**EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AT 1 JANUARY - 31 DECEMBER 2020
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

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

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

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* **31 December 2020**	*Audited* **31 December 2019**
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	337.916.490	207.946.450
Trade Receivables		573.227.412	363.501.144
- Trade Receivables From Related Parties	3	76.265.584	40.576.094
- Trade Receivables From Third Parties	5	496.961.828	322.925.050
Other Receivables		62.346.404	45.180.927
- Other Receivables From Related Parties	3	60.126.052	43.984.454
- Other Receivables From Third Parties		2.220.352	1.196.473
Derivative Instruments	14	-	1.222.607
Inventories	6	158.915.230	134.484.055
Prepaid Expenses	7	14.842.704	3.062.487
Current Income Tax Assets	23	3.267.872	7.689.397
Other Current Assets	8	2.769.186	3.265.200
SUBTOTAL		**1.153.285.298**	**766.352.267**
Non-Current Assets Held For Sale	22	4.012.783	5.320.001
TOTAL CURRENT ASSETS		**1.157.298.081**	**771.672.268**
NON - CURRENT ASSETS			
Other Receivables		339.562	1.210.681
- Other Receivables From Third Parties		339.562	1.210.681
Property, Plant and Equipment	9	512.665.843	401.171.711
Right of Use Assets	10	51.883.290	44.778.937
Intangible Assets		6.175.697	6.373.753
Prepaid Expenses	7	3.860.703	4.962.067
TOTAL NON - CURRENT ASSETS		**574.925.095**	**458.497.149**
TOTAL ASSETS		**1.732.223.176**	**1.230.169.417**

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* **31 December 2020**	*Audited* **31 December 2019**
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-Term Borrowings	11	62.881.384	114.031.771
Short-Term Portion of Long-Term Borrowings	11	45.257.520	91.424.537
Leasing Liabilities	11	15.684.631	13.622.056
Trade Payables		417.959.042	296.609.533
- Trade Payables to Related Parties	3	18.867.113	25.589.908
- Trade Payables to Third Parties	5	399.091.929	271.019.625
Payables Due to Employee Benefits	12	8.959.059	4.328.829
Other Payables		10.827	78.882
- Other Payables to Third Parties		10.827	78.882
Derivative Instruments	14	4.212.055	-
Deferred Income (Except for Contract Liabilities)	13	218.859.895	96.089.155
Short-Term Provisions		7.900.351	6.741.354
- Other Short-Term Provisions	14	7.900.351	6.741.354
Other Short-Term Provisions	8	13.746.584	3.861.824
TOTAL SHORT-TERM LIABILITIES		**795.471.348**	**626.787.941**
LONG-TERM LIABILITIES			
Long-Term Borrowings	11	162.352.555	117.110.613
Leasing Liabilities	11	51.097.710	37.085.244
Long-Term Provisions		19.955.439	19.226.400
- Long-Term Provisions for Employee Benefits	12	19.955.439	19.226.400
Deferred Tax Liabilities	23	14.212.099	4.371.310
TOTAL LONG-TERM LIABILITIES		**247.617.803**	**177.793.567**
TOTAL LIABILITIES		**1.043.089.151**	**804.581.508**

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

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* **31 December 2020**	*Audited* **31 December 2019**
EQUITY			
Equity Attributable to Owners of the Parent Company		**689.134.025**	**425.475.311**
Paid in Capital	15	80.980.793	80.980.793
Adjustments to Share Capital	15	7.840.703	7.840.703
Treasury Shares (-)		-	(8.024.832)
Share Premium		91.952	91.952
The Impact of Business Combinations of the Entities Under Common Control	15	(6.972.661)	(5.972.570)
Other Comprehensive Income/Expenses not to be Reclassified to Profit or Loss		190.032.609	82.104.603
- Revaluation of Property, Plant and Equipment	15	195.647.777	90.907.689
- Actuarial Losses Arising From Defined Benefit Plans		(5.615.168)	(8.803.086)
Other Comprehensive Income/(Losses) to be Reclassified to Profit or Losses		(497.568)	3.131.067
- Foreign Currency Translation Differences		(497.568)	3.131.067
Restricted Reserves	15	25.668.230	32.379.717
Retained Earnings		239.457.811	195.957.918
Net Profit for the Year		152.532.156	36.985.960
Non-Controlling Interest		**-**	**112.598**
TOTAL EQUITY		**689.134.025**	**425.587.909**
TOTAL LIABILITIES AND EQUITY		**1.732.223.176**	**1.230.169.417**

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

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* **1 January - 31 December 2020**	*Audited* **1 January - 31 December 2019**
PROFIT OR LOSS			
Revenue	16	1.323.254.745	986.275.790
Cost of Sales (-)	16	(898.586.984)	(713.092.726)
GROSS PROFIT		**424.667.761**	**273.183.064**
General Administrative Expenses (-)	18	(70.900.809)	(67.771.573)
Marketing Expenses (-)	18	(112.612.889)	(105.346.810)
Research and Development Expenses (-)	18	(2.079.010)	(2.279.524)
Other Operating Income	19	64.453.395	58.827.644
Other Operating Expenses (-)	19	(76.817.139)	(56.982.074)
OPERATING PROFIT		**226.711.309**	**99.630.727**
Income from Investment Activities	20	26.990.841	24.105.845
Expenses from Investment Activities (-)	20	-	(258.475)
OPERATING PROFIT/(LOSS) BEFORE FINANCIAL (EXPENSE)/ INCOME		**253.702.150**	**123.478.097**
Financial Income	21	106.706.303	26.588.508
Financial Expenses (-)	21	(177.422.823)	(124.102.060)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**182.985.630**	**25.964.545**
Tax Expense from Continuing Operations		**(27.163.195)**	**9.148.676**
- Tax Expense for the Period	23	(31.264.517)	1.431.488
- Deferred Tax (Expense)/Income	23	4.101.322	7.717.188
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**155.822.435**	**35.113.221**
PERIOD (LOSS)/PROFIT OF DISCONTINUED OPERATIONS	**22**	**(3.290.279)**	**1.872.739**
NET PROFIT FOR THE PERIOD		**152.532.156**	**36.985.960**
Profit for the Period Attributable to			
- Non-Controlling Interest		-	5.009
- Parent Company Shares		152.532.156	36.980.951
Earnings per Share			
- Earnings per 1 Share with a Nominal Value of 1 Kr from Continuing Operations	24	0,0192	0,0043
- Earnings/Losses per 1 Share with a Nominal Value of 1 Kr from Discontinued Operations	24	(0,0004)	0,0002

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

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

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* **1 January - 31 December 2020**	*Audited* **1 January - 31 December 2019**
PROFIT FOR THE YEAR		**152.532.156**	**36.985.960**
OTHER COMPREHENSIVE INCOME			
To be Reclassified to Profit or Loss		**30.408**	**3.204.277**
Change in Foreign Currency Translation Differences		30.408	3.204.277
Not to be Reclassified to Profit or Loss		**108.272.202**	**(4.669.094)**
Actuarial Gain/(Loss) Arising from Remeasurement of Defined Benefit Plans	12	3.984.897	(5.836.368)
Actuarial Gain/(Loss) Arising from Remeasurement of Defined Benefit Plans, Tax Effect		(796.979)	1.167.274
Revaluation of Property, Plant and Equipment	9	118.350.439	-
Revaluation of Property, Plant and Equipment Tax Effect	9	(13.266.155)	-
OTHER COMPHERENSIVE INCOME		**108.302.610**	**(1.464.817)**
TOTAL COMPREHENSIVE INCOME		**260.834.766**	**35.521.143**
Total Comprehensive Income Attributable to:			
Parent Company Shares		260.834.766	35.516.134
Non-Controlling Interest		-	5.009

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

						Not to be To be Reclassified Profit or Loss		Reclassified Profit or Loss						
	Paid-in Capital	**Adjustment to Share Capital**	**Treasury Shares**	**Share Premiums**	**The Impact of Business Combinations of the Entities Under Common Control**	**Actuarial Losses Arising From Defined Benefit Plans**	**Revaluation of Property, Plant and Equipment**	**Foreign Currency Translation Differences**	**Restricted Reserves**	**Retained Earnings**	**Net Profit for the Year**	**Equity Attributable to Owners of the Parent Company**	**Non-Controlling Interests**	**Total Equity**
1 January 2019	**80.980.793**	**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**
Transfers	-	-	-	-	-	-	(344.196)	-	3.618.532	102.775.015	(106.049.351)	-	-	-
Total comprehensive income	-	-	-	-	-	(4.669.094)	-	3.932.775	-	-	36.985.960	36.249.641	-	36.249.641
- Other comprehensive income	-	-	-	-	-	(4.669.094)	-	3.932.775	-	-	-	(736.319)	-	(736.319)
- Net profit for the period	-	-	-	-	-	-	-	-	-	-	36.985.960	36.985.960	-	36.985.960
Increase/(decrease) due to share repurchase	-	-	(2.830.880)	-	-	-	-	-	-	649.025	-	(2.181.855)	-	(2.181.855)
Dividends paid (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
31 December 2019	**80.980.793**	**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**
1 January 2020 - previously reported	**80.980.793**	**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**
Corrections of errors (Note 2.2.4)	-	-	1.941.540	-	(1.000.091)	-	-	(3.706.374)	(6.711.487)	9.476.412	-	-	-	-
1 January 2020 - corrected	**80.980.793**	**7.840.703**	**(6.083.292)**	**91.952**	**(6.972.661)**	**(8.803.086)**	**90.907.689**	**(575.307)**	**25.668.230**	**205.434.330**	**36.985.960**	**425.475.311**	**112.598**	**425.587.909**
Transfers	-	-	-	-	-	-	-	-	-	36.985.960	(36.985.960)	-	-	-
Total comprehensive income	-	-	-	-	-	3.187.918	104.740.088	30.408	-	344.196	152.532.156	260.834.766	-	260.834.766
- Other comprehensive income	-	-	-	-	-	3.187.918	104.740.088	30.408	-	344.196	-	108.302.610	-	108.302.610
- Net profit for the period	-	-	-	-	-	-	-	-	-	-	152.532.156	152.532.156	-	152.532.156
Increase/(decrease) due to share repurchase	-	-	6.083.292	-	-	-	-	-	-	(3.259.344)	-	2.823.948	-	2.823.948
Increase/(decrease) due to loss of control in subsidiaries	-	-	-	-	-	-	-	47.331	-	(47.331)	-	-	(112.598)	(112.598)
31 December 2020	**80.980.793**	**7.840.703**	**-**	**91.952**	**(6.972.661)**	**(5.615.168)**	**195.647.777**	**(497.568)**	**25.668.230**	**239.457.811**	**152.532.156**	**689.134.025**	**-**	**689.134.025**

