2019 amounted to EUR 906.750.
- Loan agreements amounting to EUR 650.000 with a maturity of 12 months used in 2019 amounted to EUR 654.875.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

15. Commitments, guarantees, pledges and mortgages (GPM) (continued)

- Loan agreements amounting to EUR 850.000 with a maturity of 12 months in used in 2019 amounted to EUR 855.072.
- Loan agreements amounting to EUR 900.000 with a maturity of 12 months used in 2019 amounted to EUR 906.750.
- Loan agreements amounting to EUR 850.000 with a maturity of 12 months used in 2019 amounted to EUR 855.058.
- Loan agreements amounting to EUR 800.000 with a maturity of 12 months used in 2019 amounted to EUR 804.787.
- Loan agreements amounting to TL 25.000.000 with a maturity of 24 months used in 2019 amounted to EUR 4.893.919.
- Loan agreements amounting to TL 25.000.000 with a maturity of 12 months used in 2019 amounted to EUR 4.470.005.

16. Deferred income

	December 31, 2019	December 31, 2018
Advances taken (*)	96.089.155	79.157.200
Total	96.089.155	79.157.200

(*) Advances taken consists of forward –looking checks and notes which are the Group has received for sales to its customers.

17. Employee benefit obligations and provisions

As of December 31, 2019 and 2018 the details of employee benefit obligations of the Group are as follow:

	December 31, 2019	December 31, 2018
Wages payable	2.330.410	2.611.301
Taxes and funds payable	960.018	1.732.640
Social security premiums payable	1.038.401	1.004.119
Total	4.328.829	5.348.060

As of December 31,2019, and 2018, the details of long term provisions for employee benefits of the Group are as follows:

	December 31, 2019	December 31, 2018
Provision for employee termination benefits	17.163.473	11.121.404
Provision for unused vacation	2.062.927	1.797.424
Total	19.226.400	12.918.828

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

17. Employee benefit obligations and provisions (continued)

Provision for employee termination benefits:

There is any retirement plan of the Group except the legal obligation as described below.

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 6.379,86 (December 31, 2018: TL 5.434,42) for each period of service as of December 31, 2019. This amount is limited to TL 6.730,15 effective from January 1, 2020.

The employee termination benefit legally is not subject to any funding requirement and there is not any obligation. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

TAS 19 "Employee Benefits" requires actuarial valuation methods to be used to estimate the Group's obligation under the defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2019	December 31, 2018
Interest rate (%)	12,15	15,00
Expected rate of increase in salaries (inflation rate) (%)	15,00	15,00
Discount rate (%)	3,19	5,50
Turnover rate to estimate the probability of retirement (%)	96,86	96,67

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

The movement of the provision for employee termination benefits as December 31, 2019 and 2018 is as follows:

	2019	2018
Opening balance	11.121.404	9.881.880
Interest cost	5.836.368	239.449
Service cost	3.244.173	1.596.713
Actuarial loss / (gain) for the period	1.329.293	1.482.282
Payments made during the period	(4.367.765)	(2.078.920)
Closing balance	17.163.473	11.121.404

The movement of the provision for unused vacation for the period ended December 31, 2019 and 2018 is as follows:

	2019	2018
Opening balance	1.797.424	1.811.773
Current year provision/(cancellation), net	265.503	(14.349)
Closing balance	2.062.927	1.797.424

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

18. Other assets and liabilities

Other current assets

	December 31, 2019	December 31, 2018
Deferred VAT	806.281	7.392.741
Other advances (*)	2.458.919	965.365
Total	3.265.200	8.358.106

(*) Other advances includes TL 1.722.569 amount advance for Paynet.

Other short term liabilities

	December 31, 2019	December 31, 2018
Taxes and funds payable	2.840.716	5.637.907
Provisions for expenses	1.021.108	1.243.716
Total	3.861.824	6.881.623

19. Equity

(a) Share capital

As of December 31, 2019 and 2018 the Group's paid-in capital and shareholder structure are as follows:

	Amount	Share (%)
Deceuninck NV	77.644.384	95,88
Public owned	3.336.409	4,12
Paid-in share capital	80.980.793	100%
Inflation adjustment	7.840.703	
Total	88.821.496	

The upper limit of registered share capital of the Group as of December 31, 2019 and December 31, 2018 is TL 120.000.000. As of December 31, 2019, and December 31, 2018, the historic value of the Group's paid-in capital is TL 80.980.793 and the capital of the Group consists of 8.980.793.000 shares and the nominal value of the shares is equal to Kr 1 per share

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

19. Equity (continued)

(b) Treasury shares

Treasury shares consist of the shares that the Group has bought back under the liquidity provision procedures carried out within the framework of CMB legislation. The Group's shares bought back are carried at quoted market prices at the date of the transaction in the Stock Exchange Istanbul; and that shares are accounted under the “Treasury Shares”, including those that exceed the nominal amounts of the redeemed shares.

