(CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND INDEPENDENT AUDITORS' REPORT

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working world

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**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITORS' REPORT

To the General Assembly of Duran Doğan Basım ve Ambalaj Sanayi A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Duran Doğan Basım ve Ambalaj Sanayi A.Ş. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

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

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3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in audit
Revenue Recognition	
The Group recognizes revenue in its financial statements when it fulfills the performance obligation by transferring goods or services to its customers at a point in time. Due to the nature and magnitude of the Group's operations, there is a risk that revenue is not recognized even products are delivered but not invoiced yet. According to the above mentioned explanations, timing of revenue recognition, whether the revenue of the products is recognized in correct period, is determined as key audit matter. The accounting policy for revenue recognition and revenue amounts are disclosed in Note 2.5 and Note 15.	In our audit, the following procedures are applied to ensure the accurate and complete recognition of revenue: The revenue process of the Group is examined. Contracts with customers are reviewed and impacts of contractual clauses on revenue are evaluated. Within the scope of audit works, product sales data and its accounting records are tested on a sample basis. In addition, by performing substantive tests and data analytics tools, procedures related to analysis and correlation of the accounts are performed.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 10 March 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Onur Ünal.

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

Onur Ünal, SMMM
Partner

10 March 2020
İstanbul, Turkey

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

DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

	Notes	Current Period 31 December 2019	Prior Period 31 December 2018
ASSETS			
Current Assets		**135.751.604**	**111.124.669**
Cash and Cash Equivalents	26	25.482.545	9.885.694
Financial Investments			
-Restricted Bank Balances		1.634.115	1.995.601
Trade Receivables		53.162.380	54.531.265
Trade Receivables from Third Parties	*5*	53.162.380	54.531.265
Other Receivables		43.037	862.245
Other receivables from Third Parties		43.037	81.080
Other receivables from Related Parties		-	*781.165*
Inventories	7	51.456.750	36.883.527
Prepaid Expenses		2.640.226	4.645.021
Other Current Assets		1.332.551	2.321.316
Non-Current Assets		**135.746.649**	**122.073.199**
Other Receivables		362.262	320.092
Other Receivables from Third Parties		362.262	320.092
Property, Plant and Equipment	9	43.425.150	118.558.451
Intangible Assets	10	2.928.547	1.756.680
Right of Use Assets	9	81.513.696	-
Prepaid Expenses		5.462.309	-
Deferred Tax Assets	22	2.054.685	1.437.976
TOTAL ASSETS		**271.498.253**	**233.197.868**

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

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

DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

	Notes	Current Period 31 December 2019	Prior Period 31 December 2018
LIABILITIES			
Short Term Liabilities		**86.827.180**	**98.109.984**
Short-Term Borrowings	24	25.227.159	37.566.079
Short-Term Portion of Long-Term Borrowings	24	26.845.517	14.060.967
Short-Term Portion of Long-Term Borrowings from Third Parties	24	15.440.229	6.847.738
Lease Liabilities		11.405.288	7.213.229
Other Financial Liabilities	24	633.550	1.116.592
Trade Payables		26.275.396	33.742.785
Trade Payables to Related Parties	*4*	1.358.279	1.078.460
Trade Payables to Third Parties	*5*	24.917.117	32.664.325
Payables Related to Employee Benefits		1.933.761	1.474.761
Other Payables		328.081	357.581
Other Payables to Related Parties		254.221	184.859
Other Payables to Third Parties		73.860	172.722
Derivative Financial Liabilities	*6*	150.921	-
Deferred Income	8	1.727.805	2.542.906
Current Tax Liabilities	22	501.430	2.787.310
Short-Term Provisions		1.793.103	3.642.706
Short-term Provisions for Employee Benefits	12	1.780.786	2.437.900
Other Short-Term Provisions	11	12.317	1.204.806
Other Current Liabilities	13	1.410.457	818.297
Long Term Liabilities		**114.133.265**	**72.570.912**
Long-Term Borrowings		88.698.077	51.214.947
Long-Term Borrowings from Third Parties	24	56.468.300	21.063.578
Lease Liabilities		32.229.777	30.151.369
Other Payables		13.301.200	12.056.000
Other Payables to Related Parties	4,6	13.301.200	12.056.000
Deferred Income	8	65.539	187.255
Long-term Provisions		8.232.889	5.114.424
Long-term Provisions for Employee Benefits	*12*	8.232.889	5.114.424
Deferred Tax Liabilities	22	3.835.560	3.998.286
EQUITY		**70.537.808**	**62.516.972**
Equity Attributable to Owners of the Company		**70.501.615**	**62.480.902**
Share Capital	14	16.575.788	16.575.788
Adjustments to Share Capital		6.436.501	6.436.501
Share Premium		5.220	5.220
Restricted Reserves Appropriated from Profit	14	778.019	325.455
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		41.253.735	42.959.926
Properties Revaluation Reserves		*44.410.998*	*44.555.690*
Actuarial Loss		*(3.157.263)*	*(1.595.764)*
Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss		(1.846.665)	(1.306.790)
Currency Translation Difference		*(1.846.665)*	*(1.306.790)*
Accumulated Losses		(2.823.070)	(16.936.903)
Net Profit / (Loss) for the Period		10.122.087	14.421.705
Non-Controlling Interests		**36.193**	**36.070**
TOTAL LIABILITIES		**271.498.253**	**233.197.868**

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

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

DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPHERENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

	Notes	Current Period 1 January- 31 December 2019	Prior Period 1 January- 31 December 2018
PROFIT AND LOSS			
Revenue	15	248.616.991	206.398.689
Cost of sales (-)	15	(179.180.068)	(136.239.214)
Gross Profit		**69.436.923**	**70.159.475**
General administrative expenses (-)	16	(17.939.212)	(14.171.592)
Marketing expenses (-)	16	(23.943.507)	(19.698.810)
Other income from operating activities	18	30.911.787	38.161.946
Other expenses from operating activities (-)	18	(23.455.045)	(36.414.730)
Operating Profit		**35.010.946**	**38.036.289**
Income from investing activities	19	2.608.846	2.602.022
Operating Profit Before Finance Expenses		**37.619.792**	**40.638.311**
Finance expenses	20	(24.483.075)	(21.930.530)
Profit / (Loss) Before Tax		**13.136.717**	**18.707.781**
Tax Expense		**(3.014.391)**	**(4.285.961)**
Current Tax Expense	22	(3.429.290)	(4.602.648)
Deferred Tax Income	22	414.899	316.687
Profit / (Loss) For The Period		**10.122.326**	**14.421.820**
Profit / (Loss) for the period attributable to			
Non-controlling Interests		239	115
Equity holders of the parent company		10.122.087	14.421.705
		10.122.326	**14.421.820**
Profit / (Loss) per share	23	0,0061	0,0087
Other Comprehensive Income;			
Items that will not be reclassified subsequently to profit or loss:		**(1.561.499)**	**9.188.812**
Gains on revaluation of property, plant and equipment		-	*11.010.470*
Remeasurement of defined benefit obligation		*(1.951.874)*	*(377.705)*
Tax income / (expense) related to other comprehensive income items		*390.375*	*(1.443.953)*
Items that will be reclassified subsequently to profit or loss:		**(539.875)**	**(765.381)**
Currency Translation Difference		*(539.875)*	*(765.381)*
Other Comprehensive Income / (Loss)		(2.101.374)	8.423.431
Total Comprehensive Income / (Loss)		**8.020.952**	**22.845.251**
Total Comprehensive Income / (Loss) Distribution			
Non-controlling Interests		123	63
Equity holders of the parent company		8.020.829	22.845.188

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DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

				Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss		Accumulated Losses				
	Share capital	Share Capital Adjustments	Share premium	Properties Revaluation Reserves	Accumulated loss on remeasurement of benefit plans	Currency Translation Difference	Restricted reserves appropriated from profit	Prior years's (losses) / profit	Net (loss)/profit for the year	Equity Attributable to Owners of the Company	Non-controlling interests	Equity
Balance as at 1 January 2019	**16.575.788**	**6.436.501**	**5.220**	**44.555.690**	**(1.595.764)**	**(1.306.790)**	**325.455**	**(16.936.903)**	**14.421.705**	**62.480.902**	**36.070**	**62.516.972**
Transfers	-	-	-	-	-	-	452.564	13.969.141	(14.421.705)	-	-	-
Total comprehensive income												
- *Loss on remeasurement of defined benefit plans*	-	-	-	-	(1.561.499)	-	-	-	-	(1.561.499)	-	**(1.561.499)**
- *Gain on revaluation of propery, plant and equipment*	-	-	-	(144.692)	-	-	-	144.692	-	-	123	**123**
- *Currency translation difference*	-	-	-	-	-	(539.875)	-	-	-	(539.875)	-	**(539.875)**
- *Net profit for the period*	-	-	-	-	-	-	-	-	10.122.087	10.122.087	-	**10.122.087**
Balance as at 31 December 2019	**16.575.788**	**6.436.501**	**5.220**	**44.410.998**	**(3.157.263)**	**(1.846.665)**	**778.019**	**(2.823.070)**	**10.122.087**	**70.501.615**	**36.193**	**70.537.808**

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

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DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

				Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Accumulated other comprehensive income or expenses that will be reclassified subsequently to profit or loss		Accumulated Losses				
	Share capital	Share Capital Adjustments	Share premium	Properties Revaluation Reserves	Accumulated loss on remeasurement of benefit plans	Currency Translation Difference	Restricted reserves appropriated from profit	Prior years's (losses) / profit	Net (loss)/profit for the year	Equity Attributable to Owners of the Company	Non-controlling interests	Equity
Balance as at 1 January 2018	**16.575.788**	**6.436.501**	**5.220**	**35.085.680**	**(1.293.600)**	**(541.409)**	**325.455**	**(26.017.114)**	**11.133.495**	**41.710.016**	**28.414**	**41.738.430**
Adjustment according with TAS 8								**(44.503)**		**(44.503)**		**(44.503)**
Effect of restatement (Note 2.1)								**(223.632)**	**(1.798.522)**	**(2.022.154)**		**(2.022.154)**
Balance as at 1 January 2018 (restated)	**16.575.788**	**6.436.501**	**5.220**	**35.085.680**	**(1.293.600)**	**(541.409)**	**325.455**	**(26.285.249)**	**9.334.973**	**39.643.359**	**28.414**	**39.671.773**
Transfers	-	-	-	-	-	-	-	9.334.973	(9.334.973)	-	-	-
Total comprehensive income												
- *Loss on remeasurement of defined benefit plans*	-	-	-	-	(302.164)	-	-	-	-	(302.164)	-	(302.164)
- *Gain on revaluation of propery, plant an*	-	-	-	9.483.383	-	-	-	-	-	9.483.383	7.593	9.490.976
- *Amortization effect of revaluation gains*	-	-	-	(13.373)	-	-	-	13.373	-	-	(52)	(52)
- *Currency translation difference*	-	-	-	-	-	(765.381)	-	-	-	(765.381)		(765.381)
- *Net profit for the period*	-	-	-	-	-	-	-	-	14.421.705	14.421.705	115	14.421.820
Balance as at 31 December 2018	**16.575.788**	**6.436.501**	**5.220**	**44.555.690**	**(1.595.764)**	**(1.306.790)**	**325.455**	**(16.936.903)**	**14.421.705**	**62.480.902**	**36.070**	**62.516.972**

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

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

DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

A.Cash flow from operating activities	**Notes**	**Current Period 1 January- 31 December 2019**	**Prior Period 1 January- 31 December 2018**
Net income/(loss) for the period		**10.122.326**	**14.421.820**
- Adjustments related to depreciation and amortization	9,10	11.748.206	6.763.796
- Adjustments related to gain on sale of property, plant and equipment (net)	19	(2.608.846)	(2.602.022)
- Adjustments related to provision for employment termination benefits		1.802.575	1.095.106
- Adjustments related to other provision		12.317	1.199.518
- Adjustments related to provision for unused vacation		280.803	104.148
- Adjustments related to bonus provision		1.135.507	2.073.424
- Adjustments related to provision for doubtful receivables	5	371.264	1.107
- Adjustments related to allowance for impairment of inventor	7	672.034	717.925
- Adjustments related to tax income	22	3.014.391	4.285.961
- Adjustments related to interest income	18	(280.979)	(251.198)
- Adjustments related to interest expense		5.487.619	2.617.472
- Adjustments related to unrealized net foreign exchange (losses)/gains		15.916.555	11.867.892
Total adjustments to net loss for the period		**47.673.772**	**42.294.949**
Changes in working capital			
- Changes in trade receivables		997.621	(23.275.657)
- Changes in inventories		(15.245.257)	(15.307.575)
- Changes in other receivables and assets		4.157.807	(4.170.304)
- Changes in trade payables		(7.747.208)	6.291.546
- Change in trade payables to related parties		279.819	227.134
- Changes in payables related to employee benefits		459.000	376.968
- Changes in other payables and liabilities		(223.236)	285.015
		30.352.318	**6.722.076**
- Other provisions paid		(1.204.806)	-
- Bonus paid		(2.073.424)	(1.583.622)
- Interest received		280.979	251.198
- Termination benefits paid		(635.984)	(567.635)
- tax paid	22	(5.715.170)	(568.372)
Net cash generated from operating activities		**21.003.913**	**4.253.645**

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

DURAN DOĞAN BASIM VE AMBALAJ SANAYİ A.Ş. AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

	Notes	Current Period 1 January- 31 December 2019	Prior Period 1 January- 31 December 2018
B.Cash flows from investing actıvities			
- Proceeds from disposal of property, plant and equipment	9,10	2.640.379	3.221.665
- Payments for the purchase of property, plant and equipment		(7.255.343)	(31.835.838)
- Payments for the purchase of intangible assets		(928.414)	(923.445)
- Advances given for the purchase of property, plant and equipment		(5.462.309)	-
		(11.005.687)	**(29.537.618)**
C.Cash flows from financing activities			
Cash Flows			
- New borrowings		91.881.584	124.778.859
- Repayment of borrowings		(71.135.858)	(91.486.822)
- Repayment of lease payables		(10.512.704)	(3.215.150)
- Inerest paid		(3.611.480)	(2.367.978)
- Change in other financial liabilities		(483.042)	(833.376)
		6.138.500	**26.875.533**
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION DIFFERENCES (A+B+C)		16.136.726	1.591.560
D.EFFECTS OF CURRENCY TRANSLATION ON CASH AND CASH EQUIVALENTS		(539.875)	(765.381)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**15.596.851**	**826.179**
E.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9.885.694	9.059.515
CASH AND CASH EQUIVALENTS AT THE END OF THE PERİOD (A+B+C+D+E)	26	**25.482.545**	**9.885.694**

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

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Duran Doğan Basım ve Ambalaj Sanayi A.Ş. ("Company") and its Subsidiaris, Dudo İthalat ve İhracat Pazarlama A.Ş. and Dudo UK Ltd., (together "Group") is primarily carry out printing, cutting, gluing and laminating processes over paper and cardboard in rolls and sheets, as well as over such materials as any plastic materials, aluminum, metal, tin, etc., for production of any kind of packaging, and to sell, to export and import the same, as well as to engage in and deal with other fields of activities set forth in its Articles of Association.

The Company has been established in 1975 and its headquarter is at Hadımköy Mahallesi Mustafa İnan Cad. No:41 Arnavutköy / Istanbul, Turkey and its subsidiary is also located in Turkey.

Shares of the Company are registered with Capital Market Board (CMB) and are traded at Istanbul Stock Exhange.

Total number of personnel employed at Group as of 31 December 2019 is 276 (31 December 2018: 268).

Major shareholders of Company are LGR International Societe Anonyme (31.84%), Dikran Mihran Acemyan (9.76%), İbrahim Okan Duran (7.95%), Oktay Duran (8.30%) and Dikran Acemyan (6.85%).

As of 31 December 2019 and 2018 both main operating activities and direct or indirect ownership shares of subsidiaries under full consolidation is demonstrated below.