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

EGE PROFİL TİCARET VE SANAYİ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Notes	*Audited* **1 January - 31 December 2020**	*Audited* **1 January - 31 December 2019**
A. Cash flows from operating activities:		**239.395.278**	**108.457.765**
Net Profit For the Period (I)		152.532.156	36.985.960
Adjustments to Reconcile Net Profit (II)		**133.352.876**	**87.562.497**
Adjustments related to depreciation and amortization expense	9	50.158.277	46.701.029
Adjustments for tax income/(losses)	23	27.163.195	(6.653.119)
Adjustments for losses (gains) from disposal of fixed assets	20	(2.982.400)	(1.453.212)
Unearned finance expense from term purchases / sales - net		3.941.994	(4.603.533)
Adjustments related to impairment for inventories	6	1.609.192	(111.693)
Adjustments related to impairment for receivables	5	20.085.179	(2.297.449)
Adjustments for provision employee benefits	12	8.329.457	4.838.969
Adjustments for provision legal cases	14	945.225	88.257
Adjustments related to provisions for guarentees	14	213.771	764.192
Adjustments related fair value gain/(loss)		-	(1.222.607)
Adjustments for interest income	21	(17.993.233)	(22.394.158)
Adjustments for interest expense	21	23.960.455	39.022.247
Adjustments for losses / gains arising from the disposal of shares in subsidiaries		(1.318.137)	-
- Adjustments related to depreciation and amortization expense	9	4.045.465	-
- Adjustments for tax income/(losses)	23	651.606	-
- Subsidiary sales profit	22	(6.015.208)	-
Other adjustments related to profit (loss) reconciliation		19.239.901	34.883.574
Changes in working capital (III)		**(16.605.184)**	**(7.391.522)**
Adjustments related to (increase)/decrease in inventory		(26.040.367)	2.413.944
Adjustments related to (increase)/decrease in trade receivables		(210.908.859)	75.956.947
Adjustments for increase/(decrease) in trade payables		99.508.555	(66.574.764)
Adjustments for (decrease) / increase in other receivables related to operations		(16.382.188)	(32.138.000)
Adjustments for (decrease) / increase in other payables related to operations		137.217.675	12.950.351
Cash flows from operating activities (I+II+III)		**269.279.848**	**117.156.935**
Taxes paid	23	(27.507.538)	(4.331.405)
Payments related with provisions for employee benefits	12	(2.377.032)	(4.367.765)
A.Cash flows from investing activities		**(16.099.118)**	**(12.555.224)**
Cash inflows from the disposal of shares in subsidiaries resulting in loss of control	22	2.038.481	-
Cash outflow from purchase of property, plant, equipment and intangible assets	9	(30.634.362)	(39.209.818)
Cash inflow from sales of property, plant and equipment and intangible assets	9	3.291.322	3.848.980
Cash advances and debts given	7	(10.095.010)	411.456
Interest received		17.993.233	22.394.158
Cash inflows from the sale of fixed assets classified for sale	22	2.658.510	-
Cash outflows from the sale of fixed assets classified for sale	22	(1.351.292)	-
B. Cash flows from financing activities		**(123.541.104)**	**(168.689.794)**
Cash outflows related to the purchase of equity instruments other than shares		2.823.948	(2.181.855)
Cash inflow from proceeds from borrowings	11	152.423.510	201.683.091
Cash outflow from payments of borrowings	11	(235.288.645)	(219.554.633)
Interest paid		(16.393.600)	(39.022.248)
Other cash outflows		-	(34.883.574)
Dividends paid		-	(40.234.200)
Cash outflow from derivative instruments, net		5.434.662	(14.762.427)
Cash outflows related to debt payments arising from lease agreements	10	(32.540.979)	(19.733.948)
C.Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**99.755.056**	**(72.787.253)**
D.Effect of currency translation differences on cash and cash equivalents		**30.214.984**	**4.661.274**
Net increase/(decrease) in cash and cash equivalents (D+E)		**129.970.040**	**(68.125.979)**
Cash and cash equivalents at the beginning of the period	**4**	**207.946.450**	**276.072.429**
Cash and cash equivalents at the end of the period	**4**	**337.916.490**	**207.946.450**

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Ege Profil Ticaret ve Sanayi Anonim Şirketi ("the Company" or "Ege Profil") was established in 1981 with the title Namık Mazhar Zorlu and Oğulları Plastik Profil Sanayi Kollektif Şirketi. It took its current form with a change of title in 1982. The main activity of the Company is the production and sales of all kinds of plastic pipes and spare parts, and all kinds of profiles and plastic goods.

As of 31 December 2020, 11,53% of the Company shares are traded on the Istanbul Stock Exchange ("BIST") (31 December 2019: 4,12%). Deceuninck NV, which has 88.47% (31 December 2019: 95.88%) shares of the Company as of 31 December 2020, is the main shareholder of the Company (Note 14).

Based on the contract signed between the Company and Pilsa A.Ş. in 2004, all activities carried out under the name of Winsa trademark were transferred to the Company.

In June 2017, Deceuninck NV's 87.60% share in Pimaş A.Ş. was purchased by the Company for TRY2,7081 for each share, for a total price of TRY85,400,364. The process regarding the merger decision taken for taking over Pimaş A.Ş. as a whole with all assets and liabilities was completed on 25 December 2017.

The Company carries out sales activities under Egepen Deceuninck brand produced in its facilities located in Menemen Plastik Specialized Organized Industrial Zone and under Pimapen and Winsa brands produced in its facilities in Kartepe/ Kocaeli. In addition to the operations in Turkey, the Company makes sales through its subsidiary in Chile (*) and; branch and subsidiary located in India. Majority of the Company's ultimate customers are operating in the construction industry.

The details of the Company's subsidiaries are given below:

Subsidiaries	Stock Exchange Transactions	Types of Activitiy	Main Operations
Deceuninck Importadora Limitada ("Deceuninck Chile") (*)	Not listed	Profile Sale	Plastic Pipes, profile, marketing/ distribution, lamination
Deceuninck Profiles India Pvt Limited ("Deceuninck India")	Not listed	Profile Sale	Plastic Pipes, profile, marketing/ distribution, lamination

(*) Based on the Board of Directors Decision dated 16 December 2020, the Company has sold all of the shares it owns in its subsidiary, Deceuninck Chile, where it had 99.9% shares based on the share sale agreement made with its main shareholder, Deceuninck NV on 17 December 2020. Transaction price has been determined as TRY2.038.481 based on the valuation work made for Decuninck Chile. As of the date of sale, the total equity of Deceuninck Chile is negative 3.976.727 TL, and the difference with the sales price have been recognized in the consolidated profit or loss and other comprehensive income statement.

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

As of 31 December 2020 and 31 December 2019, the number of personnel by category is as follows:

	31 December 2020	31 December 2019
Administrative	283	277
Manufacture	739	712
	1.022	**989**

Approval of consolidated financial statements:

These consolidated financial statements have been approved for issue by the Board of Directors of Ege Profil Ticaret ve Sanayi Anonim Şirketi on 25 February 2021. General Assembly and specified regulatory bodies have the right to make amendments after statutory consolidated financial statements issued.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial reporting standards applied

The accompanying consolidated financial statements are prepared in accordance with the CommuniquéSerial 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 are presented in accordance with the formats specified in the "Announcement on TFRS Taxonomy" published by the POA on 15 April 2019 and the Financial Table Examples and User Guide published by the CMB.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. Consolidated subsidiaries registered in Chile and India have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries they operate, and have prepared the legal records by reflecting the necessary corrections and classifications in order to make correct presentation in accordance with TFRS.

Consolidated financial statements have been prepared on the basis of historical cost, excluding land and plots and buildings from the tangible fixed assets group shown at their fair values, and financial assets and liabilities carried at their fair values, on the basis of historical cost, reflecting the necessary adjustments and classifications to the legal records in order to make an accurate presentation in accordance with TFRS.

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

Correction of Consolidated Financial Statements in High Inflation Periods

In accordance with CMB's 17 March 2005 and 11/367 decision, companies operating in Turkey and Companies that prepare their consolidated financial statements in accordance with CMB provisions are not subject to inflation accounting since 1 January 2005. Accordingly, on 1 January 2005, the Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") published by the POA was not applied.

2.2 Changes in Accounting Policies, Comparative Information and Correction of Previous Period Financial Statements

2.2.1 Amendments in Turkish Financial Reporting Standards

a) New standards, amendments and interpretations that are in progress and adopted by the Company at 31 December 2020:

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

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

    The Group management believes that this amendment will not have material impact on its consolidated financial statements.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The Group management believes that this amendment will not have material effect on its consolidated financial statements.

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

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

2.2 Changes in Accounting Policies, Comparative Information and Correction of Previous Period Financial Statements (Continued)

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

a) New standards, amendments and interpretations that are in progress and adopted by the Company at 31 December 2020 (Continued):

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

b) Standards, amendments and interpretations applicable from 31 December 2020 are not listed as they are not related to the operations of the Company or do not have a material effect on the consolidated financial statements.

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

- **IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

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

- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts',** deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

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

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

2.2 Changes in Accounting Policies, Comparative Information and Correction of Previous Period Financial Statements (Continued)

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

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

- **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

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

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

  Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

The Group will apply these amendments starting from their effective dates by assessing their effects on its operations.

2.2.2 Comparative Information

The Group prepared its consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 31 December 2020 on a comparative basis with balance sheet at 31 December 2019; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2020 on a comparative basis with financial statements for the period of 1 January - 31 December 2019. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

2.2.3 Changes in Accounting Policies

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transition provisions. Changes without any transition requirement, optional significant changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are restated. Changes in accounting estimates are applied in the current period if the change is related to only one period, and if it is related to future periods, it is applied both in the period of change and prospectively.

The Group has applied consistent accounting policies in its financial statements for the periods presented. Apart from these, there is no significant change in accounting policies and estimates in the current period.

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

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

2.2 Changes in Accounting Policies, Comparative Information and Correction of Previous Period Financial Statements (Continued)

2.2.4 Accounting Policies, Errors and Change 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. Changes without any transition requirement, optional significant changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are restated. Changes in accounting estimates are applied in the current period if the change is related to only one period, and if it is related to future periods, it is applied both in the period of change and prospectively.

The Group management has identified some errors in the accounts in the equity table of the prior period in the current period. These errors were corrected in the consolidated financial statements as of 1 January 2020 on the grounds of materiality principle of accounting, and the retrospective financial statements were not restated. The effects of these errors are as follows, and they do not have any effect on the net profit or total equity of the Group.

1 January 2020	Previously reported	Corrections	Corrected
Treasury Shares	(8.024.832)	1.941.540	(6.083.292)
The Impact of Business Combinations of the Entities Under Common Control	(5.972.570)	(1.000.091)	(6.972.661)
Foreign Currency Translation Differences	3.131.067	(3.706.374)	(575.307)
Restricted Reserves	32.379.717	(6.711.487)	25.668.230
Retained Earnings	195.957.918	9.476.412	205.434.329

2.3 Foreing Currency Translation

i) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are measured and presented in (" TRY") which is the parent Company's functional and the Group's presentation currency.

ii) Transactions and Balances

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

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

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

2.3 Foreing Currency Translation (Continued)

iii) Translation of Financial Statements of Foreign Subsidiaries

Financial statements of consolidated subsidiaries operating in foreign countries are prepared according to the legislation of the country in which they are registered and adjusted to the TFRS to reflect the proper presentation and content. The assets and liabilities of foreign subsidiaries are translated into TRY from the foreign exchange rate at the balance sheet date. The income and expenses of foreign subsidiaries are translated into TRY at the average foreign exchange rates. All resulting exchange differences are recognised in "foreign currency translation differences" as a separate component of equity.