(c) Restricted reserves:

Restricted reserves comprise of general legal reserves and general legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code (TCC) as below:

- i. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital.
- ii. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Group's share capital.

Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

(d) Other comprehensive income or expenses not to be reclassified to profit or loss

Revaluation fund of tangible assets

The Group has adopted revaluation model for land and buildings and applied in accordance with TAS 16. The amount of fund that correspond to depreciation of current period of the amount of the tangible assets that has been recognized in revaluation fund is annually transferred to retained earnings accordance with their economic useful lives. At the disposal of revalued land or building, the amount that had been previously recognized in revaluation fund is directly recognized in retained earnings.

Actuarial gain / (loss) funds provisions for employee termination benefits

The amendment in TAS 19 “Employee Benefits” does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted in the statement of profit or loss. The gain and loss arising from the changes in the actuarial assumption are accounted for by “Funds for actuarial gain/loss on employee termination benefits” under the equity accounts. The funds for actuarial gain / (loss) arising from employee termination benefits is other comprehensive income/ (loss) not to be reclassified under profit or loss in subsequent periods.

(e) Other comprehensive income or expenses to be reclassified to profit or loss

Foreign currency translation differences

It arises from exchange differences arising from the translation of consolidated financial statements of foreign subsidiaries of the Group to reporting currency of TL and accounted for under equity.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

19. Equity (continued)

(f) Retained earnings:

Dividends distribution

Dividends are distributed according to Communiqué Serial: II-19.1 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law". Principles on corporate articles and dividend distribution policy which is declared by Companies. In addition to the CMB it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14.1 that sufficient reserves exists in the unconsolidated statutory books.

In publicly held companies, dividends are distributed equally to all existing shares as of the date of distribution, regardless of their date of issue and acquisition.

The Group has decided to distribute a cash dividend of TL 40.234.200 (2018: TL 24.835.000) (dividend per gross share: TL 0.0050 (2018: TL 0.0031) at the Ordinary General Assembly Meeting held on 7 May 2019, all dividend payments have been completed within the year.

Reserves subject to dividend distribution

The Group 's net distributable profit statutory accounts and the amount of reserves subject to dividend distribution as of balance sheet date are listed as below.

	December 31, 2019	December 31, 2018
Net profit for the period	39.480.497	69.557.268
Extraordinary reserves	17	17
Special funds	10.348.998	16.132.119
Retained earnings	124.606.812	124.342.176

(g) Non-controlling interest

Shares of third parties including the issued and paid-in capital of the subsidiaries in consolidation separately presented for as "Non-controlling Interests" in the consolidated financial statements reduction of related equity components. Shares of third parties in the net profit or loss for the subsidiaries in consolidation separately accounted for as non-controlling interests in the distribution period profit/ (loss) section of the consolidated statement of profit and loss.

20. Sales and cost of sales

Details regarding to sales for the period ended December 31, 2019 and December 31, 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Domestic sales	828.964.976	968.382.863
Export sales	218.245.223	137.459.835
Total	1.047.210.199	1.105.842.698

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

20. Sales and cost of sales (continued)

Details regarding to cost of sales for the period ended December 31, 2019 and December 31, 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Direct raw materials, semi-finished goods and supplies cost	446.170.725	543.239.842
Direct labor cost	32.517.487	20.669.719
Depreciation and amortization cost	11.381.676	10.492.172
Other production cost	81.608.358	84.457.917
Total cost of production	571.678.246	658.859.650
Change in semi-finished good	8.547.075	(5.367.899)
Beginning of the period	19.431.694	14.063.795
End of the period	(10.884.619)	(19.431.694)
Change in finished good	(7.932.052)	(3.751.822)
Beginning of the period	37.763.651	34.011.829
End of the period	(45.695.703)	(37.763.651)
Change in trade goods	182.028.088	104.814.512
Beginning of the period	38.273.186	30.095.431
Purchases	190.429.588	112.992.267
End of the period	(46.674.686)	(38.273.186)
Total	754.321.357	754.554.441

21. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

The details of research and development expenses, marketing, selling and distribution expenses and general administrative expenses for the period ended December 31, 2019 and December 31, 2018 are as follows:

Research and development expenses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses	1.904.287	1.629.987
Other	375.237	147.355
Total	2.279.524	1.777.342

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

21. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses (continued)

Marketing, selling and distribution expenses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses	51.332.822	44.870.848
Customs and transportation expenses	25.086.434	26.858.630
Depreciation and amortizations expenses	12.361.303	2.960.832
Dealer promotion and meeting expenses	7.471.077	7.611.183
Advertisement expenses	3.286.009	12.013.694
Rent expenses	2.882.177	15.229.352
Exposition, exhibition and showroom expenses	2.759.524	3.829.559
Other	10.291.297	8.058.673
Total	115.470.643	121.432.771

General administrative expenses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Consultancy expenses	44.476.378	26.927.829
Personnel expenses	16.688.427	15.325.631
Taxes, duties and charges	1.858.775	1.911.315
Depreciation and amortization expenses	1.447.002	1.272.568
Insurance expenses	1.060.388	850.261
Communication expense	461.296	433.576
Other	3.209.696	5.974.221
Total	69.201.962	52.695.401

22. Other operating income / expenses

Other operating income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange gains	32.415.715	68.914.067
Derivative transaction income	7.886.425	41.484.720
Interest income	6.434.598	12.917.059
Fair value measurement gains on derivative instruments	3.107.786	822.088
Scrap sales	1.071.805	1.825.207
Allowance for doubtful receivables, net	641.014	6.604.750
Other	4.814.089	9.386.544
Total	56.371.432	141.954.435

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

22. Other operating income / expenses (continued)

Other operating expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange losses	47.360.240	84.041.501
Fair value measurement losses on derivative instruments	7.766.234	1.701.576
Derivative transaction expenses	6.224.693	17.086.953
Interest expense	102.067	48.808
Other expenses	210.443	192.123
Total	61.663.677	103.070.961

23. Income / loss from investment activities

Income from investment activities

	January 1 - December 31, 2019	January 1 - December 31, 2018
Interest income	22.394.158	11.198.815
Gain from sale of fixed assets	1.711.687	1.671.687
Total	24.105.845	12.870.502

Loss from investment activities

	January 1 - December 31, 2019	January 1 - December 31, 2018
Losses from sale of fixed assets	258.475	257.297
Total	258.475	257.297

24. Expenses by nature

Depreciation and amortization expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cost of production	32.517.487	20.669.719
Selling, marketing and distribution expenses	12.361.303	2.960.832
General administrative expenses	1.447.002	1.272.568
Research and development expenses	375.237	147.355
Total	46.701.029	25.050.474

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

24. Expenses by nature (continued)

	January 1 - December 31, 2019	January 1 - December 31, 2018
Depreciation of tangible assets (Note 12)	29.701.748	24.909.828
Amortization of right of use asset	16.770.947	-
Amortization of intangible assets (Note 13)	228.334	140.646
Total	46.701.029	25.050.474

Employee benefits

	January 1 - December 31, 2019	January 1 - December 31, 2018
Wages and salaries	90.785.317	83.030.932
Social security premium expenses – employer's share	9.214.392	8.041.980
Provision for termination indemnity and unused vacation, net	468.519	870.870
Other	25.817.056	23.066.318
Total	126.285.284	115.010.100

25. Financial income / expenses

The Group's financial income and expenses are as follows:

Financial income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange gains	14.006.619	12.884.416
Derivative transaction income	9.522.963	51.501.034
Fair value measurement gains on derivative instruments	6.623.390	-
Other	20.691	1.677
Total	30.173.663	64.387.127

Financial expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Interest expense	32.432.739	33.521.468
Bank and commission expenses	34.883.574	17.981.058
Derivative transaction expenses	24.995.105	51.377.063
Foreign exchange losses	23.841.906	45.512.500
Interest expenses of leasing	5.260.215	-
Fair value measurement losses on derivative instruments	742.871	13.882.939
Interest cost of termination indemnity	1.329.293	1.482.282
Other	846.957	781.518
Total	124.332.660	164.538.828

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

26. Assets classified as held for sale

As of December 31, 2019 and 2018, assets classified as held for sale are as follow:

	2019	2018
Opening balance	3.426.866	2.785.774
Additions within the period	1.893.135	1.238.220
Disposals within the period (-)	-	(597.128)
Closing balance	5.320.001	3.426.866

As of December 31, 2019 and 2018, non-current assets held for sale are lands, stores and buildings that are taken from customers on account of receivables that are turned into doubtful receivables. The aim of the Group management is to dispose of the real estates in a short period of time.