	December 31, 2019		December 31, 2018		
	Direct ownership	**Indirect ownership**	**Direct ownership**	**Indirect ownership**	
Subsidiary	**%**	**%**	**%**	**%**	**Business Line**
Dudo İthalat ve İhracat Pazarlama A.Ş.	99,92	99,92	99,92	99,92	Domestic and foreign trade of printed and unprinted cardboard boxes and bundles
Dudo UK Ltd.	100,00	100,00	100,00	100,00	

Approval of Financial Statements

Consolidated financial statements were ratified by the Board of Directors and authorised for issue there on 10 March 2020. The General Assembly of the Company has the authority to modify the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation

Statement of Compliance

Financial statements attached are prepaid in accordance with the June 13, 2013 and number 28676 declaration of Capital Markets Board ("CMB") with the 5th item of the series number II, 14.1 "Rules of Declaration related with the financial reporting in CMB ("Declaration") and the Turkish Accounting Standards/Turkish Financial Reporting Standards and the attachments and comments related with these standards (TAS/TFRS) are based on.

In addition, financial statements and disclosures are presented in accordance with the format described by CMB at 7 June 2013.

The consolidated financial statements have been prepared on the historical cost basis except revaluation of property, plant and equipment. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). Each entity's financial position and results of operations are presented in TRY which is the functional currency of the Group.

Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the resolution numbered 11/367 dated 17 March 2005, the CMB stated that companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards effective from 1 January 2005 are not subject to inflation accounting. Based on that statement, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied starting from 1 January 2005 in the accompanying consolidated financial statements for the companies registered in Turkey and functional currencies in TRY.

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's consolidated financial statements have been prepared comparatively with the prior period for allow the determination of financial position and performance trend. Comparative information is reclassified when necessary and important differences are explained, in order to conform to the current period financial statement's presentation.

The Group has classified the restricted bank balances amounting to TRY 1.995.601 as of 31 December 2018, from other current assets to restricted bank balances.

3. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and previous period financial statements are restated. Group has not changed accounting policies significantly because of the changes in current period on standard. The accounting policies of the consolidated financial statements for the period 1 January-31 December 2019 are presented in accordance with the consolidated financial statements as of 31 December 2018, except TFRS 16 Leases which has been effective as of January 1, 2019.

2.3 Changes in the Accounting Estimates and Errors

If the changes in accounting estimates are for only one period, they are applied prospectively in the current period when the change is made. if they are for the future periods there are applied prospectively both in the period when the change is made and in the future periods. Significant accounting errors detected are corrected retrospectively and prior period financial statements are restated.

The Group has started to apply the "TFRS 16-Leases" standard published by POA for the first time in the current period. In accordance with the transitional provisions of the mentioned standard, which replaces "TAS 17-Leases", previous period financial statements and their supplementary notes have not been rearranged.

2.4 Changes in Turkish Financial Reporting Standards (TFRSs)

The new standards, amendments and interpretations

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

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

TFRS 16 Leases

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

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

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

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Changes in Turkish Financial Reporting Standards (TFRSs) (cont'd)

Transition to TFRS 16:

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

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

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets		
Property, plant and equipment (right-of-use assets)	7.145.746	
Liabilities		
Lease liabilities	7.145.746	
Net impact on equity		-
-		

Within the scope of TFRS 16 transition application, the Group has reclassified lands with a nominal value of TRY 47.817.888, buildings with a nominal value of TRY 20.197.000, and machinery,plant and equipment with a nominal value of TRY 5.632.582 to the right of use assets, which were obtained through finance leases and reported in property,plant and equiment within the scope of TAS 17 as of 1 January 2019.

The standard is applied for annual periods beginning on or after January 1, 2019. The effects of the mentioned standard on the financial position and performance of the Group are explained in Note 9.

Set out below are the new accounting policies of the Group upon adoption of TFRS 16:

Right-of-use assets

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

Right-of-use assets are subject to impairment.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Changes in Turkish Financial Reporting Standards (TFRSs) (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

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

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Changes in Turkish Financial Reporting Standards (TFRSs) (cont'd)

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

Annual Improvements – 2015–2017 Cycle

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

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

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

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

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Changes in Turkish Financial Reporting Standards (TFRSs) (cont'd)

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

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

Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

3. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.4 Changes in Turkish Financial Reporting Standards (TFRSs) (cont'd)

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

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

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

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

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

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

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

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

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

4. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies

Revenue

Revenue, goods or services related to performance obligations in the form of goods or service turnover are accounted for as they fulfil their performance obligations by transferring them to their customers.

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

a) Ownership of the Group's right to collect goods or services,
b) The ownership of the property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risks and rewards arising from the ownership of the goods or services,
e) It takes into account the conditions for the customer to accept the goods or services.

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

2.5 Summary of Significant Accounting Policies

Interest income:

Interest income is accrued using the effective interest method which brings the remaining principal amount and expected future cash flows to the net book value of the related deposit during the expected life of the deposit.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories according to their inventory classes and valuation method of inventories is weighted average out method. Net realizable value represents the estimated selling price which occurred in the ordinary course of business, less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, if the inventory is written down to the net realizable value and the expense is included in statement of comprehensive income in the year the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down.

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) <u>A person or a close member of that person's family is related to a reporting entity if that person:</u>

   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

b) An entity is related to a reporting entity if any of the following conditions applies:

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Property, Plant and Equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value at the date of revaluation is the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Fixtures and equipment other than land are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing Costs

All borrowing costs are recorded in the income statement in the period in which they are incurred.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Financial Instruments

Financial assets

The Company shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date. The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The company's financial assets and liabilities within the scope of TFRS 9 are shown below:

Financial assets:

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "financial assets measured at amortized cost", and "financial assets at fair value through other comprehensive income ("FVTOCI")".

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated for hedging purposes.

Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Financial assets at FVTOCI

Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are classified as financial assets at FVTOCI.

Financial assets at fair value through other comprehensive income are measured at fair value subsequent to their initial recognition. However, if the fair values cannot be reliably measured, then those Financial assets at fair value through other comprehensive income with fixed maturity are measured at amortised cost by using effective interest rate model and those available for sale investment securities without fixed maturity are measured by using fair value pricing models or discounted cash flow techniques. Unrecognized gains or losses derived from the changes in fair value of Financial assets at fair value through other comprehensive income and the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Fair value reserve" under equity. At the disposal of available for sale investment securities, value increases/decreases recorded in the fair value reserve under equity are transferred to profit or loss.

Recognition and Derecognition of Financial Assets and Liabilities

The Group reflects the financial asset or liabilities to the financial statements when it becomes a party to the relevant financial instrument contracts. A financial asset is derecognized when the control over the contractual rights from that asset is lost. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

Impairment of Financial Assets / Expected Credit Loss

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of a provision account. When a trade receivable is uncollectible, it is written off against the provision account. Changes in the carrying amount of the provision are recognized in profit or loss. With the exception of FVOCI equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of FVOCI equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are measured at amortized cost, using the effective interest rate method, Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are initially measured at fair value. Financial liabilities other than fair value through profit or loss are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Earnings per Share

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

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

Effect of Exchange Differences

Foreign Currency Balances and Transaction

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Foreign Currency Balances and Transaction

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies);

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Financial Statements of Associates, Subsidiaries and Joint Ventures Operaitng in Other Countries

Assets and liabilities of the Group's foreign operations, are presented in TRY considering exchange rates valid at the reporting date. Income and expenses are translated by using the average rate calculated for the year when the transaction occurred, unless significant fluctuation has happened in exchange rates. In case of any significant fluctuation in exchange rates, the transaction is translated by using the exchange rate at the transaction date. The translation difference is accounted under comprehensive income as a component of equity.

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation and Deferred Taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense form continues operation includes current year income tax expense and deferred income tax (expense) / benefit.

Current tax

Current year income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Statements of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Share Capital and Dividends

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

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

Useful life of property plant and equipment

The Group amortized its property, plant and equipment based over the estimated useful life of asset that stated in Note 9 and Note 10.

Impairment of inventories

The Group determined the inventories with net realizable values less than their costs and booked TRY 672.034 inventory impairment provision in consolidated financial statements (2018: TRY 717.925).

Provision for doubtful receivables

Group has preferred to apply "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason. The Group management booked TRY 573.179 (2018: TRY 201.915) doubtful receivable provision in 31 December 2019 consolidated financial statements.