The currency at balance sheet date and the average currencies as of the statement of income and other comprehensive income are as follows:

End of the period:	**31 December 2020**	**31 December 2019**
TRY/INR	9,95	10,3
TRY/CLP	96,66	107,0

Average:	**1 January - 31 December 2020**	**1 January - 31 December 2019**
TRY/INR	10,52	12,40
TRY/CLP	112,22	123,73

2.4 Basis of Consolidation

The consolidated financial statements include the accounts of the parent company, Ege Profil and its subsidiaries on the basis set out below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the these consolidated financial statements in accordance with TFRS, applying uniform accounting policies and presentation.

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The financial statements of the companies included in the scope of consolidation have been consolidated through full consolidation method and inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The non-controlling shareholders' share in the net assets and results for the year for the subsidiaries are included in accumulated losses in the consolidated balance sheet on the grouds of materiality limits.

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

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

2.4 Basis of Consolidation (Continued)

In order to be consistent with the accounting policies adopted by the Group, the accounting policies of subsidiaries have been changed when necessary.

The table below sets out all subsidiaries included in the scope of consolidation at and shows the related controlling interests at 31 December 2020 and 2019:

	Total direct and indirect control by the Company (%)	
Subsidiaries	**31 December 2020**	**31 December 2019**
Deceuninck Chile (*)	-	99,9
Deceuninck India	99,0	99,0

(*) Note 1.

Transactions under common control

In share transactions between under common control entities, provisions of IFRS 3 'Business Combinations' is not applicable since IFRS 3 or any other IFRS does not cover those transactions. Accordingly goodwill or negative goodwill is not to be accounted for. The difference between the consideration given and the aggregate book value of the assets and liabilities is accounted as an adjustment to equity. In accordance with IAS 8 and the local requirements regarding accounting treatment of transactions under common control, issued by Public Oversight Accounting and Auditing Standards Authority of Turkey, the Group retrospectively incorporates the acquired entity's results as if both entities had always been consolidated.

Changes in ownership interests in subsidiaries resulting in loss of control

When the group ceases to consolidate an investment because of a loss of control, any retained interest in the entity at the date of loss of control, is remeasured to its fair value with the change in carrying amount recognised in statement of consolidated comprehensive income.

This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

b) Segment Reporting

The operations of the Group are considered to be a single business segment because of the uniqueness of the Group's main field of activity and the nature of the products in the Group's field of activity, the production processes, the classes of the product customers and the economic characteristics of the methods used in the distribution of the products. Therefore, the Group management evaluates the decisions regarding the resources to be allocated and the performance evaluation as a single operating segment rather than separate segments.

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

2.5 Significant accounting policies

2.5.1 Related parties

In terms of these consolidated financial statements, shareholders with control, joint control or significant influence over the Group, Deceuninck Group Companies, senior management staff and board members of the Group or Deceuninck NV as the parent company, and jointly controlled or companies that have significant activities on these are accepted and expressed as related parties (Note 3). Related parties are determined by considering the following conditions

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

The person in question,

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

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

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

Transactions with related parties are disclosed in Note 3.

2.5.2 Revenue recognition

The Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

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

2.5.2 Revenue recognition (Continued)

The Group recognizes revenue based on the following main principles:

a) Identification of customer contracts,
b) Identification of performance obligations,
c) Determination of transaction price in the contract,
d) Allocation of price to performance obligations,
e) Recognition of revenue when the performance obligations are fulfilled.

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

The Group recognize revenue from its customers only when all of the following criteria are met:

a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
b) The Group can identify each party's rights regarding the goods or services to be transferred,
c) The Group can identify the payment terms for the goods or services to be transferred,
d) The contract has commercial substance,
e) It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue from product sales

The Group generates revenue as a result of the sale of paint, varnish, resin and other surface coating, building and thermal insulation materials, raw materials and tools and equipments used in its application. Revenue is recognized when product control is transferred to the customer (Note 16).

The Group evaluates the transfer of control of the goods or services sold to the customer,

a) The Group has a present right to payment for the asset,
b) The customer has legal title to the asset,
c) The Group has transferred physical possession of the asset,
d) The customer has the significant risks and rewards of ownership of the asset,
e) The customer has accepted the asset.

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

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

2.5.3 Revenue recognition (Continued)

The Group recognizes revenue when it has right to collect the consideration which is equal to the price of performance obligation fulfilled by the perspective of customer (after the delivery of goods) in an amount of its right to invoice.

Transaction price is determined by considering variable components like volume rebates given to customers, action fees and listing costs. Payment of the transaction price is due immediately when the customers purchase the products. It is the Group's policy to sell its products to the customers with a right of return within if there are acceptable reasons caused by faulty or obsolete products.

Interest income is recorded periodically by applying the effective interest method. When a provision for impairment is set aside, the Group calculates the carrying value of the receivable to its recoverable amount based on the estimated future cash flow discounted on the basis of the original effective interest rate of the related receivable and records that discount as interest income. Interest income on loans is recorded using the effective interest rate method.

2.5.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labour and appropriate amount of factory overheads. Inventory costing method is process costing and the costs of inventories are determined on the first in first out (FIFO) method (Note 6).

Aging and physical condition of inventories are assessed in terms of impairment and provision is regonized for inventories that are identified as obsolete in accordance with related accounting policies. As of the reporting date, details regarding the provision for inventory impairment are provided in Note 6.

2.5.5 Financial assets

Classification and measurement

The Group classifies its financial assets in the following categories, financial assets recognized at amortized cost and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Group management determines the classification of its financial assets at initial recognition.

Financial assets recognized at amortized cost

Financial assets with fixed or determinable payments that are not traded in an active market and which are not derivatives, where management adopts the business model of collecting contractual cash flows and contract terms only include interest payments arising from principal and principal balance, are recognized as assets that are at amortized cost. If the maturities are less than 12 months from the balance sheet date, they are classified as the current assets. If the maturities are longer than 12 months, they are classified as non-current assets. Assets that are accounted for at amortized cost include 'trade receivables', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

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

2.2.5 Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated financial statements. As of 31 December 2020 and 2019, the Group's financial assets at fair value through profit or loss includes foreign currency forward derivative transactions.

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 the consolidated statements of profit or loss.

2.5.6 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand accounts, and deposits held at banks. Cash and cash equivalents are highly liquid investments with maturities less than 3 months. Cash and cash equivalents are stated at their fair values in the consolidated financial statements (Note 4).

2.5.7 Cash flow statement

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Group's production and sales activities. Cash flows from investing activities indicate cash flows associated with the Group's investing activities (such as purchase of or proceed from sale of property, plant and equipment) from property, plant and equipment and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

The Group performs impairment assessments for cash and cash equivalents based on the expected credit loss model considering past credit loss experiences and future forecasts.

2.5.8 Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 5).

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

2.5.8 Trade receivables (Continued)

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

The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, the Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as income to the income statement (Note 19).

2.5.9 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.

2.5.10 Borrowing and borrowing cost

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

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

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

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

2.5.11 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TRY as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any. Land, land improvements and buildings are stated at fair value based on valuations by external independent valuers performed at 31 December 2020 (Note 9). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount s the revalued amount of the asset.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in the consolidated statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the consolidated statement of comprehensive income. Decreases that offset previous increases of the revalued asset are charged against that reserve; all other decreases are charged to the consolidated statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the consolidated statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to accumulated losses, and the amount transferred is net of any related deferred income tax.

Property, plant and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified in prepaid expenses under the other non-current assets until the related asset is capitalised. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 9).

Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

	Years
Land and land improvements	10-40
Buildings	10-42
Furniture and fixtures	3-10
Machinery and equipments	2-25
Motor vehicles	4-8
Other fixed assets	5

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

2.5.11 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

If the property, plant and equipment that are impaired are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the consolidated statement of comprehensive income.

Repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The Group derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognised as separate asset, are depreciated based on their useful lives.

2.5.12 Leases

The Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

a) The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
b) A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
c) The Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
d) The Group has the right to direct the use of an identified asset. The Group has the right to direct the use of the asset throughout the period of use only if either:

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

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

2.5.12 Leases (Continued)

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above-mentioned factors.

Right-of-use asset

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

a) the amount of the initial measurement of the lease liability,
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the Group, and
d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, the Group measures the right-of-use asset:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

The Group applies the depreciation requirements in IAS 16 "Property, Plant and Equipment" Standard in depreciating the right-of-use asset. The Group applies IAS 36 "Impairment of Assets" Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group's incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) fixed payments, less any lease incentives receivable,
b) variable lease payments that depend on an index or a rate,
c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,
b) reducing the carrying amount to reflect the lease payments made and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

2.5.12 Leases (Continued)

Options to extend and terminate

Group assesses the contractual options to extend or to terminate the lease when determining the lease liability. The majority of the options to extend and terminate are exercisable both by the Group and the respective lessor. Group determines the lease term of a lease considering the periods covered by options to extend and terminate the lease if the options are exercisable by the Group and the Group is reasonably certain to exercise those options. If a significant change in circumstances takes place, related lease term assessment is revisited by the Group.

Variable Lease Payments

Lease payments arising from a part of the Group's lease agreements consist of variable lease payments. The mentioned variable lease payments, which are not covered by the TFRS 16 standard, are recorded as income on the income statement in the relevant period.

Practical expedients

The short-term lease agreements with a lease term of 12 months or less which are determined by the Group as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16 and related lease payments are recognised as an expense in the period in which they are incurred. Furthermore, single discount rate is used to a portfolio of leases with reasonably similar characteristics (such as leases with similar remaining lease terms for a similar group of assets in a similar economic environment).

2.5.13 Intangible assets

Intangible assets are measured at cost less accumulated depreciation and impairment, if any.

Intangible assets mainly comprise acquired rights, trademarks, industrial software, ditributor list, software license rights and other rights and capitalised at fair value.

Intangible assets (software license right and other rights) are amortized on a straight-line basis over their estimated useful lives for a period of mainly 3-20 years from the date of acquisition. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.5.14 Non-current assets held for sale

Non-current assets held for sale represent real estates purchased in return for the liabilities of the customers who are insolvent to the Group. These assets are measured at lower of the cost or fair value, taking into account the value determined in their title deeds. When the right to use the asset is obtained with the court order or the consent of the customer, the relevant doubtful trade receivable amount is netted from the value determined in the expert reports and classified into the fixed assets held for sale account and the difference between the fair value of the asset and the amount of trade receivable is reflected in the income statement. The Group does not depreciate these assets unless they are used for its operations. When these assets are sold, the difference between sales amount and the carrying value of the asset is recognized in the statement of profit or loss.

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

2.5.15 Research and development expenses

Expenditure on research activities are recognized as an expense in the period in which they are incurred. An intangible assets arising from development (or from the development phase of an internal project) is recognized as intangible assets when the following criteria are met;

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

In other cases, development costs are expensed as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. In cases where it is difficult to separate the research phase from the development phase in a project, the entire project is treated as research and expensed immediately.