27. Tax assets and liabilities

a) Corporate tax

The Company and its subsidiaries, associates and joint ventures established in Turkey and other countries in scope of consolidation that are subject to taxation in accordance with the tax procedures and the legislation effective in force in the countries where they are operating.

In accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the Companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 22% to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

10% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2019 and December 31, 2018, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

27. Tax assets and liabilities (continued)

As of December 31, 2019 and 2018 payable tax liabilities netted off with prepaid taxes are shown below:

	December 31, 2019	December 31, 2018
Current corporate tax expense	(1.263.332)	9.169.992
Taxes prepaid during the period (-)	(4.331.405)	(12.896.033)
Corporate taxes payable (prepaid taxes)	(5.594.737)	(3.726.041)

The reconciliation as of December 31, 2019 and 2018 corporation tax expense included in the consolidated statement of income to the tax expense calculated with the current tax rate on the consolidated income before taxes is as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Profit before tax provision	30.332.841	126.679.831
Corporation tax expense of 22%	(6.673.225)	(27.869.563)
Nondeductible expenses	(2.721.569)	(761.985)
The effect of exceptional income from corporation tax	5.130.492	421.875
Current year tax losses not subject to deferred tax and non-taxable adjustment effect	-	(1.042.236)
Investment incentive exception effect under article KVK 32/A	10.096.664	7.894.142
The effect of other adjusting items	820.757	679.397
Current period total tax expenses	6.653.119	(20.678.370)

b) Deferred tax and liabilities

	Deferred tax assets / (liabilities)	
	December 31, 2019	December 31, 2018
Effect of investment incentives (*)	16.499.722	10.447.199
Provisions for employee termination benefits	3.358.827	2.188.137
Turnover premium and the effect of other adjustments	(3.968.906)	(2.677.628)
Provisions for doubtful receivables	2.223.725	2.704.051
Provisions for litigation and guarantee	418.358	927.346
Rediscount of receivables / (payables), net	260.024	66.382
Provisions for unused vacation	432.248	371.331
Effect of consolidation elimination adjustments	2.221.303	1.037.523
Property, plant and equipment and intangible assets	(27.358.904)	(23.232.277)
Other temporary differences	1.542.293	(2.760.435)
Deferred tax assets / (liabilities), net	(4.371.310)	(10.928.371)

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

27. Tax assets and liabilities (continued)

Deferred tax assets and liabilities recognized in statement of financial position is as follows:

	December 31, 2019	December 31, 2018
Deferred tax asset	-	-
Deferred tax liability	(4.371.310)	(10.928.371)
Deferred tax assets / (liability), net	(4.371.310)	(10.928.371)

The movement of the net deferred tax assets / (liabilities) for the period ended December 31, 2019 and December 31, 2018 is as follows:

	2019	2018
As of January, 1	(10.928.371)	532.117
Recognized in statement of profit or loss	5.389.787	(11.508.378)
Recognized in other comprehensive income / (expenses)	1.167.274	47.890
As of December 31	(4.371.310)	(10.928.371)

28. Earnings per share

The calculation of earnings per share is based on net profit attributable to equity holders of the parent divided by weighted average number of ordinary shares outstanding during the period. As of December 31, 2019, and as of December 31, 2018, Group's earnings per share are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Profit/(loss) for the period	36.985.960	106.049.351
Weighted average number of ordinary shares at the end of period (*)	8.098.079.300	8.098.079.300
Earnings per share (TL)	0,0046	0,0131

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

29. Related party disclosures

i. Trade receivables from related parties are as follows:

	December 31, 2019	December 31, 2018
Deceuninck Group companies	39.414.540	76.455.567
Deceuninck (main partner)	1.161.554	5.026.680
Total	40.576.094	81.482.247

ii. Other short term receivables from related parties are as follows:

	December 31, 2019	December 31, 2018
Deceuninck NV (*)	43.984.454	3.042.045
Total	43.984.454	3.042.045

(*) As of December 31, 2019, short-term receivables from related parties, Deceuninck NV and Ege Profil Ticaret ve Sanayi A.Ş. Increases due to the Credits for Receivables contract signed between. The debts of the Group Companies in Brazil, Australia and Colombia to the Aegean Profile Company were transferred to Deceuninck NV under the contract.

iii. Trade payables to related parties are as follows:

	December 31, 2019	December 31, 2018
Deceuninck Group companies	5.851.983	9.731.512
Deceuninck (main partner)	19.737.925	6.975.373
Total (Note 7)	25.589.908	16.706.885

iv. The purchases of goods and services received from related parties for the period ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Deceuninck (main partner)	317.008	7.153.158
Deceuninck Group companies	37.418.296	2.729.294
Total	37.735.304	9.882.452

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

29. Related party disclosures (continued)

v. Sales to related parties for the period ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Deceuninck Group companies	72.704.010	60.127.445
Deceuninck (main partner)	5.017.052	3.343.286
Total	77.721.062	63.470.731

vi. Fixed asset purchases received from related parties for the period ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Deceuninck (main partner)	808.488	869.361
Deceuninck Group companies	3.788.201	726.182
Total	4.596.689	1.595.543

vii. Other purchases received from related parties for the period ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Deceuninck (*)	39.458.165	24.342.098
Deceuninck Group companies	10.096.830	3.502.145
Total	49.554.995	27.844.243

(*) As of December 31, 2019, this amount consists of management service cost amounting to TL 19.742.013 (December 31, 2018: TL 11.395.925) and information technology system service cost amounting to TL 17.501.235 (December 31, 2018: TL 12.946.173), royalty cost amounting TL 2.214.917.

viii. As of December 31, 2019, total amount of compensation benefits paid to the Chairman and the members of the Board of Directors, general manager, general coordinator and deputy general managers, is TL 9.978.539 (December 31, 2018: TL 7.711.634).

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments

The Group is exposed to variety of financial risks including the effects of changes in debt and equity market prices due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Some of the basic financial instruments of the Group are bank borrowings, cash, and short and long term bank deposits. The main purpose in using these instruments is to finance the Group operations. Furthermore, the Group has financial instruments like trade receivables and trade payables which are directly related to operations.

The Group Management manages these risks in the manner stated below, and monitors the market risks that may arise upon utilization of financial instruments.

i. Price risk

Price risk is a combination of foreign exchange, interest, and market risks. The Group's receivables and payables and interest bearing assets and liabilities cover and compensate each other provided that they are of the same currency; hence, the price risk is managed automatically. Market risk is monitored by the Group via market analyses and relevant valuation methods.

ii. Interest rate risk

The Group does not have significant interest-sensitive assets. The Group's income and cash flows from its operations are mostly independent of the market interest fluctuations.

As of December 31, 2019 and 2018, the Group is not exposed to interest rate risk due to the fact that the Group has no floating interest rate assets and liabilities.

The Group's interest rate risk arises from short and long term borrowings. The interest rates to be applied in the future periods will affect the loans to be received for the continuation of the Group's operations in the subsequent period.

iii. Liquidity risk

Conservative liquidity risk management requires maintaining adequate reserves in addition to having the ability to utilize adequate level of credit lines and funds as well as closing market positions.

Funding risk attributable to the current and future potential borrowing needs is managed by providing continuous access to an adequate number of high quality creditors

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

30. Nature and level of risks derived from financial instruments (continued)

The following table details the Group’s expected maturity for its trade and financial liabilities as of December 31, 2019 and 2018:

December 31, 2019		Total cash outflow in accordance with				
Expected or contractual terms	Carrying value	contracts (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 – 5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Bank loans	322.566.920	345.602.029	89.339.301	127.667.005	121.888.684	6.707.039
Notes payables	7.886.507	7.901.707	7.901.707	-	-	-
Trade payables	263.807.869	264.513.020	167.451.638	97.061.382	-	-
<hr/>						
December 31, 2018		Total cash outflow in accordance with				
Expected or contractual terms	Carrying value	contracts (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 – 5 years (III)	More than 5 years (IV)
Non derivative financial liabilities						
Bank loans	349.329.827	378.714.778	8.545.220	219.065.987	144.984.779	6.118.792
Notes payables	148.339.430	149.899.290	79.056.096	70.843.194	-	-
Trade payables	199.768.571	204.260.006	139.961.375	64.298.631	-	-
Derivative financial liabilities	14.762.427	14.762.427	14.239.346	523.081	-	-