Revaluation of land and building

Land and buildings are stated in the consolidated statement of financial position at their revalued amounts and the assumptions used in the valuation disclosed in Note 9. Valuation report for the year 2018 has been prepared by CMB accredited independent valuation company, 1A Gayrimenkul Değerleme ve Danışmanlık A.Ş..

3. OPERATION SEGMENTS

The Group started to apply TFRS 8 from 1 January 2013. The autohority who is responsible to take decisions about Groups operating activities determines operating segments based on the management reports reviewed regularly.

The reportable operating segments derive their revenue primarily from sales to Turkey, Europe, USA, Middle East and Africa, and Asia Pacific regions.

	1 January - 31 December 2019						
	Turkey	Europe	USA	Middle East and Africa	Asia Pacific	Other	Total
Gross sales	102.919.938	120.681.234	13.408.588	6.616.754	4.332.558	3.215.808	251.174.880

	1 January - 31 December 2018						
	Turkey	Europe	USA	Middle East and Africa	Asia Pacific	Other	Total
Gross sales	90.141.366	92.965.738	6.245.057	14.660.546	1.539.961	3.598.307	209.150.975

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

4. RELATED PARTY DISCLOSURES

a) Receivables and payables from related parties:

	31 December 2019				
	Receivable	Receivable	Liabilities	Liabilities	Liabilities
	Short Term	Short Term	Short Term	Short Term	Long Term
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade
Other companies managed by main shareholder					
LGR International Societe Anonyme (*)	-	-	1.358.279	200.626	13.301.200
Koenig Bauer Duran Amb.Kar.Tek.San.	-	-	-	31.837	-
Durkat Karton Amb.Tekn.San.Tic.A.ş.	-	-	-	21.758	
	-	-	1.358.279	254.221	13.301.200

	31 December 2018				
	Receivable	Receivable	Liabilities	Liabilities	Liabilities
	Short Term	Short Term	Short Term	Short Term	Long Term
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade
Other companies managed by main shareholder					
LGR International Societe Anonyme (*)	-	-	1.078.460	184.859	12.056.000
Duran Makina San. ve Tic.A.Ş.	-	781.165	-	-	-
	-	781.165	1.078.460	184.859	12.056.000

(*) Long term non-trade payables to related party balance is related to debt accounted for EUR 2.000.000 debt with maturity date of 31 January 2021 and 3%+12 Month EURIBOR interest rate, which is provided by the entity's shareholder LGR International Societe Anonyme.

Related party transactions are not subject to interest charge.

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

4. RELATED PARTY DISCLOSURES (cont'd)

b) Purchases and sales from related parties:

Transactions with related parties	1 January - 31 December 2019 Purchase of goods and services	Sales of goods and services	Interest expenses
Other companies managed by main shareholder			
LGR International Societe Anonyme (*)	1.358.279	-	401.930
Duran Makina San. ve Tic.A.Ş.	-	-	-
Lgr Emballages S.A.S.	69.055	9.897	-
Durkat Karton Amb.Tekn.San.Tic.A.ş.	4.150.282	802.979	-
Koenig Bauer Duran Amb.Kar.Tek.San.	962.032	6.849	-
	6.539.648	819.725	401.930

Transactions with related parties	1 January - 31 December 2018 Purchase of goods and services	Sales of goods and services	Interest expenses
Other companies managed by main shareholder			
LGR International Societe Anonyme (*)	1.078.460	-	345.309
Duran Makina San. ve Tic.A.Ş.	439.649	662.004	-
Lgr Emballages S.A.S.	-	10.221	-
Durkat Karton Amb.Tekn.San.Tic.A.ş.	-	15.328	-
	1.518.109	687.553	345.309

(*) The amount consists of personnel expenses and travel expenses which LGR International S.A.S. reflected to the Group.

c) Compensation to key management consist of; Chairman of the Board, Vice President of Executive Board, Other Executive Board Members, General Manager, Vice General Manager and Chief Financial Officer.

	1 January- 31 December 2019	1 January- 31 December 2018
Salary	4.056.375	2.772.000
Performance premium	2.217.459	2.228.100
Bonus	575.000	462.000
Attandance fee	369.600	315.000
Other short-term benefits	26.157	10.590
	7.244.591	**5.787.690**

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

Short term trade receivables	31 December 2019	31 December 2018
Trade receivables	51.934.182	50.930.348
Notes receivables	1.801.377	3.802.832
Provision for doubtful receivables (-)	(573.179)	(201.915)
	53.162.380	54.531.265

The details of the Group's trade receivables as of balance sheet date are as follows:

Average maturity days of trade receivables are 90 days for domestic costumers, 120 days for foreign customers. As of 31 December 2019, provision for doubtful receivables is amounting to TRY 573.179 (31 December 2018: TRY 201.915).

Allowance for doubtful receivables recorded for trade receivables have been determined due to past experience of incidence of non-collection. The Group assesses whether there is a change in the credit quality of the aforementioned receivables from the date of first occurrence to the report date when deciding whether or not the receivables can be collected.

The Group management believes that there is no need for more provision than the current doubtful receivable provision in the accompanying consolidated financial statements.

The movement of allowance for doubtful trade receivables of the Group is as follows:

Movements of provision for doubtful receivables	1 January-31 December 2019	1 January-31 December 2018
Openning balance	201.915	200.808
Charge for the period	371.264	1.107
Closing balance	573.179	201.915

The guarantees for trade receivables of the Group are as follows:

Short term trade receivables	31 December 2019	31 December 2018
Insurance for trade receivables	9.925.549	6.397.396
	9.925.549	6.397.396

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables

Details of Group's trade payables as of balance sheet date are as follow:

Short term trade liabilities	31 December 2019	31 December 2018
Trade payables	24.020.229	31.928.967
Expense accruals	896.888	735.358
Payables to related parties (Note 4)	1.358.279	1.078.460
	26.275.396	33.742.785

Average maturity days of payables for raw material is 62 days (2018: 120 days).

6. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2019	31 December 2018
Guarantees and deposits given	7.787	7.780
Receivables from personnel	35.250	73.300
	43.037	81.080

Other current payables	31 December 2019	31 December 2018
Other payables to related parties	254.221	184.859
Other various payables	73.860	172.722
Derivative financial liabilities	150.921	-
	479.002	357.581

Other non-current payables	31 December 2019	31 December 2018
Other payables to related parties (*)	13.301.200	12.056.000

(*) Other payables to related parties represent the funds lent by LGR International Societe Anonyme's to the Group for EUR 2.000.000 with a due date of 31 January 2021 and an interest rate of 3% +12 Month Euribor. During the year 2019, total interest accrued amount is EUR 60.833 (2018: EUR 60.833).

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

6. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other non-current receivables	31 December 2019	31 December 2018
Receivables from personnel	141.500	123.500
Guarantees and deposits given	220.762	196.592
	362.262	320.092

7. INVENTORIES

Inventories are valuated at their cost value, and provision is booked for inventories with impaired in value.

	31 December 2019	31 December 2018
Raw materials	19.752.798	16.363.727
Finished goods	27.177.363	17.703.649
Work in progress	5.198.623	3.534.076
Provision for impairment of inventories (-)	(672.034)	(717.925)
	51.456.750	36.883.527

Movements in provision for impairment on inventory during periods ending at 31 December 2019 and 2018 are as follow:

Movement of provision of impairment of inventory	1 January-31 December 2019	1 January-31 December 2018
Openning balance	(717.925)	(518.220)
Provisions released	717.925	518.220
Charge for the period	(672.034)	(717.925)
Closing balance	(672.034)	(717.925)

Provision for impairment of inventories are booked under cost of goods sold.