2.5.16 Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. The recoverable amounts of intangible assets not yet available for use to be measured annually. When an indication of impairment exists, the Group estimates the recoverable amounts of such assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

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

2.5.17 Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to settle the liability. The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. The discount rate must be pre-tax and does not consider risks associated with future cash flow estimates. In cases where the time value of money is material and the provisions approach to their expected realization date, the increase in the provision due to passage of time is recognized as interest expense in the consolidated statement of income and other comprehensive income.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are treated as contingent assets or liabilities. The Group does not recognize contingent assets and liabilities (Note 14). Provisions are not recognized for future operating losses.

Warranty provision

The Group provides warranty regulations for products sold in Turkey. The Company makes provision for the said commitment by estimating the possible warranty obligation over the sales made within the framework of the current legal regulations, based on its past experiences.

Contingent assets and liabilities

Contingent liabilities are not reflected in the financial statements but explained in the footnotes if the situation requiring resource transfer is not highly likely. Contingent assets, on the other hand, are not reflected in the financial statements and explained in footnotes if the possibility of generating economic gains is high.

In order to determine provisions for lawsuits, the probability of losing the relevant lawsuits and the consequences to be incurred in case of loss are evaluated in line with the opinions of the Group's legal advisors and the amount of the provision is determined. In addition, based on the ongoing tax review, a provision is accounted for possible cash outflow based on the best estimates within the current information, taking into account the opinions of the Group tax advisors within the framework of the applicable tax laws.

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

2.5.18 Employee benefits/severance pay

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

Unused vacation

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

2.5.19 Current period tax expense and deferred tax

Tax expense includes current period tax expense and deferred tax expense. The tax is included in the income statement, provided it is not directly related to a transaction accounted for under equity. Otherwise, the tax is accounted for under equity with the relevant transaction.

Current tax expense is calculated by taking into account the tax laws in force in the countries where the Group's subsidiaries operate as of the date of the statement of financial position. According to Turkish tax legislation, the corporations whose legal or business centers are 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.

In addition, temporary tax at a rate of 22% (only 22% for 2018, 2019 and 2020 taxation periods and 20% for the following years) is paid over the tax bases declared during the year to be deducted from corporate tax. The corporate tax rate in India is 25%.

As of 31 December 2020 and 2019, income tax provisions have been accrued in accordance with the prevailing tax legislation.

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.

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

2.5.20 Current period tax expense and deferred tax

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2020 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.

Deferred tax assets are recorded when it is highly probable to benefit from temporary differences and accumulated losses by generating taxable profit in the future. While determining the amount of deferred tax assets to be recorded, it is necessary to make important estimates and evaluations regarding the taxable profits that may occur in the future.

The Group management determines the taxable profit amount by taking into account the predictable future profit or loss projections while accounting the deferred tax from the mentioned tax advantages. In addition, the Group management accounts for its tax assets and liabilities by making all necessary evaluations in line with the opinions of tax consultants within the framework of the tax laws in force in the countries where they operate. Explanations on the aforementioned tax assets and liabilities are included in Note 23.

2.5.21 Government grants

Government grants, including non- monetary grants at fair value, are recognised in consolidated financial statements when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grants will be received. The Group accounts government subsidies for brand development and related marketing expenses by offset marketing, selling and distribution expenses on consolidated financial statements. Government grants and subsidies comprise of research and development incentives and investment incentives.

2.5.22 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 (Note 24).

2.5.23 Share premiums

Share premium represents differences resulting from the sale of the Company'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.

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

2.5.24 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.

2.5.25 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognized as an appropriation of the profit in the period they are declared. Dividends received are recorded as income on the date when the right to collection occurs.

2.5.26 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

2.5.27 Events after the reporting period

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

In the case that adjusting events occur after the reporting period, the Group adjust the amounts recognised in its consolidated financial statements to reflect adjusting events after the reporting period. Moreover, non-adjusting events that are indicative of conditions that arose after the reporting period should be disclosed if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions.

2.5.28 Going concern

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

2.6 Important developments regarding the current period

Necessary actions have been taken by the Group management to minimize the possible effects of COVID-19 on the Group's operations and financial position. Due to the COVID-19 epidemic, the Group's activities were generally positively affected as a result of the developments in the sector in which the Group is involved and in the general economic activity. However, some actions were still taken by the Group management.

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

2.6 Important developments regarding the current period (Continued)

While preparing its financial statements dated 31 December 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, the Group tested the possible impairment of financial assets, inventories and tangible fixed assets included in its consolidated financial statements dated 31 December 2020, and no impairment was detected, other than those reflected in the financial statements.

2.7 Critical Accounting Estimates and Judgements

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

a) Revalued amounts of land, land improvements and buildings

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

As a result of the assessments made by the Group management, land, land improvements and buildings held by the Group are carried at their fair values in the consolidated financial statements as of 31 December 2020 based on the valuations performed by an external independent valuer.

The details of the methods and assumptions used for valuations of land, land improvements and buildings are as follows:

- In fair value calculations, the highest and best use evaluation was made and the current usage purposes were determined as the highest and best use. Market reference comparison method was used for lands, and the cost approach method was used for land improvements and buildings.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m² sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the real estate market, also, current information and experience of the professional valuation company was utilized.

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

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

2.7 Critical Accounting Estimates and Judgements (Continued)

- In the cost approach method, the value of the real estate was determined by adding the investment costs on the land after the amortization (after adding any interests or gains, removing the wearing out). The peer comparison method described above was also used to calculate the plot value from the components discussed in the cost approach method.

The fair values may differ from the amounts that would result from the outcome of a sales transaction between independent parties.

The values determined by the cost approach method were evaluated according to IAS 36 "Impairment in Assets" in terms of the date when they were first accounted in the consolidated financial statements, and whether there are impairment indicators or not.

b) Trade receivables and impairment

The Group management takes into consideration the guarantees received from customers, past collection performances, maturity analysis, disputes or claims related to receivables or lawsuits when evaluating the recoverability of such trade receivables. The determination of the doubtful receivables as well as the provision amounts for these receivables as a result of all these evaluations include management's assumptions and estimates.

NOTE 3 - RELATED PARTY DISCLOSURES

Summary of the related party balances as of 31 December 2020 and 31 December 2019 and significant related party transactions during the period were as follows:

i) Balances with related parties:

a) Short-term trade receivables from related parties:

	31 December 2020	**31 December 2019**
Deceuninck Romania SRL (2)	21.807.806	10.275.060
Deceuninck NV (1)	13.985.460	1.111.381
Deceuninck SAS (Colombia) (2)	9.992.203	10.316.115
Deceuninck Pty Ltd (2)	6.894.239	4.630.741
Deceuninck doo – Serbia (2)	5.537.753	-
Deceuninck (Thailand) Co Ltd (2)	4.799.278	2.077.649
Deceuninck doo - Croatia (2)	3.967.269	3.257.179
Deceuninck De Mexico S.A. (2)	3.272.220	3.258.100
Other Deceuninck Group Companies (2)	6.009.356	5.649.869
	76.265.584	**40.576.094**

(1) Parent company having control over the Group
(2) Companies that are members of the same group as the Group.

Short-term trade receivables from related parties are related to product sales.

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

NOTE 3 - RELATED PARTY DISCLOSURES (Continued)

As of 31 December 2020, the due dates of trade receivables from related parties are as follows:

	31 December 2020
Overdue receivables	18.296.390
0-30 days due	7.468.833
30-120 days due	33.707.351
121-180 days due	16.793.010
	76.265.584

Considering the Group's past experience in collecting trade receivables from related parties, the Group management believes that there is no doubtful receivable risk involved.

b) Short-term other receivables to related parties:

	31 December 2020	**31 December 2019**
Deceuninck NV (1)	60.126.052	43.984.45
	60.126.052	**43.984.454**

In accordance with the receivables assignment agreements made with Deceuninck NV, trade receivables of the Group from other Deceuninck Group companies amounting to EUR1.756.590, USD4.411.860 and AUD1.463.517 have been assigned to Deceuninck NV (31 December 2019: EUR1.756.590, USD4.411.860 and AUD1.470.988). Maturity of these receivables have been extended from of 31 December 2020 to 30 June 2021.

The carrying value of short-term trade receivables from related parties approximate to their fair values.

c) Short-term trade payables to related parties:

Deceuninck NV (1)	8.971.264	9.065.887
Deceuninck De Mexico S.A. (2)	2.763.544	66.730
Deceuninck Brazil (2)	2.136.457	45.919
Ege Pen AS (2)	1.878.696	-
Deceuninck doo – Serbia (2)	1.853.069	-
Deceuninck SAS (Colombia) (2)	-	15.281.061
Other Deceuninck Group Companies (2)	1.264.083	1.130.311
	18.867.113	**25.589.908**

A significant portion of short-term payables to related parties arises from raw material purchases and consultancy and consultation services received from Deceuninck NV.

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

NOTE 3 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with Related Parties:

a) Product sales to related parties:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Deceuninck Romania SRL (2)	44.592.555	31.697.433
Deceuninck Pty Ltd (2)	16.119.343	9.793.799
Deceuninck doo - Croatia (2)	9.666.237	6.360.559
Deceuninck NV (1)	9.144.554	4.973.605
Deceuninck NV Succursal en Espana (2)	7.842.603	5.416.940
Deceuninck (Thailand) Co Ltd (2)	7.401.778	952.037
Deceuninck Brazil (2)	5.195.622	1.324.450
Inoutic / Deceuninck Sp. z o.o. (2)	4.775.444	395.682
Deceuninck SAS (Colombia) (2)	4.642.378	14.586.913
Other Deceuninck Group Companies (2)	3.875.031	3.706.937
	113.255.545	**79.208.355**

b) Service and product purchases from related parties:

Deceuninck SAS (Colombia) (2)	21.261.544	34.499.226
Inoutic / Deceuninck Sp. z o.o. (2)	1.274.981	1.192.884
Inoutic / Deceuninck GmbH (2)	1.057.939	1.410.542
Deceuninck NV (1)	466.534	-
	24.060.998	**37.102.652**

c) Fixed asset purchases from related parties:

Deceuninck NV (1)	648.478	808.488
Inoutic / Deceuninck Sp. z o.o. (2)	362.776	-
Inoutic / Deceuninck GmbH (2)	829.018	-
	1.840.272	**808.488**

d) Other expenses from related parties:

Deceuninck NV (1)	33.900.635	39.458.165
	33.900.635	**39.458.165**

As of 31 December 2020, TRY14.288.078 (31 December 2019: TRY18.863.519) of this amount was paid for management services, 18.049.199 TL (31 December 2019: 17.865.024 TL) for information technology systems whereas 1.563.354 TL (31 December 2019: 2.729.622 TL) consists of the royalties.