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments (continued)

iv. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group's management mitigates this risk through limitations on the contracts made with counterparties and obtaining sufficient collaterals where appropriate. The Group's credit risks mainly arise from its trade receivables. The Group manages this risk by the credit limits up to the guarantees and advance received from customers. Use of credit limits is monitored by the Group by taking into consideration the customer's financial position, past experiences and other factors and customer's credibility is evaluated on a consistent basis.

Trade receivables are evaluated based on the Group's policies and procedures and presented net in the consolidated financial statements after the provision for doubtful receivables is made.

The Group attempts to control credit risk by extending the range of its sales operations, avoiding unfavorable concentrations on persons or groups of a certain sector or region. The Group also receives guarantees from customers when it deems necessary.

As of December 31, 2018, the exposure of consolidated financial assets to credit risk is as follows:

	Trade receivable (Note 7)	Trade receivables from related parties (Note 7)	Cheques at collection (Note 4)	Cash and bank (Note 4)
December 31, 2019				
Maximum exposure to credit risk as of reporting date (A+B+C+D+E) (1)	322.925.050	40.576.094	6.933.243	196.242.842
- Secured portion of the maximum credit risk by guarantees	110.444.737	-	6.933.243	-
A. Net book value of financial assets that are neither overdue not impaired	320.028.492	17.523.822	6.933.243	196.242.842
- The part under guarantee with collaterals, etc.	110.444.737	-	6.933.243	-
B. Net book of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
C. Carrying value of financial assets that are overdue but not impaired	2.896.558	23.052.272	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
D. Net book value of impaired assets	-	-	-	-
- Overdue (gross carrying amount)	27.697.380	-	-	-
- Impairment (-)	(27.697.380)	-	-	-
- Net value under guarantee	-	-	-	-
- Not overdue (gross carrying amount)	7.770.832	-	-	-
- Impairment (-)	(7.770.832)	-	-	-
- Net value under guarantee	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-

1) Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments (continued)

iv. Credit risk (continued)

As of December 31, 2018, the exposure of consolidated financial assets to credit risk is as follows:

December 31, 2018	Trade receivable (Note 7)	Trade receivables from related parties (Note 7)	Cheques at collection (Note 4)	Cash and bank (Note 4)
Maximum exposure to credit risk as of reporting date (A+B+C+D+E) (1)	352.967.997	81.482.247	26.439.446	249.631.327
- Secured portion of the maximum credit risk by guarantees	147.926.244	-	26.439.446	-
A. Net book value of financial assets that are neither overdue not impaired	349.728.427	39.922.310	26.439.446	249.631.327
- The part under guarantee with collaterals, etc.	147.926.244	-	26.439.446	-
B. Net book of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
C. Carrying value of financial assets that are overdue but not impaired	3.239.570	41.559.937	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-
D. Net book value of impaired assets	-	-	-	-
- Overdue (gross carrying amount)	28.467.094	-	-	-
- Impairment (-)	(28.467.094)	-	-	-
- Net value under guarantee	-	-	-	-
- Not overdue (gross carrying amount)	9.298.567	-	-	-
- Impairment (-)	(9.298.567)	-	-	-
- Net value under guarantee	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-

- 1) Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality

v. Foreign currency risk

The Group's foreign currencies primarily EUR and USD denominated assets and liabilities are exposed to exchange rate risk as a result of exchange rate fluctuations.

The Company and its Subsidiaries are also exposed to foreign exchange risk due to the transactions made. This foreign exchange risk arises from sales and purchases of goods and receiving bank loans denominated in currencies other than the Group's functional currency.

The Group monitors its foreign exchange risk by maintaining the balance between its foreign currency assets and liabilities and changing its pricing policy in line with the currency fluctuations, and also by analyzing its foreign currency position.