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

8. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses	31 December 2019	31 December 2018
Advances given to purchase inventory	1.587.802	3.699.880
Prepaid expenses	1.047.924	941.141
Business advances	4.500	4.000
	2.640.226	4.645.021

Long term prepaid expenses	31 December 2019	31 December 2018
Advances given to purchase fixed asset	5.419.928	-
Prepaid expenses	42.381	-
	5.462.309	-

Short term deferred income	31 December 2019	31 December 2018
Advances received	404.788	166.059
Deferred income	1.323.017	2.376.847
	1.727.805	2.542.906

Long term deferred income	31 December 2019	31 December 2018
Deferred income	65.539	187.255
	65.539	187.255

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

a-) Property, plant and equipment

	Land	Buildings	Machinery, plant and devices	Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold improvement	Total
Cost & Revaluation Value								
Openning balance at 1 January 2019	47.826.000	22.898.915	81.779.098	80.508	11.184.662	756.298	3.001.788	167.527.269
Transfer from consturction in progress	-	-	2.832.427	-	-	(4.038.890)	374.556	(831.907)
Transfer as part of TFRS 16 transition application	(47.826.000)	(22.898.915)	(5.889.732)					(76.614.647)
Additions	-	-	2.390.733	-	1.160.721	3.440.176	180.283	7.171.913
Disposals	-	-	(3.193.942)	-	(145.907)	-	(15.926)	(3.355.775)
Closing balance at 31 December 2019	-	-	77.918.584	80.508	12.199.476	157.584	3.540.701	93.896.853
Accumulated depreciation								
Openning balance at 1 January 2019	8.112	2.701.915	36.364.502	17.444	8.008.776	-	1.868.069	48.968.818
Charge for the period	-	-	6.494.749	16.102	922.397	-	361.056	7.794.304
Transfer as part of TFRS 16 transition application	(8.112)	(2.701.915)	(257.150)	-	-	-	-	(2.967.177)
Disposals	-	-	(3.169.849)	-	(138.467)	-	(15.926)	(3.324.242)
Closing balance at 31 December 2019	-	-	39.432.252	33.546	8.792.706	-	2.213.199	50.471.703
Net book value at 31 December 2019	-	-	38.486.332	46.962	3.406.770	157.584	1.327.502	43.425.150

The amount of insurance on fixed assets is EUR 25.932.000 (2018: EUR 23.264.000).

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (cont'd)

a-) Property, plant and equipment (cont'd)

	Land	Buildings	Machinery, plant and devices	Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold improvements	Total
Cost & Revaluation Value								
Openning balance at 1 January 2018	41.000.000	18.714.445	52.448.678	80.508	9.996.051	236.464	1.750.757	124.226.903
Additions	-	-	34.596.980	-	1.188.611	688.948	1.251.031	37.725.570
Revaluation fund	6.826.000	4.184.470	-	-	-	-	-	11.010.470
Disposals	-	-	(5.266.560)	-	-	(169.114)	-	(5.435.674)
Closing balance at 31 December 2018	47.826.000	22.898.915	81.779.098	80.508	11.184.662	756.298	3.001.788	167.527.269
Accumulated depreciation								
Openning balance at 1 January 2018	8.112	2.387.189	36.141.130	1.342	7.308.146	-	1.550.271	47.396.190
Charge for the period	-	314.726	5.039.403	16.102	700.630	-	317.798	6.388.659
Disposals	-	-	(4.816.031)	-	-	-	-	(4.816.031)
Closing balance at 31 December 2018	8.112	2.701.915	36.364.502	17.444	8.008.776	-	1.868.069	48.968.818
Net book value at 31 December 2018	47.817.888	20.197.000	45.414.596	63.064	3.175.886	756.298	1.133.719	118.558.451

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS(cont'd)

b-) Right of use assets

Cost	Land	Buildings	Vehicles	Machinery, plant and devices	Total
Openning balance at 1 January 2019	-	-	-	-	-
Effect of change in accounting policies	47.826.000	28.187.639	1.394.648	6.352.106	83.760.393
Additions	-	-	797.022	3.288.906	4.085.928
Closing balance at 31 December 2019	**47.826.000**	**28.187.639**	**2.191.670**	**9.641.012**	**87.846.321**
Accumulated depreciation					
Openning balance at 1 January 2019	-	-	-	-	-
Effect of change in accounting policies	(8.112)	(2.701.915)	-	(257.150)	(2.967.177)
Charge for the period	-	(1.816.906)	(795.043)	(753.499)	(3.365.448)
Closing balance at 31 December 2019	**(8.112)**	**(4.518.821)**	**(795.043)**	**(1.010.649)**	**(6.332.625)**
Net book value at 31 December 2019	**47.817.888**	**23.668.818**	**1.396.627**	**8.630.363**	**81.513.696**

Fair Value Measurments of Lands and Buildings owned by the Entity

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land and building acquired by financial leases revalued by an independent valuation company, 1A Gayrimenkul Değerleme ve Danışmanlık A.Ş., dated 18 December 2018. 1A Gayrimenkul Değerleme ve Danışmanlık A.Ş. accredited by CMB and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Details of the Group's freehold land and buildings and information about the fair value hierarchy as at 31 December 2019 is as follows:

	Fair value as at Reporting Date			
	31 December 2019	Level 1 TRY	Level 2 TRY	Level 3 TRY
Located in Hadımköy Facility:				
-Land	47.826.000	-	*47.826.000*	-
-Building	22.898.916	-	*22.898.916*	-

	Fair value as at Reporting Date			
	31 December 2018	Level 1 TRY	Level 2 TRY	Level 3 TRY
Located in Hadımköy Facility:				
-Land	47.826.000	-	*47.826.000*	-
-Building	22.898.916	-	*22.898.916*	-

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (cont'd)

If lands and buildings were demonstrated as with their cost value, the related amounts would have been as shown as below.

	31 December 2019	31 December 2018
Cost - Land	4.965.000	4.965.000
Cost - Building	15.292.464	15.297.018
Accumulated depreciation- Building	(3.091.158)	(2.701.915)
Net book value	17.166.306	17.560.103

Useful lives of property, plant and equipment and right of use assets are as follows:

	Useful life
Land improvements	10-50
Buildings	5-50
Machinery, plant and devices	4-20
Motor vehicles	1-5
Furniture and Fixtures	4-20

10. INTANGIBLE ASSETS

Cost	Rights	Capitalized development expenses	Total
Openning balance at 1 January 2019	4.543.606	191.956	4.735.562
Transfer	831.907	-	831.907
Additions	857.414	71.000	928.414
Closing balance at 31 December 2019	6.232.927	262.956	6.495.883
Accumulated amortization			
Openning balance at 1 January 2019	2.792.743	186.139	2.978.882
Charge for the period	576.991	11.463	588.454
Closing balance at 31 December 2019	3.369.734	197.602	3.567.336
Net book value at 31 December 2019	2.863.193	65.354	2.928.547

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

10. INTANGIBLE ASSETS (cont'd)

Cost	Rights	Capitalized development expenses	Total
Openning balance at 1 January 2018	3.621.227	190.890	3.812.117
Additions	922.379	1.066	923.445
Closing balance at 31 December 2018	4.543.606	191.956	4.735.562
Accumulated amortization			
Openning balance at 1 January 2018	2.421.465	182.280	2.603.745
Charge for the period	371.278	3.859	375.137
Closing balance at 31 December 2018	2.792.743	186.139	2.978.882
Net book value at 31 December 2018	1.750.863	5.817	1.756.680

Depreciation and amortization expense amounted at TRY 10.478.514 (2018: TRY 6.277.301) has been charged in "cost of goods sold", TRY 327.323 (2018: TRY 228.794) in "marketing expenses" and, TRY 942.369 (2018: TRY 343.311) in "general administrative expenses".

Useful lives of intangible assets are as follow:

	Useful Life
Rights	3-15
Capitalized development expenses	5

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short term provisions	31 December 2019	31 December 2018
Expense accrual	-	1.194.516
Provision for royalties	12.317	10.290
	12.317	1.204.806

Movement for provisions is as follow:

	1 January- 31 December 2019	1 January- 31 Aralık 2018
Provision at 1 January	1.204.806	5.288
Additions	12.317	1.204.806
Payments	(1.204.806)	(5.288)
Provision at 31 December	12.317	1.204.806

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

a) Guarantees given

The details of the guarantees given as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Export Loans	41.140.611	35.891.856
Foreing loans for investments	61.185.520	30.140.000
Other organizations	577.578	480.950
	102.903.709	66.512.806

As of 31 December 2019, besides the export credits given for discount loans mentioned above there are personal sureties given for ongoing bank loans amounting to TRY 6.293.235. (31 December 2018: TRY 3.230.589).

As of 31 December 2019, rate of other GPM's given by Group to owner's equity is 0% (31 December 2018: 0%).