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

NOTE 3 - RELATED PARTY DISCLOSURES (Continued)

e) Interest income from related parties:

	1 January - 31 December 2020	1 January - 31 December 2019
Deceuninck NV (1)	3.710.790	1.369.885
	3.710.790	**1.369.885**

f) Key management benefits:

Key management consists of senior managers, board members, general manager and directors, and the benefits provided to these managers are as follows:

Total short-term benefits	9.599.775	9.533.903
Termination benefits	631.940	444.636
	10.231.715	**9.978.539**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	2.709	2.984
Banks	327.965.388	196.239.859
- Time deposits	322.389.048	187.710.357
- TRY denominated time deposits	173.201.354	119.816.913
- Foreign currency denominated time deposits	149.187.694	67.893.444
- Demand deposits	5.576.340	8.529.502
- TRY denominated demand deposits	3.748.098	3.233.049
- Foreign currency denominated demand deposits	1.828.242	5.296.453
Cheques in collection	9.948.393	6.933.243
Other	-	4.770.364
	337.916.490	**207.946.450**

As of 31 December 2020, time deposits include short term TRY, EUR and USD denominated deposits maturing in one month (31 December 2019: one month) and bearing effective weighted average interest rates of 18.15% per annum ("p.a."), 2.17% p.a., and 2.20% p.a., resprectively (31 December 2019: 11,5% p.a. and %0,6 p.a. for TRY and for USD denominated time deposits, respectively). Based on the independent data with respect to the credit risk assessment of the banks, at which the Group has deposits, the credit quality of the banks is sufficient.

As of 31 December 2020 and 31 December 2019, the Group has no blocked deposits.

Cheques in collection includes cheques with maturities within 3 days that are kept in banks for collection.

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables to third parties:

	31 December 2020	31 December 2019
Cheques and notes receivable	485.499.515	240.607.863
Customer current accounts	66.427.137	123.318.406
	551.926.652	**363.926.269**
Less: Trade receivable rediscount	(12.026.288)	(5.533.007)
Provision for doubtful receivables	(50.306.074)	(35.468.212)
	489.594.290	**322.925.050**

Average maturity of trade receivables is within 71 days (31 December 2019: 72 days).

As of 31 December 2020, the average effective interest rate used for rediscount calculation with the effective interest method is 18.11% p.a. for trade receivables denominated in TRY (31 December 2019: 13.75% p.a.).

As of 31 December 2020 and 2019, the movement table for provision for doubtful trade receivables is as follows:

	2020	2019
1 January	**35.468.212**	**37.765.661**
Current period provision expense-continued operations	22.551.924	-
Current period provision expense-discontinued operations	5.027.802	-
Current year collections	(7.494.547)	(2.297.449)
Currency translation differences-discontinued operations	2.194.387	-
De-consolidation effect	(7.441.704)	-
31 December	**50.306.074**	**35.468.212**

As of 31 December 2020 and 2019, the aging of trade receivables that are past due but not impaired are as follows:

	31 December 2020	31 December 2019
Up to 30 days	6.569.224	5.764.816
30-60 days	3.188.380	3.044.172
60-90 days	2.390.039	3.793.941
90-180 days	5.993.169	5.836.889
Up to 180 days	11.411.030	7.509.012
	29.551.842	**25.948.830**

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

NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2020 and 2019, since the amount of guarantees received from customers for past due but not impaired receivables covers the uncollected receivables, no additional provision is recognized in the consolidated financial statements.

As of 31 December 2020, there are bank letters of guarantee amounting to TRY226.793.350, guarantee notes amounting to TRY10.895.444 and first degree mortgages amounting to TRY257.485.980 received as a guarantee for total trade receivables of the Group (31 December 2019: TRY134.441.507, TRY10.143.083 and TRY261.059.123, respectively) (Note 14). Explanations on the Group's credit risk management can be found in Note 25.

Concentrations of credit risk with respect to trade receivables are limited due to the Group’s widely dispersed customer base, covering the spectrum of manufacturing and distribution and the variety of available markets in which they sell. Due to these factors, the Group management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group’s trade receivables.

b) Short-term trade payables:

	31 December 2020	30 December 2019
Supplier current accounts	363.409.120	263.823.069
Notes payable	38.939.247	7.901.707
	402.348.367	**271.724.776**
Less: Trade payables rediscount	(3.256.438)	(705.151)
	399.091.929	**271.019.625**

Average maturity of trade payables is within 180 days (31 December 2019: 130 days).

NOTE 6 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials	38.038.697	35.874.516
Work in progress	16.676.678	10.884.619
Finished goods	81.998.496	45.695.703
Trade goods	28.455.998	46.674.686
Provision for obsolosence of inventory (-)	(6.254.639)	(4.645.469)
	158.915.230	**134.484.055**

Cost of inventories recognised as expense and included in cost of goods sold amounted to TRY759.786.958 (31 December 2019: TRY592.583.731).

Raw materials mainly consist of PVC, lamination materials and adhesives used in profile production.

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

NOTE 6 – INVENTORIES (Continued)

As of 31 December 2020, provision for obsolosence of inventory consists of provisions related with raw material, finished goods and trade goods inventories amounting to TRY521.077, TRY4.659.428 and TRY1.074.134, respectively (31 December 2019: TRY616.382, TRY3.094.005 and TRY935.082, respectively).

The movement of provision for obsolosence of inventory for the years ended 31 December 2020 and 2019 is as follows:

	2020	**2019**
1 January	**4.645.469**	**4.757.162**
Increase/(decrease) in the period, net	1.609.170	(111.693)
31 December	**6.254.639**	**4.645.469**

NOTE 7 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 December 2020	**31 December 2019**
Order advances given	11.950.866	376.228
Other	2.891.838	2.686.259
	14.842.704	**3.062.487**

b) Long-term prepaid expenses

Advances given for the purchase of fixed assets	3.459.893	4.939.521
Other	400.810	22.546
	3.860.703	**4.962.067**

NOTE 8 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2020	**31 December 2019**
Value added tax ("VAT") deductible	1.528.684	806.281
Job advances	854.712	2.256.206
Other	385.790	202.713
	2.769.186	**3.265.200**

b) Other short term liabilities

Taxes and funds payable	13.413.913	2.840.716
Provisions for expenses	332.671	1.021.108
Total	**13.746.584**	**3.861.824**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2020	Additions	Transfers	Disposals	Foreign Currency Translation Adjustments	Net-off Accumulated Depreciation Before Revaluation	Revaluation	De-consolidation	31 December 2020
Cost/ revaluation:									
Land	108.654.488	-	6.307.520	-	-	-	107.667.187	-	222.629.195
Buildings, land and land improvements	148.948.655	864.829	-	-	-	(25.350.872)	10.683.252	-	135.145.864
Machinery and equipments	299.831.573	21.592.820	10.595.718	(5.672.289)	-	-	-	(5.317.560)	321.030.262
Motor vehicles	1.215.397	1.078.982	323.810	-	(157.438)	-	-	(339.845)	2.120.906
Furniture and fixtures	17.715.051	898.685	(1.732)	(3.001)	108.337	-	-	(414.346)	18.302.994
Construction in progress	20.365.757	6.199.046	(17.326.173)	-	(771.817)	-	-	-	8.466.813
	596.730.921	**30.634.362**	**(100.857)**	**(5.675.290)**	**(820.918)**	**(25.350.872)**	**118.350.439 (6.071.751)**	**707.696.034**	
Less: Accumulated depreciation:									
Buildings, land and land improvements	(21.236.934)	(4.113.938)	-	-	-	25.350.872	-	-	-
Machinery and equipments	(161.290.956)	(26.899.535)	-	5.363.367	(136.372)	-	-	3.069.317	(179.894.179)
Motor vehicles	(642.879)	(351.502)	-	-	(256.595)	-	-	259.441	(991.535)
Furniture and fixtures	(12.388.441)	(2.079.878)	-	3.001	110.477	-	-	210.364	(14.144.477)
	(195.559.210)	**(33.444.853)**	**-**	**5.366.368**	**(282.490)**	**25.350.872**	**-**	**3.539.122**	**(195.030.191)**
Net book value	**401.171.711**								**512.665.843**

Main additions to machinery and equipments during the period between 1 January - 31 December 2020 are related with laser cutting tools.

Majority of the transfers from the construction in progress during the period between 1 January - 31 December 2020 are related with the transfer of the mold production project to machinery and equipments that are ready to use.

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2019	Additions	Transfers	Disposals	31 December 2019
Cost/revaluation:					
Land	108.654.488	-	-	-	108.654.488
Buildings, land and land improvements	147.450.833	1.497.822	-	-	148.948.655
Machinery and equipment	258.768.734	23.475.622	20.968.577	(3.381.360)	299.831.573
Motor 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:					
Buildings, land and land improvements	(17.190.961)	(4.045.973)	-	-	(21.236.934)
Machinery and equipment	(138.733.777)	(23.580.261)	-	1.023.082	(161.290.956)
Motor 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**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of depreciation and amortization expenses of the Group for the periods between 1 January - 31 December 2020 and 2019 are as follows:

Continuing operations:

	1 January - 31 December 2020	1 January - 31 December 2019
Cost of sales	36.890.602	32.284.626
Marketing expenses	11.894.122	10.523.906
General and administrative expenses	1.345.668	1.372.417
Research and development expenses	27.885	375.237
	50.158.277	**44.556.186**

Discontinuing operations:

Cost of sales	467.076	212.196
Marketing expenses	3.448.318	1.837.397
General and administrative expenses	130.071	74.585
	4.045.465	**2.124.178**

There is no mortgage or pledge on the Group's property, plant and equipments.

Movements in revaluation reserve related to land, land improvements and buildings for the period between 1 January - 31 December 2020 were as follows:

	2020
1 January	**90.907.689**
Increase due to revaluation of land, land improvements and buildings	118.350.439
Deferred tax calculated on the increase arising from the revaluation of land, land improvement and buildings	(13.266.155)
Depreciation on revaluation reserve transferred to retained earnings	(430.244)
Deferred tax calculated over the depreciation arising from revaluation fund classified to accumulated losses	86.048
31 December	**195.647.777**

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

NOTE 10 - RIGHT OF USE ASSETS

Movements of right of use assets and accumulated depreciation between 1 January and 31 December 2020 were as follows:

	1 January 2020	**Additions**	**De-consolidation**	**31 December 2020**
Cost:				
Buildings	41.380.424	17.437.758	(14.157.907)	44.660.275
Machinery and equipment	15.269.593	16.944.896	(1.301.252)	30.913.237
Motor vehicles	4.899.867	1.375.616	-	6.275.483
	61.549.884	**35.758.270**	**(15.459.159)**	**81.848.995**
Less: Accumulated Depreciation:				
Buildings	(7.783.786)	(11.351.157)	6.459.756	(12.675.187)
Machinery and equipment	(7.247.685)	(6.758.898)	817.725	(13.188.858)
Motor vehicles	(1.739.476)	(2.362.184)	-	(4.101.660)
	(16.770.947)	**(20.472.239)**	**7.277.481**	**(29.965.705)**
Net book value	**44.778.937**			**51.883.290**

Additions to right-of-use assets between 1 January and 31 December 2020 are mainly due to warehouse rentals and forklift rentals.