As of December 31, 2019 and December 31, 2018, the Group's net foreign currency position is as follows:

	December 31, 2019 (TL Amount)	December 31, 2018 (TL Amount)
A. Assets denominated in foreign currency	235.402.330	215.947.996
B. Liabilities denominated in foreign currency	(363.154.266)	(457.703.894)
Net foreign currency position (A+B)	(127.751.936)	(241.755.898)

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments (continued)

As of December 31, 2019, the Group's foreign currency position is as follows:

	TL equivalent (functional currency)	USD	EUR	AUD
1. Trade receivables	158.736.492	6.875.312	16.988.496	1.185.546
2a. Monetary financial assets, (cash and banks included)	68.183.119	802.097	9.535.757	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	8.482.719	284.429	109.669	1.463.517
4. Current assets (1+2+3)	235.402.330	7.961.838	26.633.922	2.649.063
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	235.402.330	7.961.838	26.633.921	2.649.064
10. Trade payables	(182.157.888)	(7.199.567)	(20.959.165)	-
11. Financial liabilities	(113.885.766)	-	(17.124.134)	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Short term liabilities (10+11+12)	(296.043.654)	(7.199.567)	(38.083.299)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	(67.110.613)	-	(10.090.911)	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Long term liabilities (14+15+16)	(67.110.613)	-	(10.090.911)	-
18. Total liabilities (13+17)	(363.154.267)	(7.199.567)	(48.174.210)	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a - 19b)	124.940.600	2.000.000	17.000.000	-
19a. Total amount of assets hedged	-	-	-	-
19b. Total amount of liabilities hedged	124.940.600	2.000.000	17.000.000	-
20. Net foreign currency asset/(liability) position (9+18+19)	(2.811.337)	2.762.271	(4.540.289)	2.649.064
21. Net foreign currency asset/(liability)position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(136.234.656)	477.842	(21.649.957)	1.185.546
22. Fair value of derivative instruments used in foreign currency hedge	124.940.600	2.000.000	17.000.000	-
23. Export (*)	172.601.210	4.902.670	20.824.380	2.252.689
24. Import (*)	292.187.392	14.195.762	32.240.606	95.357

(*) Average rate of exchange is used.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments (continued)

As of December 31, 2018, the Group's foreign currency position is as follows:

	TL equivalent (functional currency)	USD	EUR	AUD
1. Trade receivables	129.592.533	5.703.032	14.895.169	2.647.161
2a. Monetary financial assets, (cash and banks included)	79.817.702	1.632.045	11.816.801	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	6.537.761	3.900	1.081.161	-
4. Current assets (1+2+3)	215.947.996	7.338.977	27.793.131	2.647.161
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	215.947.996	7.338.977	27.793.131	2.647.161
10. Trade payables	(280.645.494)	(20.059.936)	(29.049.797)	-
11. Financial liabilities	(58.690.392)	-	(9.736.296)	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Short term liabilities (10+11+12)	(339.335.886)	(20.059.936)	(38.786.093)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	(118.368.008)	-	(19.636.365)	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Long term liabilities (14+15+16)	(118.368.008)	-	(19.636.365)	-
18. Total liabilities (13+17)	(457.703.894)	(20.059.936)	(58.422.458)	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a - 19b)	227.563.540	10.600.000	28.500.000	-
19a. Total amount of assets hedged	-	-	-	-
19b. Total amount of liabilities hedged	227.563.540	10.600.000	28.500.000	-
20. Net foreign currency asset/(liability) position (9+18+19)	(14.192.358)	(2.120.959)	(2.129.327)	2.647.161
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(248.293.659)	(12.724.859)	(31.710.488)	2.647.161
22. Fair value of derivative instruments used in foreign currency hedge	227.563.540	10.600.000	28.500.000	-
23. Export (*)	142.771.542	4.267.046	20.228.075	2.075.305
24. Import (*)	387.836.118	30.028.231	42.821.012	-

(*) Average rate of exchange is used.

(Convenience translation of the consolidated financial statements originally issued in Turkish)

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments (continued)

The Company and its Subsidiaries are exposed to foreign currency risk due to exchange rate fluctuations while translating to Turkish Lira the foreign currency payables and receivables arising from trade operations with foreign entities. Such risks are monitored and controlled by regular analysis of the foreign currency position. The Company and its Subsidiaries follow a policy of diversifying their foreign currency position in order to manage foreign currency risk that may arise from future trade operations and the related assets and liabilities recognized.

As of December 31, 2019 and December 31, 2018 the Group's profit before tax and shareholders' equity as presented by the amounts below in case of a consequently 10% increase or decrease in the foreign rates (especially USD, EUR and AUD), with all other variables held constant.