31 December 2019	TRY Equivalent	GBP	EUR	USD	TRY
A. Total amount of GPM given on behalf of the Entity	102.903.709	4.696.000	9.895.000	-	577.578
B. Total amount of GPM given on behalf of the shareholders included in consolidation	-	-	-	-	-
C. Total amount of GPM that the Company has given to provide the liabilities of 3rd parties to perform ordinal activities	-	-	-	-	-
			-		
D. Total amount of other GPM given			-		
i. Total amount of GPM given on behalf of parent company	-	-	-	-	-
ii. Total amount of GPM that the Company has given in behalf of Other Group Companies not included in B and C items	-	-	-	-	-
iii. Total Amount of GPM that the Company has given in behalf of third parties not included in C item	-	-	-	-	-
Total	102.903.709	4.696.000	9.895.000	-	577.578

31 December 2018	TRY Equivalent	GBP	EUR	USD	TRY
A. Total amount of GPM given on behalf of the Entity	66.512.806	5.395.000	5.000.000	-	480.950
B. Total amount of GPM given on behalf of the shareholders included in consolidation	-	-	-	-	-
C. Total amount of GPM that the Company has given to provide the liabilities of 3rd parties to perform ordinal activities	-	-	-	-	-
D. Total amount of other GPM given					
i. Total amount of GPM given on behalf of parent company	-	-	-	-	-
ii. Total amount of GPM that the Company has given in behalf of Other Group Companies not included in B and C items	-	-	-	-	-
iii. Total Amount of GPM that the Company has given in behalf of third parties not included in C item	-	-	-	-	-
Total	66.512.806	5.395.000	5.000.000	-	480.950

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

As of December 31, 2019, the total amount of guarantees given for the total open bank borrowings is TRY 102.903.709. TRY 41.718.189 consists of letters of guarantee and the remaining TRY 61.185.520 consists of pledges provided by the Group to European Bank for Reconstruction and Development (EBRD) and Sudwestbank A.G. (31 December 2018: TRY 35.891.856 letter of guarantee, TRY 3.230.845 personal surety).

Besides, as of 31 December 2019 there exist personal surety in amount of EUR 4.500.000 given to EBRD by the Group.

b) Litigations

As of 31 December 2019, there are 11 reemployment and compensation lawsuits filed against the Company and as of reporting date they are still continuing. According to the professional judgements of the legal counsellers, the Group is not expecting any cash outflow as of reporting date and thus no provisions have been booked in the accompanying consolidated financial statements.

In previous years, the zoning implementation, which was the subject of the lawsuit of the zoning case filed by the Group against to Arnavutköy Belediyesi was canceled and there is no matter of the lawsuit left on the date of the report. The defendant has appealed and the appeal was refused by the council of state.

12. EMPLOYEE BENEFITS

Short-term payables for employee benefits:

	31 December 2019	31 December 2018
Payables to personnel	1.255.965	956.709
Social security contribution payable	677.796	518.052
	1.933.761	1.474.761

Short-term provisions for employee benefits:

	31 December 2019	31 December 2018
Unused vacation accruals	645.279	364.476
Bonus provisions	1.135.507	2.073.424
	1.780.786	2.437.900

The movement table of unused vacation accruals	31 December 2019	31 December 2018
Provision at 1 January	364.476	162.365
Charge for the period	280.803	202.111
Provision at 31 December	645.279	364.476

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

12. EMPLOYEE BENEFITS (cont'd)

Long term provisions for employee benefits

Provision for retirement pay liability:

Under 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, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable to the employee consists of one month worth salary limited to a maximum of TRY 6.730,15 for each year of service at 31 December 2019 (31 December 2018: TRY 6.017,60).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, 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. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,89% real discount rate (31 December 2018: 5,02%) calculated by using 8% annual inflation rate and 12,2 % interest rate. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TRY 6.730,17 which is in effect since 1 January 2020 is used in the calculation of Group's provision for retirement pay liability.

The movement table of retirement payment benefits is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Provision at 1 January	5.114.424	4.209.250
Service cost	1.175.374	463.717
Interest cost	627.201	631.389
Retirement payment provision paid	(635.984)	(567.635)
Actuarial (gain) / losses	1.951.874	377.703
Provision at 31 December	8.232.889	5.114.424

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

13. OTHER ASSETS AND LIABILITIES

a-) Other Current Assets

	31 December 2019	31 December 2018
VAT refund receivables	1.332.551	2.275.749
Advances given	-	45.567
	1.332.551	2.321.316

b-) Other Current Liabilities

	31 December 2019	31 December 2018
Taxes and funds payable	1.410.457	818.297
	1.410.457	818.297

c-) Financial Investments

	31 December 2019	31 December 2018
Restricted bank balances (*)	1.634.115	1.995.601
	1.634.115	1.995.601

(*) Because of the nature of the loans borrowed, 3,75% - 4,50% of the loan amount is blocked in a deposit account on behalf of the entity till the due date of the loans.

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2019 and 2018 the share capital held is as follows:

Shareholders	%	31 December 2019	%	31 December 2018
LGR Internatıonal Societe Anonyme	31,84%	5.278.463	33,69%	5.584.189
Dikran Mihran Acemyan	9,76%	1.617.436	9,76%	1.617.436
Oktay Duran	8,30%	1.376.296	8,30%	1.376.296
İbrahim Okan Duran	7,95%	1.318.179	7,95%	1.318.179
Dikran Acemyan	6,85%	1.134.710	5,00%	828.984
Other	35,30%	5.850.704	35,30%	5.850.704
	100%	16.575.788	100%	16.575.788

The total number of ordinary shares authorized is 1.657.578.750 shares in 2019 (2018: 1.657.578.750) with a par value of Kr 1 per share (2018: Kr 1 per share).

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

	31 December 2019	31 December 2018
Legal Reserves	778.019	325.455
	778.019	325.455

b) Restricted Reserves Appropriated from Profit

The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital.

15. REVENUE AND COST OF SALES

The details of revenue and cost of sales expenses for the years ended 31 December 2019 and 2018 are as follow:

a) Sales	1 January- 31 December 2019	1 January- 31 December 2018
Domestic sales	102.919.938	90.141.366
Foreign sales	148.254.942	119.009.609
Sales returns (-)	(2.289.428)	(2.175.480)
Sales discounts (-)	(268.461)	(576.806)
	248.616.991	206.398.689

b) Cost of sales	1 January- 31 December 2019	1 January- 31 December 2018
Raw materials used	125.450.268	96.795.786
Personnel expenses	21.658.426	16.665.223
Overhead expenses	18.911.596	16.160.977
Depreciation and amortization expenses (Note 9, 10)	10.478.514	6.280.931
Change in finished goods	(3.598.724)	(3.231.086)
Cost of goods sold	172.900.080	132.671.831
Cost of merchandises sold	1.751.077	1.175.223
Cost of other sales	4.528.010	2.391.260
Idle capacity expenses	901	900
	179.180.068	136.239.214

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

16. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 31 December 2019	1 January- 31 December 2018
General administrative expenses	17.939.212	14.171.592
Marketing expenses	23.943.507	19.698.810
	41.882.719	33.870.402

The details of administrative expenses and marketing expenses for the years ended 31 December 2019 and 2018 are as follow:

a) Details of General Administrative Expenses	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	11.338.019	9.294.647
Consulting expenses	1.374.243	1.078.463
Financial and legal consulting expenses	1.193.052	775.801
Depreciation and amortization expenses (Note 9, 10)	942.369	343.311
Information technologies expenses	867.063	613.460
Indirect tax expenses	345.742	83.401
Travelling expenses	263.293	192.885
Motor vehicle expenses	242.204	577.248
Representation hospitality expenses	218.569	234.996
Subscription expenses	143.428	126.363
Stationery and consumable expenses	120.363	118.537
Energy expenses	116.835	75.612
subcontractor service expenses	70.606	58.936
Insurance and maintenance expenses	62.894	58.285
Legal and notary expenses	50.782	57.724
Communication and transportation expenses	48.803	36.786
Training expenses	13.762	28.278
Other expenses	527.185	416.859
	17.939.212	14.171.592

b) Details of marketing expenses	1 January- 31 December 2019	1 January- 31 December 2018
Foreign transportation expenses	11.612.755	9.889.592
Foreign marketing and logistics expenses	4.485.986	3.186.185
Personnel expenses	2.256.478	1.985.659
Domestic transportation expenses	1.832.866	1.552.282
Export commission expenses	1.271.950	860.787
Representation hospitality and fair expenses	746.260	617.082
Depreciation and amortization expenses (Note 9, 10)	327.323	228.794
Communication and transportation expenses	279.095	283.126
Travelling expenses	226.833	179.722
Motor vehicle expenses	86.609	207.222
Royalty expenses	78.311	56.898
Other expenses	739.041	651.461
	23.943.507	19.698.810