Movements of right of use assets and accumulated depreciation between 1 January and 31 December 2019 were as follows:

	1 January 2019	**Additions**	**Disposals**	**31 December 2019**
Cost:				
Buildings	35.872.060	5.508.364	-	41.380.424
Machinery and equipment	13.236.978	2.032.615	-	15.269.593
Motor vehicles	4.247.620	652.247	-	4.899.867
	53.356.658	**8.193.226**	**-**	**61.549.884**
Less: Accumulated Depreciation:				
Buildings	-	(7.783.786)	-	(7.783.786)
Machinery and equipment	-	(7.247.685)	-	(7.247.685)
Motor vehicles	-	(1.739.476)	-	(1.739.476)
	-	**(16.770.947)**	**-**	**(16.770.947)**
Net book value	**53.356.658**			**44.778.937**

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

NOTE 11 - BORROWINGS AND BORROWING COSTS

	31 December 2020	**31 December 2019**
Short-term borrowings	62.881.384	114.031.771
Short-term portion of long-term borrowings	45.257.520	91.424.537
Lease liabilities	15.684.631	13.622.056
Short-term borrowings	**123.823.535**	**219.078.364**
Long-term borrowings	162.352.555	117.110.613
Lease liabilities	51.097.710	37.085.244
Long-term borrowings	**213.450.265**	**154.195.857**
Total financial liabilities	**337.273.800**	**373.274.221**

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

NOTE 11 - BORROWINGS AND BORROWONG COSTS (Continued)

	Effective Weighted Average Interest Rate p.a. (%)		Original Amount		TRY Equivalent	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Short-term borrowings:						
TRY (Free of interest)	-	-	23.159	1.041.146	23.159	1.041.146
TRY (*)	8,00	23,60	60.113.725	60.000.000	60.113.725	60.000.000
EUR (**)	-	-	-	7.500.000	-	49.879.500
Interest accrual		-	2.744.500	3.111.125	2.744.500	3.111.125
					62.881.384	**114.031.771**
Short-term portion of long-term borrowings:						
TRY (*)	9,87	13,88	359.490	6.000.000	359.490	6.000.000
TRY (***)	-	15,25	-	20.000.000	-	20.000.000
EUR (*)	3,17	3,17	4.545.454	4.545.454	40.944.995	30.229.996
EUR (***)	-	4,50	-	5.000.000	-	33.253.000
Interest accrual		-	3.953.035	1.941.541	3.953.035	1.941.541
					45.257.520	**91.424.537**
Total short-term bank borrowings					**108.138.904**	**205.456.308**
Long-term borrowings:						
TRY (***)	9,87	12,30	91.927.135	50.000.000	91.927.135	50.000.000
EUR (*)	3,17	3,17	7.818.184	10.090.911	70.425.420	67.110.613
Total long-term bank borrowings					**162.352.555**	**117.110.613**
Total bank borrowings					**270.491.459**	**322.566.921**

(*) 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.

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

NOTE 11 - BORROWINGS AND BORROWONG COSTS (Continued)

As of 31 December 2020 and 2019 repayment schedule of long-term borrowings are as follows:

	31 December 2020	31 December 2019
Within 1-2 years	151.942.666	80.229.996
Within 2-3 years	531.861	30.230.017
Within 3-4 years	697.647	6.650.600
Within 4-5 years	9.180.381	-
	162.352.555	**117.110.613**

There is no guarantee given by the Group for the short and long bank borrowings as of 31 December 2020 and 2019.

According to the borrowing agreement signed by the Group with a financial institution for the loan amounting to TRY111.370.415 equivalent of EUR12.363.638 with a maturity of 17 November 2022, there are certain conditions that must be met, and as a result of the evaluations made by the Group management, there is no condition that cannot be fulfilled as of 31 December 2020.

As of 31 December 2020 and 31 December 2019, the Group has no borrowing with floating interest rates.

The movement table of borrowings between 1 January - 31 December 2020 is as follows:

	2020
1 January	**322.566.921**
Cash inflows from proceeds from borrowings	152.423.510
Cash outflows from payments of borrowings	(235.288.645)
Changes in interest accruals	18.038.469
Interest paid	(16.393.600)
Unrealized currency translation difference	29.144.804
31 December 2020	**270.491.459**

Lease liabilities

	31 December 2020	31 December 2019
Short-term lease liabilities	15.684.631	13.622.056
Long-term lease liabilities	51.097.710	37.085.244
	66.782.341	**50.707.300**

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

NOTE 11 - BORROWINGS AND BORROWONG COSTS (Continued)

Movement of lease liabilities is presented below:

	2020
1 January	**50.707.300**
Additions	27.535.748
Interest expense	5.921.986
Unrealized currency translation difference	15.325.151
Payments during the period (-)	(24.318.457)
De-consolidation effect	(8.389.387)
31 December	**66.782.341**

	2019
Effect of change in accounting policies, 1 January	53.356.658
Additions	8.193.226
Interest expense	5.260.215
TFRS 16 changes in lease liabilities	(826.118)
Unrealized currency translation difference	4.457.267
Payments during the period (-)	(19.733.948)
31 December	**50.707.300**

NOTE 12 - EMPLOYEE BENEFITS

a) Short-term payables regarding employee benefits:

	31 December 2020	**31 December 2019**
Personnel salaries to be paid	5.841.060	2.330.410
Social security premiums payable	1.425.341	1.038.401
Taxes and funds payable	1.692.658	960.018
	8.959.059	**4.328.829**

b) Long-term provisions due to employee benefits:

Provision for employment termination benefits	17.662.035	17.163.473
Provision for unused vacations	2.293.404	2.062.927
	19.955.439	**19.226.400**

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

NOTE 12 - EMPLOYEE BENEFITS (Continued)

i) Provision for Unused Vacation:

The movements of the provision for unused vacation during the period are as follows:

	2020	**2019**
1 January	**2.062.927**	**1.797.424**
Additions	230.477	839.697
31 December	**2.293.404**	**2.062.927**

ii) Employment Termination Benefit:

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

As of 31 December 2020 the amount payable consists of one month's salary limited to a maximum of TRY7,117.17 (31 December 2019: TRY6,379.86) for each year of service.

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

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 maximum amount of TRY7.638,96 (1 January 2020: TRY6.730,15) which is effective from 1 January 2021 has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

The following actuarial assumptions were used in the calculation of the total liability:

	2020	**2019**
Discount rate (%)	3,74	3,19
Probability of retirement (%)	93,28	96,86

An increase of 0.20 points in the discount rate causes an increase of TRY347.961 in the calculation of the provision for severance pay.

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

NOTE 12 - EMPLOYEE BENEFITS (Continued)

The movements of the provision for employee termination benefit during the periods are as follows:

	2020	2019
1 January	**17.163.473**	**11.121.404**
Interest cost	2.122.364	1.329.293
Service cost	5.976.616	3.244.173
Actuarial (gain)/ loss	(3.984.897)	5.836.368
Payments during the period	(2.377.032)	(4.367.765)
Consolidation exit effect	(1.238.489)	-
31 December	**17.662.035**	**17.163.473**

NOTE 13 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 December 2020	31 December 2019
Advances received	218.859.895	96.089.155
	218.859.895	**96.089.155**

The advances received include the payments received by the Group from its dealers and customers for the sales to be made in the following periods, and it is anticipated that the advances will be closed within one year (31 December 2019: one year). It is estimated that the carrying value of the advances received approximate to their fair values.

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

Other short term provisions as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Provision for litigations	5.784.951	4.303.465
Warranty provision	2.115.400	1.901.629
Provision for tax penalty	-	536.260
	7.900.351	**6.741.354**

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) Guarantees received:

	31 December 2020		31 December 2019	
	TRY Equivalent	Original Amount	TRY Equivalent	Original Amount
Letters of guarantee received				
EUR	2.073.442	213.790	3.158.349	474.897
USD	1.186.909	142.860	4.169.664	701.940
TRY	223.532.999	223.532.999	127.113.495	127.113.495
Guarantee notes received				
EUR	2.077.419	214.200	1.424.559	214.200
TRY	8.818.025	8.818.025	8.718.525	8.718.525
Mortgages received				
EUR	1.402.820	144.643	961.963	144.643
TRY	256.083.160	256.083.160	260.097.160	260.097.160
	495.174.774		**405.643.715**	

Guarantees received consists of letters of guarantee, guarantee notes and real estate mortgages received from customers in terms of credit risk management of receivables arising from trading activities.

c) Guarantees given:

	31 December 2020		31 December 2019	
	TRY Equivalent	Original Amount	TRY Equivalent	Original Amount
EUR	67.559.250	7.500.000	49.879.500	7.500.000
TRY	13.660.323	13.660.323	13.575.482	13.575.482
	81.219.573		**63.454.982**	

As of 31 December 2020 and 2019, EUR denominated guarantees given consist mainly of guarantees provided by the Group to the Central Bank of Turkish Republic for rediscount loans and TRY denominated guarantees given consists mainly of guarantees provided by the Group to various corporation, institutions and courts.

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Collaterals/Pledges/Mortgages ("CPM") Position of the Company:

	31 December 2020	31 December 2019
A. Total Amount of CPM Given for the Group's Own Legal Personality	81.219.573	**63.454.982**
B. Total Amount of CPM Given on Behalf of Fully Consolidated Companies	-	-
C. Total Amount of CPM Given for Continuity of Its Economic Activities on Behalf of Third Parties	-	-
D. Total Amount of Other CPM	-	-
i. Total Amount of CPM Given on Behalf of the Majority Shareholder	-	-
ii. Total Amount of CPM Given to on Behalf of Other	-	-
iii. Total Amount of CPM Given on Behalf of Third Parties Which are not in Scope of C	-	-
	81.219.573	**63.454.982**

As of 31 December 2020 and 31 December 2019, the Company and its Subsidiaries have no guarantees, pledges or mortgages received from or given to its related parties. As of 31 December 2020, percentage of other guarantees, pledges or mortgages given by the Company and its subsidiaries to the Group's equity is 0% (31 December 2019: 0%).

d) Commitments:

The Group has export commitments amounting to EUR8.198.090 and USD19.898.193 arising from export contracted loans as of 31 December 2020. The Group management anticipates that the said export commitments will be realized.

As of 31 December 2020, the Group has foreign currency forward sales commitment of TRY69.184.350, TRY9.542.000, USD2.750.000 and EUR4,000,000 against the purchase commitment of EUR1.000.000, USD8,500,000 and CLP3.758.081.600, and CLP2.149.415.467, respectively, arising from derivative transactions. The fair value of the derivative transactions as of 31 December 2020 is negative TRY4.212.055 (31 December 2019: positive TRY1.222.607).

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

NOTE 15 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

As of 31 December 2020 and 31 December 2019, the Company's paid-in capital and shareholding structure are as follows:

	31 December 2020		**31 December 2019**	
Shareholder:	**Amount (TRY)**	**Share (%)**	**Amount (TRY)**	**Share (%)**
Deceuninck NV	71.640.457	88,47	77.644.384	95,88
Publicly traded	9.340.336	11,53	3.336.409	4,12
Paid in share capital	**80.980.793**	**100**	**80.980.793**	**100**
Adjustments to share capital	7.840.703			7.840.703
Total equity	**88.821.496**		**88.821.496**	

The upper limit of registered share capital of the Group as of 31 December 2020 and 31 December 2019 is TRY120.000.000. As of 31 December 2020 and 31 December 2019, the historic value of the Group's paid-in capital is TRY80.980.793 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.

a) 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.

b) 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.