	December 31, 2019			
	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TL by 10%:				
1- USD net assets / liabilities	452.804	(452.804)	-	-
2- USD hedged from risks (-)	1.188.040	(1.188.040)	-	-
3- USD Net Effect (1+2)	1.640.844	(1.640.844)	-	-
Change of EUR against TL by 10%:				
4- EUR net assets / liabilities	(14.325.585)	14.325.585	-	-
5- EUR hedged from risks (-)	11.306.020	(11.306.020)	-	-
6- EUR Net Effect (4+5)	(3.019.565)	3.019.565	-	-
Change of AUD against TL by 10%:				
7- AUD net assets / liabilities	1.097.586	(1.097.586)	-	-
8- AUD hedged from risks (-)	-	-	-	-
9- AUD Net Effect (7+8)	1.097.586	(1.097.586)	-	-
Total (3+6+9+12)	(281.135)	281.135		

	December 31, 2018			
	Profit / Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TL by 10%:				
1- USD net assets / liabilities	(6.692.370)	6.692.370	-	-
2- USD hedged from risks (-)	5.576.554	(5.576.554)	-	-
3- USD Net Effect (1+2)	(1.115.816)	1.115.816	-	-
Change of EUR against TL by 10%:				
4- EUR net assets / liabilities	(18.463.358)	18.463.358	-	-
5- EUR hedged from risks (-)	17.179.800	(17.179.800)	-	-
6- EUR Net Effect (4+5)	(1.283.558)	1.283.558	-	-
Change of AUD against TL by 10%:				
7- AUD net assets / liabilities	980.138	(980.138)	-	-
8- AUD hedged from risks (-)	-	-	-	-
9- AUD Net Effect (7+8)	980.138	(980.138)	-	-
Total (3+6+9+12)	(1.419.236)	1.419.236		

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

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

30. Nature and level of risks derived from financial instruments (continued)

vi. Capital risk management

The Groups objectives in managing the capital is to yield returns for shareholders and benefits for other shareholders, and maintain the Group's operability in order to sustain the most appropriate shareholding structure to reduce cost of capital.

The Group controls its capital using the net debt / total equity ratio in parallel with the other entities in the sector. This ratio is the calculated as net debt divided by the total equity amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents. Total share capital is the sum of all equity items recognized in the statement of financial position.

	December 31, 2019	December 31, 2018
Total liabilities	809.161.991	848.420.996
Less: Cash and cash equivalents (-) (Note 4)	(207.946.450)	(276.072.429)
Net liabilities (A)	601.215.541	572.348.567
Total equity (B)	425.587.909	430.948.664
Total invested capital (A+B)	1.026.803.450	1.003.297.231
Net liabilities / total equity ratio	59%	57%

31. 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 one exists.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The Group management assumes that the carrying values of financial instruments approximate their fair values.

Financial assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying value of trade receivables, after reduction and doubtful receivables are deducted, is considered to be approximate to their fair values.

Ege Profil Ticaret ve Sanayi Anonim Şirketi and its Subsidiaries

Notes to the consolidated financial statements

as at December 31, 2019 (continued)

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

31. Fair value of financial instruments (continued)

Financial liabilities

The fair values of short-term trade payables and other monetary liabilities are considered to be approximate to their carrying values since they are short term. Bank loans are stated at discounted cost and the transaction costs are added onto the initial recording of loans. The fair values of bank borrowings are considered to approximate their respective carrying values. The carrying value of trade payables, after reduction are deducted, is considered to be approximate to their fair values.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instrument traded in markets (unadjusted).

Level 2: Other valuation techniques includes direct or indirect observable inputs.

Level 3: Valuation techniques does not contain observable market inputs.

Assets and liabilities measured at fair value as of December 31, 2019 are as follows:

	Level 1	Level 2 (*)	Level 3
Derivative financial assets	-	1.222.607	-
Derivative financial liabilities	-	-	-

Assets and liabilities measured at fair value as of December 31, 2018 are as follows:

	Level 1	Level 2 (*)	Level 3
Derivative financial assets	-	-	-
Derivative financial liabilities	-	14.762.427	-

(*) Fair value is measured taking as basis the market interest rates for the related currency effective in the remaining part of the contract.

32. Subsequent events

None.

33. Disclosure of other matters

Convenience translation to English:

As at December 31, 2019, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the CMB of Turkey.