NOTE 15 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

c) Other Comprehensive Income/Expenses not to be Reclassified to Profit or Loss

- *Revaluation of Property, Plant and Equipment*

The Group has adopted revaluation model for land, land improvements 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 in 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 Losses Arising from Defined Benefit Plans*

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.

d) Other Comprehensive Income/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 TRY and accounted for under equity.

e) 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.

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

NOTE 16 - REVENUE AND COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Domestic sales	1.090.497.431	768.504.444
Export sales	232.757.314	217.771.346
Net sales	**1.323.254.745**	**986.275.790**
Cost of sales	898.586.984	713.092.726
Gross profit	**424.667.761**	**273.183.064**

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2020	1 January - 31 December 2019
Raw materials and supplies	759.786.958	592.583.731
Personnel expenses	138.123.093	120.792.080
Consultancy expenses	37.999.781	43.838.497
Depreciation and amortisation expenses	50.158.277	44.556.186
Customs clearance and shipping costs	27.285.544	24.966.896
Other	70.826.039	61.753.243
	1.084.179.692	**888.490.633**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

i) General administrative expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Consultancy expenses	37.999.781	43.838.497
Personnel expenses	21.493.810	16.504.103
Taxes, funds and fees	1.735.457	1.858.775
Depreciation and amortisation	1.345.669	1.372.417
Insurance expenses	1.000.389	1.060.388
Communication expenses	533.417	461.296
Other	6.792.286	2.676.097
	70.900.809	**67.771.573**

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

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

ii) Marketing expenses:

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	49.925.119	47.309.049
Customs clearance and shipping costs	27.285.544	24.966.896
Depreciation and amortisation	11.894.122	10.523.906
Dealer incentive, fair and meeting expenses	7.855.817	9.861.842
Advertising expenses	4.885.611	3.273.013
Rent expenses	460.958	2.086.203
Other	10.305.718	7.325.901
	112.612.889	**105.346.810**

iii) Research and development expenses:

Personnel expenses	1.838.371	1.904.287
Other	240.639	375.237
	2.079.010	**2.279.524**

NOTE 19 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

i) Other operating income:

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gain	54.776.434	35.872.512
Interest income	6.231.587	6.434.598
Scrap sales income	1.549.335	1.071.805
Reversal of provision for doubtful receivables	-	641.014
Income from derivative transactions	-	10.994.211
Other	1.896.039	3.813.504
	64.453.395	**58.827.644**

ii) Other operating expenses:

Foreign exchange loss	59.601.360	41.817.275
Provision for doubtful receivables	15.057.377	-
Interest charge expense	1.546.917	102.067
Expense from derivative transactions	13.990.927	
Other	611.485	1.071.805
	76.817.139	**56.982.074**

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

NOTE 20 - INCOME/ EXPENSE FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2020	1 January - 31 December 2019
Interest income	17.993.233	22.394.158
Income from the disposal of shares in subsidiary (Note 22)	6.015.208	-
Gain on sales of property, plant and equipment	2.982.400	1.711.687
	26.990.841	**24.105.845**

i) Expense from investment activities

Loss on sales of property, plant and equipment	-	258.475
	-	**258.475**

NOTE 21 - FINANCIAL INCOME/EXPENSES

i) Finance income

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gain	76.105.965	10.442.155
Income from derivative transactions	30.600.338	16.146.353
	106.706.303	**26.588.508**

ii) Finance expense

Foreign exchange loss	109.834.692	23.841.910
Bank and commission expenses	30.711.474	34.883.574
Interest expense	23.960.455	37.418.284
Expense from derivative transactions	9.557.455	25.090.922
Termination benefits interest cost	2.122.364	1.329.292
Other expense	1.236.383	1.538.078
	177.422.823	**124.102.060**

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

NOTE 22 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

a) Non-current assets held for sale

Assets classified for sale as of 31 December 2020 and 2019 are as follows:

	2020	2019
Opening balance	5.320.001	3.426.866
Entries during the semester	1.351.292	1.893.135
Withdrawals during the period (-)	(2.658.510)	-
Closing balance	**4.012.783**	**5.320.001**

As of 31 December 2020 and 2019, fixed assets held for sale are land, shops and buildings purchased from customers for receivables that have turned into doubtful receivables. The aim of the Group management is to dispose of the aforementioned real estates in a short time.

b) Changes in ownership interests in subsidiaries resulting in loss of control:

Based on the Board of Directors Decision dated 16 December 2020, the Company has sold all of the shares it owns in its subsidiary, Deceuninck Chile, where it had 99.9% shares based on the share sale agreement made with its main shareholder, Deceuninck NV on 17 December 2020. Transaction price has been determined as TRY2.038.481 based on the valuation work made for Decuninck Chile. As of the date of sale, the total equity of Deceuninck Chile is negative 3.976.727 TL, and the difference between the sales price and total equity amounting to TRY6.015.208 have been recognized in the consolidated profit or loss and other comprehensive income statement. Transactions between 17 December 2020 and 31 December 2020 are disregarded on the grounds of materiality principle of accounting.

The operating results of the subsidiary, defined as the discontinued operation, presented separately in accordance with the provisions of TFRS 5 "Fixed Assets Held for Sale and Discontinued Operations" for the periods 1 January – 31 December 2020 and 2019 are as follows:

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

NOTE 22 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
PROFIT OR LOSS		
Revenue	60.383.752	60.934.409
Cost of sales	(42.345.060)	(41.228.631)
GROSS PROFIT	**18.038.692**	**19.705.778**
Operating expenses	(19.335.382)	(18.692.037)
OPERATING (LOSS)/ PROFIT	**(1.296.690)**	**1.013.741**
Income from investing activities	24.179	-
OPERATING PROFIT BEFORE FINANCIAL (EXPENSE)/INCOME	**(1.272.511)**	**1.013.741**
Financial income	1.391.513	3.585.155
Financial expenses	(2.757.675)	(230.600)
BEFORE TAX (LOSS)/PROFIT	**(2.638.673)**	**4.368.296**
Tax expense	**(651.606)**	**(2.495.557)**
- Current tax expense	(664.546)	(168.156)
- Deferred tax expense	12.940	(2.327.401)
NET PERIOD (LOSS) / PROFIT FROM DISCONTINUED OPERATIONS	**(3.290.279)**	**1.872.739**

NOTE 23 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

a) Corporate tax

	31 December 2020	31 December 2019
Current corporate tax expense	(31.929.063)	1.263.332
Prepaid taxes during the period (-)	35.196.935	4.331.405
Corporate taxes assets	**3.267.872**	**5.594.737**

Tax expenses included in the consolidated income statements for the years ended 31 December 2020 and 2019 are summarized below:

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

NOTE 23 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Continuing operations:

	1 January - 31 December 2020	1 January - 31 December 2019
Current corparate tax expense	(31.264.517)	1.431.488
Deferred tax income/(loss)	4.101.322	7.717.188
Total tax income/(loss)	**(27.163.195)**	**9.148.676**

Discontinuing operations:

	1 January - 31 December 2020	1 January - 31 December 2019
Current corparate tax expense	(664.546)	(168.156)
Deferred tax income/(loss)	12.940	(2.327.401)
Total tax income/(loss)	**(651.606)**	**(2.495.557)**

Reconciliation of tax expense is as follows:

	1 January - 31 December 2020
Profit before tax	**180.346.957**
Tax expense calculated using the current tax rate	(39.676.331)
Tax incentive within the scope of research and development	490.471
Investment incentive exception effect under article KVK 32/A	13.346.488
Disallowable expenses	(456.783)
Effect of income exempted from corporate tax	-
Other	(1.518.646)
Total tax expense	**(27.814.801)**

b) Deferred taxes

The effects of deferred tax assets and liabilities as of 31 December 2020 and 31 December 2019 are summarized below, using the applicable tax rates as of the balance sheet date:

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

NOTE 23 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

	Cumulative Temporary Differences		Deferred Income Tax Asset/(Liability)	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Effect of investment incentives	-	-	18.055.787	16.499.722
Adjustment related to property, plant and equipment and intangible assets	324.473.439	191.964.991	(43.165.725)	(27.597.330)
Adjustments related to leasing transactions	(14.899.051)	(5.928.363)	2.979.810	1.185.673
Provisions for employment termination benefits	(17.449.579)	(22.056.306)	3.489.916	4.411.261
Provisions for doubtful receivables	(34.234.858)	(18.594.747)	7.531.669	4.796.289
Warranty provision	(2.115.400)	(1.901.629)	465.388	418.358
Provision for litigation	(5.784.952)	(4.303.465)	1.272.689	946.762
Adjustment related to inventories	21.000.789	(5.824.123)	(4.579.285)	1.281.307
Provisions for unused vacation	(2.293.403)	(1.964.763)	458.681	432.248
Adjustment related to trade teceivables	-	18.076.187	-	(3.976.761)
Other temporary differences	3.277.405	12.585.636	(721.029)	(2.768.839)
Deferred tax assets/(liabilities), net			**(14.212.099)**	**(4.371.310)**

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

	2020	**2019**
1 January	**(4.371.310)**	**(10.928.371)**
Recognized in statement of profit or loss	4.114.262	5.389.787
Recognized in other comprehensive income/(expenses)	(14.063.134)	1.167.274
Foreign currency translation	108.083	-
31 December	**(14.212.099)**	**(4.371.310)**

The Group has tax incentives for its investments in Menemen facilities. The Group management has benefited from the tax advantage of TRY11.796.669 in the current period by deducting the temporary tax calculated in accordance with the said investment incentives, and the additional tax advantage earned in the current period is TRY13.352.734. The total tax advantage that can be used as of 31 December 2020 is TRY18.055.787.

On 27 November 2020, a tax inspection was initiated throughout the Company by the Tax Inspection Board of the Ministry of Treasury and Finance. The inspection period is 2019 and the scope of the inspection has been determined as general corporate tax and value added taxes. The inspection inspector is in the process of collecting the necessary data from the Company and there is no evaluation submitted to the Company yet. The Group management does not see any need for any provision according to its past experience and knowledge.

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

NOTE 24 - 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.

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.

	1 January - 31 December 2020	**1 January - 31 December 2019**
Net profit for the period from continuing operations	155.822.435	35.113.221
Weighted average number of common shares	8.098.079.300	8.098.079.300
Continuing operations earnings per share (TRY)	**0,0192**	**0,0043**
Discontinued operations net period (loss)/profit	(3.290.279)	1.872.739
Weighted average number of common shares	8.098.079.300	8.098.079.300
Discontinued operations per share (loss)/earnings (TRY)	**(0,0004)**	**0,0002**

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING 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 theunpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Some of the major financial instruments of the Group are bank loans, cash, short and long term bank deposits. The main purpose in using these tools is to create financing for the operations of the Group. The Group also has financial instruments such as trade receivables and trade payables that arise directly from operations.

Group management manages these risks as stated below. The Group also monitors the market risk that may arise from the use of financial instruments.

i. Currency Risk

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 theunpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii. Interest rate risk

The Group does not have any significant interest sensitive assets. Cash flows from the Group's income and operations are largely independent of changes in market interest rates.

Since the Group does not have assets and liabilities with variable interest rates as of 31 December 2020 and 2019, the Group is not exposed to interest rate risk.

The interest rate risk of the Group arises from short and long term borrowing. Credits to be obtained in the future for the continuation of the operations of the Group are affected by the interest rates to be realized in the upcoming period.

iii. Liquidity risk

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

In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

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

31 December 2020:

Contractual maturity dates:	Carrying value	Total Cash Outflows Per Agreement	Less than 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial liabilities:						
Bank borrowings	270.491.459	280.653.293	43.544.950	64.212.282	172.896.061	-
Lease liabilities	66.782.341	75.797.345	-	18.804.487	56.275.982	716.876
Trade payables	417.959.041	372.198.905	245.274.573	126.924.332	-	-
	755.232.841	**728.649.543**	**288.819.523**	**209.941.101**	**229.172.043**	**716.876**

31 December 2019:

Contractual maturity dates:	Carrying value	Total Cash Outflows Per Agreement	Less than 3 months	3 - 12 months	1 - 5 years	> 5 years
Non-derivative financial liabilities:						
Bank borrowings	322.566.920	345.602.029	89.339.301	127.667.005	121.888.684	6.707.039
Trade payables	297.284.284	298.004.635	175.353.345	122.651.290	-	-
	619.851.204	**643.606.664**	**264.692.646**	**250.318.295**	**121.888.684**	**6.707.039**

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

iv. Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks, trade receivables from related parties and other trade receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has established an effective control system over its dealer network and risks arising from transactions with dealers are followed by obtaining sufficient amounts of guarantees from the dealers (excluding related parties) for dealing with credit risk. The Group manages this risk from dealers and direct customers by limiting the credit lines according to the amount of the guarantees received and updating these guarantees frequently. The credit quality of each customer is re-evaluated frequently on the basis of the financial position of the customer, past experiences and other factors.

Trade receivables are evaluated by Group management on the basis of past experiences and current economic conditions.

The Group tries to manage credit risk by spreading its sales activities over a wide area, avoiding undesirable concentrations on individuals or groups in a certain sector or region. The Group also receives collateral from its customers when it deems necessary.

Information on overdue and collateral structure of receivables and cash and cash equivalents are as follows:

31 December 2020	**Trade receivables (Note 5)**	**Trade receivables from related parties (Note 3)**	**Cheques in collection (Note 4)**	**Cash on deposit (Note 4)**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)(1)	**489.594.290**	**76.265.584**	**9.948.394**	**327.968.097**
The part of maximum credit risk covered with guarantees etc	248.104.060	-	9.948.394	-
A. Net book value of financial assets not due or not impaired	**460.042.448**	**57.969.194**	**9.948.394**	**327.968.097**
- The part covered by guarantees etc	245.967.123	-	9.948.394	-
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired	-	-	-	-
- The part covered by guarantees etc	-	-	-	-
C. Net book value of assets past due but not impaired	**29.551.842**	**18.296.390**		**-**
- The part covered by guarantees etc	2.136.937	-	-	-
D. Net book value of assets impaired	**-**	**-**	**-**	**-**
Past due (gross book value)	23.476.369	-	-	-
Impairment (-)	(23.476.369)	-	-	-
The part of net value covered with guarantees etc	-	-	-	-
Not due (gross book value)	26.829.705	-	-	-
Impairment (-)	(26.829.705)	-	-	-
The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019	**Trade receivables (Note 5)**	**Trade receivables from related parties (Note 3)**	**Cheques in collection (Note 4)**	**Cash on deposit (Note 4)**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (1)	**322.925.050**	**40.576.094**	**6.933.243**	**196.242.842**
The part of maximum credit risk covered with guarantees etc	110.444.737	-	6.933.243	-
A. Net book value of financial assets not due or not impaired	**296.976.220**	**28.455.993**	**6.933.243**	**196.242.842**
- The part covered by guarantees etc	110.444.737		6.933.243	-
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired	**-**	**-**	**-**	**-**
- The part covered by guarantees etc	-	-	-	-
C. Net book value of assets past due but not impaired	**25.948.830**	**12.120.101**	**-**	**-**
- The part covered by guarantees etc	-	-	-	-
D. Net book value of assets impaired	**-**	**-**	**-**	**-**
Past due (gross book value)	27.697.380	-	-	-
Impairment (-)	(27.697.380)	-	-	-
The part of net value covered with guarantees etc	-	-	-	-
Not due (gross book value)	7.770.832	-	-	-
Impairment (-)	(7.770.832)	-	-	-
The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	**-**	**-**	**-**	**-**

1) In determining the amount, guarantees received and factors that increase credit reliability are not taken into account.

v. Foreign Currency Risk

The Group's foreign currencies primarily EUR, USD and AUD 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 31 December 2020 and 31 December 2019, the Group's net foreign currency position is as follows:

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

On a total basis;

	31 December 2020 (TRY Amount)	31 December 2019 (TRY Amount)
A.Assets denominated in foreign currency	325.921.753	235.402.330
B.Liabilities denominated in foreign currency	(353.083.560)	(363.154.266)
Net foreign currency position (A+B)	**(27.161.807)**	**(127.751.936)**

The foreign currency position of the Group as of 31 December 2020 is as follows:

	TRY Equivalent	USD	EUR	AUD
1. Trade receivables	160.223.174	6.550.940	11.127.682	2.121.933
2a. Monetary financial assets (cash, bank accounts included)	149.542.738	4.429.166	12.991.978	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	16.155.841	2.186.346	11.875	-
4. Current assets (1+2+3)				
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total assets (4+8)	**325.921.753**	**13.166.452**	**24.131.536**	**2.121.933**
10. Trade payables	(241.299.205)	(18.586.149)	(11.641.735)	-
11. Financial liabilities	(41.358.936)	-	(4.591.407)	-
12a. Monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Short-term liabilities (10+11+12)	**(282.658.141)**	**(18.586.149)**	**(16.233.142)**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	(70.425.420)	-	(7.818.184)	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Long-term liabilities (14+15+16)	**(70.425.420)**	**-**	**(7.818.184)**	**-**
18. Total liabilities (13+17)	**(353.083.560)**	**(18.586.149)**	**(24.051.326)**	**-**
19. Net asset/(liability) position of / off - balance sheet derivative instruments (19a-19b)	71.402.150	8.500.000	1.000.000	-
19a. Total amount of assets hedged	-	-	-	-
19b. Total amount of liabilities hedged	71.402.150	8.500.000	1.000.000	-
20. Net foreign currency asset/(liability) position (9+18+19)	**44.240.343**	**3.080.303**	**1.080.210**	**2.121.933**
21. Net foreign currency asset/ (liability)position of monetary items (=1+2a+5+6a+10+11+12a+14+15+16a)	**(43.317.648)**	**(7.606.043)**	**68.335**	**2.121.933**
22. Fair value of derivative instruments used in foreign currency hedge	71.402.150	8.500.000	1.000.000	-
23. Export (*)	209.327.725	3.570.782	18.000.524	2.363.508
24. Import (*)	441.709.349	30.266.451	22.073.383	-

(*) Average rate of exchange is used.

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The foreign currency position of the Group as of 31 December 2019 is as follows:

	TRY Equivalent	USD	EUR	AUD
1. Trade receivables	158.736.492	6.875.312	16.988.496	1.185.546
2a. Monetary financial assets (cash, bank accounts 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. Non-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.

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING 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 31 December 2020 and 31 December 2019 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 exchange rates (especially USD, EUR and AUD), with all other variables held constant.

31 December 2020

	Profit/(Loss)		Equity	
	Foreign Currency Appreciation	**Foreign Currency Depreciation**	**Foreign Currency Appreciation**	**Foreign Currency Depreciation**
Change of USD Against TRY by 10%:				
1- USD net assets/liabilities	(5.583.216)	5.583.216	-	-
2- USD hedged from risks (-)	6.239.425	(6.239.425)	-	-
3- USD net effect (1+2)	**656.209**	**(656.209)**	**-**	**-**
Change of EUR Against TRY by 10%:				
4- EUR net assets/liabilities	61.555	(61.555)	-	-
5- EUR hedged from risks (-)	900.790	(900.790)	-	-
6- EUR net effect (4+5)	**962.345**	**(962.345)**	**-**	**-**
Change of AUD Avarage Against TRY by 10%:				
7- AUD net assets/liabilities	1.189.895	(1.189.895)	-	-
8- AUD hedged from risks (-)	-	-	-	-
9- AUD net effect (7+8)	**1.189.895**	**(1.189.895)**	**-**	**-**
Total (3+6+9)	**2.808.449**	**(2.808.449)**	**-**	**-**

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

NOTE 25 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019

	Profit/(Loss)		Equity	
	Foreign Currency Appreciation	**Foreign Currency Depreciation**	**Foreign Currency Appreciation**	**Foreign Currency Depreciation**
Change of USD Against TRY 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 TRY 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 Avarage Against TRY 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)	**(281.135)**	**281.135**		

vi) Capital risk management

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

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

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including short-term financial liabilities, current portion of long-term financial liabilities, long-term financial liabilities, less cash and cash equivalents).

	31 December 2020	**31 December 2019**
Total financial debt	1.043.089.151	804.581.508
Less: Cash and cash equivalents (Note 4)	(337.916.490)	(207.946.450)
Net liabilities (A)	705.172.661	596.635.058
Total equity (B)	693.110.751	425.587.909
Total invested capital (A+B)	**1.398.283.412**	**1.022.222.967**
Net liabilities/ total invested capital ratio	**%50**	**%58**

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

NOTE 26 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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.

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

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

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial liabilities

Monetary liabilities with a fair value close to their carrying value:

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

Fair value hierarchy table

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

31 December 2020	**Level 1**	**Level 2 (*)**	**Level 3**
Derivative financial liabilities	-	4.212.055	-

31 December 2019	**Level 1**	**Level 2 (*)**	**Level 3**
Derivative financial assets	-	1.222.607	-

(*) The fair value is calculated by reference to the original maturity rate, the market interest rates valid for the remainder of the contract for the relevant currency.

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

NOTE 26 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Group's non-financial assets that are measured at fair value at 31 December 2020 and 2019:

31 December 2020

	Level 1	**Level 2**	**Level 3**	**Total**
Property plant and equipment:				
Land	-	222.629.195	-	222.629.195
Buildings, land and land improvements	-	135.145.864	-	135.145.864
Total assets	**-**	**357.775.059**	**-**	**357.775.059**

31 December 2019

	Level 1	**Level 2**	**Level 3**	**Total**
Property plant and equipment:				
Land	-	108.654.488	-	108.654.488
Buildings, land and land improvements	-	127.711.721	-	127.711.721
Total assets	**-**	**236.366.209**	**-**	**236.366.209**

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