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

17. EXPENSES BY NATURE

The details of expenses by nature for the years ended 31 December 2019 and 2018 are as follow:

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	35.252.923	27.945.529
Depreciation and amortization expenses (9-10)	11.748.206	6.853.036
Foreign transportation expenses	11.612.755	9.889.592
Foreign marketing and logistics expenses	4.485.986	3.186.185
Domestic transportation expenses	1.832.866	1.552.282
Commission expenses	1.374.243	1.078.463
Export commission expenses	1.271.950	860.787
Financial and legal consulting expenses	1.193.052	775.801
Representation hospitality and fair expenses	964.829	852.078
Information technologies expenses	867.063	613.460
Travelling expenses	490.126	372.607
Stamp duty expenses	345.742	83.401
Motor vehicle expenses	328.813	784.470
Communication and transportation expenses	327.898	319.912
Subscription expenses	143.428	126.363
Stationery and consumable expenses	120.363	118.537
Energy expenses	116.835	75.612
Royalty expenses	78.311	56.898
subcontractor service expenses	70.606	58.936
Insurance and maintenance expenses	62.894	58.285
Legal and notary expenses	50.782	57.724
Other expenses	1.279.988	1.096.598
	74.019.659	56.816.556

18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended 31 December 2019 and 2018 are as follows:

Other Income from Operating Activities

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange gains from operations	29.697.016	37.192.353
Interest income from time deposits	280.979	251.198
Late charges and interest income	-	484.445
Other income	933.792	233.950
	30.911.787	38.161.946

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (cont'd)

The details of other expense from operating activities for the years ended 31 December 2019 and 2018 are as follows:

Other Expense from Operating Activities

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange losses from operations	22.247.599	34.991.549
Late charges and interest expense	375.765	-
Other expenses	831.681	1.423.181
	23.455.045	36.414.730

19. INCOME AND EXPENSES FROM INVESTMENTS ACTIVITIES

The details of income from investments activities for the years ended 31 December 2019 and 2018 are as follow:

Income from Investing Activities	1 January- 31 December 2019	1 January- 31 December 2018
Gain on disposal of property, plant and equipment	2.608.846	2.602.022
	2.608.846	2.602.022

20. FINANCIAL INCOME / (EXPENSES)

The details of financial income and expenses for the years ended 31 December 2019 and 2018 are as follow:

Financial income / (expenses), net

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign exchange expenses / (income), (net)	15.726.342	15.913.186
Interest expenses	5.487.619	2.617.472
Lease interest expenses	2.316.632	2.024.114
Other finance expenses	952.482	1.375.758
	24.483.075	21.930.530

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

21. OTHER COMPREHENSIVE INCOME ELEMENTS

	31 December 2019	31 December 2018
Properties revaluation reserves	44.410.998	44.555.690
Accumulated loss on remeasurement of benefit plans	(3.157.263)	(1.595.764)
Foreign currency translation reserve	(1.846.665)	(1.306.790)
	39.407.070	41.653.136

Properties revaluation reserves	1 January-31 December 2019	1 January-31 December 2018
Balance at the beginning of the year	44.555.690	35.085.680
Increase arising on revaluation of properties	-	11.010.470
Deferred tax liability arising on revaluation	-	(1.527.087)
Transferred to retained earnings	(144.692)	(13.373)
Balance at the end of the year	44.410.998	44.555.690

Accumulated loss on remeasurement of benefit plans	1 January-31 December 2019	1 January-31 December 2018
Balance at the beginning of the year	(1.595.764)	(1.293.600)
Change in current period	(1.951.874)	(377.705)
Deferred tax asset	390.375	75.541
Balance at the end of the year	(3.157.263)	(1.595.764)

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2019	31 December 2018
Current tax liability		
Current corporate tax provision	501.430	2.787.310
Less: prepaid taxes and funds	-	-
	501.430	2.787.310

Tax expense in the statement of profit and loss

Tax expense consists of below:	1 January- 31 December 2019	1 January- 31 December 2018
Current tax expense	3.429.290	4.602.648
Deferred tax expense / (income)	(414.899)	(316.687)
	3.014.391	4.285.961

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 31 December 2019 is 22 % (31 December 2018: 22 %) for the Group.

The effective tax rate in UK in 2019 is 19 % (2018: 19 %).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22 %. (31 December 2018: 22 %).

With the Law No. 7061 "Amendment of Some Tax Laws and Some Other Laws" adopted on 28 November 2017, the 20% tax rate stipulated in the first paragraph of Article 32 of the Corporate Tax Law No: 5520 is temporary changed to 22% tax rate for the tax years of 2018,2019,2020.

In addition, the same Corporate Tax Law No. 5520 of Article 5 first paragraph section e states "The profits ,from the sale of the immovables in the assets of the institutions for at least two full years, tax exempted portion is changed from 75 % to 50%". Therefore, timing differences in the deferred tax calculation processing companies in Turkey in 2020, which is 22% ; in the transactions with short and longer maturities, the deferred tax asset and liability is calculated according to 22% and 20% by taking into consideration the time dimension of the effect.
There is no procedure for a final and definitive agreement on tax assessment in Turkey. Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

Since the Turkish Tax Legislation does not permit a parent company and its subsidiaries to prepare a consolidated tax return, the tax provisions have been calculated on a separate-entity basis, as reflected in the accompanying consolidated financial statements. In this context, deferred tax assets and liabilities of the consolidated entities are presented separately in the accompanying consolidated financial statements.

In the consolidated financial statements as of December 31, 2019, deferred tax assets and liabilities are calculated with the tax rate of 22% for temporary tax losses that will be effected in 2019 and 2020, and 20% for temporary differences in 2021 taxable and subsequent periods.

Temporary timing differences taken as a basis for deferred tax	31 December 2019	31 December 2018
- Depreciation and amortization differences of property, plant and equipment and intangible assets, foreign exchange and interest expenses and revaluation differences	(49.604.262)	(47.024.918)
- Inventory profit margin elimination adjustment	8.763.904	5.904.321
- Provision for employement termination benefits	8.232.889	5.114.424
- Unused vacation pay accruals	645.279	364.476
- Provision for impairment of inventories	672.034	717.925
- Other	167.516	3.602
	(31.122.640)	(34.920.170)

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred tax assets / (liabilities)	31 December 2019	31 December 2018
- Depreciation and amortization differences of property, plant and equipment and intangible assets, foreign exchange and interest expenses and revaluation differences	(5.635.563)	(5.119.695)
- Inventory profit margin elimination adjustment	1.928.059	1.298.951
- Provision for employement termination benefits	1.646.578	1.022.885
- Unused vacation pay accruals	129.056	72.895
- Provision for impairment of inventories	147.848	157.944
- Other	3.147	6.710
	(1.780.875)	(2.560.310)
Deferred tax asset provision	-	-
	(1.780.875)	(2.560.310)

Movement of deferred tax assets	1 January-31 December 2019	1 January-31 December 2018
Openning balance at 1 January	(2.560.310)	(1.470.283)
Charged to statement of profit and loss	389.060	316.689
Charged to equity	390.375	(1.406.716)
Closing balance as at 31 December	(1.780.875)	(2.560.310)

	31 December 2019	31 December 2018
Deferred tax asset	2.054.685	1.437.976
Deferred tax liability	(3.835.560)	(3.998.286)
	(1.780.875)	(2.560.310)

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred tax recognized directly in equity

Deferred tax	1 January-31 December 2019	1 January-31 December 2018
Recognized directly in equity:		
-Properties revaluation reserves	-	(1.519.494)
-Actuarial gain	390.375	75.541
Total deferred tax expense recognized directly in equity	390.375	(1.443.953)

Tax effects related to components of Other Comprehensive Income:

	1 January - 31 December 2019		
	Before Tax Amount	Tax Expense / Income	Net of Tax Amount
Gains on revaluation of property, plant and equipment	-	-	-
Actuarial loss on post employee benefit obligations	(1.951.874)	390.375	(1.561.499)
Other comprehensive income in the period	(1.951.874)	390.375	(1.561.499)

	1 January - 31 December 2018		
	Before Tax Amount	Tax Expense / Income	Net of Tax Amount
Gains on revaluation of property, plant and equipment	11.010.470	(1.519.494)	9.490.976
Actuarial loss on post employee benefit obligations	(377.703)	75.541	(302.162)
Other comprehensive income in the period	10.632.767	(1.443.953)	9.188.814

23. EARNINGS /(LOSS) PER SHARE

As of 31 December 2019 and 2018, the Group's weighted average number of shares and computation of earnings per share set out here are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Average number of shares outstanding during the period	1.657.578.750	1.657.578.750
Net profit / (loss) for the period attributable to owners	10.122.087	14.421.705
Profit / (Loss) per share	0,006107	0,008700

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

24. FINANCIAL LIABILITIES

a) Bank Loans

Financial liabilities	31 December 2019	31 December 2018
Short term bank loans	25.227.159	37.566.079
Short term portion of long term loans	15.440.229	6.847.738
Short term lease liabilities	11.405.288	7.213.229
Other financial liabilities	633.550	1.116.592
Total short term financial liabilities	52.706.226	52.743.638
Long term bank loans	56.468.300	21.063.578
Long term lease liabilities	32.229.777	30.151.369
Total long term financial liabilities	88.698.077	51.214.947
Total financial liabilities	141.404.303	103.958.585

a) Bank Loans

Currency	Weighted average effective Interest Rate	31 December 2019 Short Term	31 December 2019 Long Term
TRY	14% - 25,14%	6.308.261	-
EUR	2,8% - 3,18%	17.278.990	35.510.138
GBP	1,5% - 4,98%	17.030.681	17.078.903
USD	1,25%	49.456	3.879.259
Bank Loans		40.667.388	56.468.300

Currency	Weighted average effective Interest Rate	31 December 2018 Short Term	31 December 2018 Long Term
TRY	18,68%	3.256.715	-
EUR	4,79%	5.265.246	21.063.579
GBP	1,55%	35.891.856	-
Bank Loans		44.413.817	21.063.579

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

24. FINANCIAL LIABILITIES (cont'd)

a) Bank Loans (cont'd)

Maturities of bank loans are as follow:

	31 December 2019	31 December 2018
Within 1 year	40.667.388	44.413.817
Within 1 - 2 years	19.479.843	4.788.477
Within 2 - 3 years	16.999.755	4.482.400
Within 3 - 4 years	8.654.185	4.195.588
Within 4 - 5 years	7.646.550	3.925.638
More than 5 years	3.687.967	3.671.475
Bank loans	97.135.688	65.477.395

As of 31 December 2019, the amount of Guarantees given related to ongoing bank loans is TRY 102.903.709. TRY 41.140.611 of the total amount consist of guarantee letters and rest of the remaining amount of TRY 61.763.098 consists of shareholders' personal sureties (31 December 2018: TRY 35.891.856 letter of guarantee, TRY 3.230.845 personal surety) (Note 11).

Except the guarantee letters mentioned above; because of the characteeristic of discount loans used by the entity, on behalf of the entity, the amount of TRY 1.634.115 in bank accounts is blocked by a rate of 3,75% - 4,50% until the maturity date (31 December 2018: TRY 1.995.601) (Note 13).

b) Lease Liabilities

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
Lease liabilities	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Within one year	14.380.445	9.426.618	11.405.288	7.213.229
In 2-10 years	35.882.653	34.407.001	32.229.777	30.151.369
	50.263.098	43.833.619	43.635.065	37.364.598
Less: Future finance charges	(6.628.033)	(6.469.021)		
Present value of lease liabilities	43.635.065	37.364.598		
Less: Amounts due to settlement within twelve months (disclosed in current liabilities)	(11.405.288)	(7.213.229)		
Amounts due for settlement after 12 months	32.229.777	30.151.369		

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

24. FINANCIAL LIABILITIES (cont'd)

b) Lease Liabilities (cont'd)

Currency	Weighted average effective Interest Rate	31 December 2019 Short Term	31 December 2019 Long Term
USD	6,50%	7.070.703	22.839.435
EUR	6,80%	2.898.758	5.812.196
TRY	22,50%	1.435.827	3.578.146
Lease Liabilities		11.405.288	32.229.777

Currency	Weighted average effective Interest Rate	31 December 2018 Short Term	31 December 2018 Long Term
USD	%6,50	5.830.525	26.008.583
EUR	%6,80	1.382.704	4.142.786
Lease Liabilities		7.213.229	30.151.369

c) Other Financial Liabilities

Other financial liabilities	31 December 2019	31 December 2018
Credit card payables (*)	633.550	1.116.592
	633.550	1.116.592

(*) Represents the credit card liabilities of Group to suppliers to purchase raw material and consumables.

d) Reconciliation of liabilities from financial activities

The cash and non-cash changes related to the Group's financing activities are presented in the table below. The liabilities arising from financing activities are the cash flows that are classified or will be classified into cash flows from financing activities in the Group's consolidated cash flow statement.

			Non-monetary changes			
	1 January 2019	Cash flows from financing activities	Interest accruals	Movements of exhange rate differences	TFRS 16 transition effect	31 December 2019
Bank Loans	65.477.395	20.745.726	919.352	9.993.215	-	97.135.688
Lease Liabilities	37.364.598	(7.307.228)	956.787	4.678.140	7.942.768	43.635.065
	102.841.993	13.438.498	1.876.139	14.671.355	7.942.768	140.770.753

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

24. FINANCIAL LIABILITIES (cont'd)

	1 January 2019	Cash flows from financing activities	Interest accruals	Non-monetary changes: Movements of exhange rate differences	31 December 2018
Bank Loans	32.158.883	33.292.037	123.263	(96.788)	65.477.395
Lease Liabilities	25.624.104	1.875.144	70.783	9.794.567	37.364.598
	57.782.987	35.167.181	194.046	9.697.779	102.841.993

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 24, cash and cash equivalents disclosed in Note 27 and equity attributable to equity holders of the parent disclosed in Note 14, comprising share capital, reserves and accumulated losses.

The Group follows the capital by using debt/total capital ratio. This ratio is calculated by dividing net debt to total capital. Net debt is calculated by subtraction of cash and cash equivalents from liabilities amount (includes financial liabilities and obligations as indicated in balance sheet). Total capital is calculated as sum of shareholder's equity and net liabilities. As of 31 December 2019 and 2018 net debt/total capital ratio is presented below:

	31 December 2019	31 December 2018
Total borrowings	140.770.753	102.841.993
Less (-): Cash and cash equivalents	(25.482.545)	(9.885.694)
Net Liability	115.288.208	92.956.299
Total shareholders equity	70.501.615	62.480.902
Toplam sermaye	185.789.823	155.437.201
Net liability / total capital ratio	62,05%	59,80%

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. The Group management and the Board of Directors analyses and approve the policies about the management of the risks described below. Besides, the Group also considers the market value risk of all financial instruments.

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. The Group management and the Board of Directors analyses and approve the policies about the management of the risks described below. Besides, the Group also considers the market value risk of all financial instruments.

b.1) Credit Risk Management

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2019	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum credit risk as of balance sheet date (*)	-	53.162.380	-	405.299	25.280.173
- The part of maximum risk under guarantee with colleteral, etc.	-	9.925.550	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	42.055.361	-	405.299	25.280.173
- the part under guarantee with collateral, etc.	-	8.958.395	-	-	-
B. Carrying value of financial assets that are renegotiated, if not that will be accepted as part due nor impaired.	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	11.107.019	-	-	-
- the part under guarantee with collateral, etc.	-	967.155	-	-	-
D. Carried value of impaired assets					
- Past due (gross carrying amount)	-	573.179	-	-	-
- Impairment	-	(573.179)	-	-	-
- The part of net value under guarantee with colleteral etc.	-	-	-	-	-
- Not pass due (gross carrying amount)	-	-	-	-	-
E. Offbalance sheet items with credit risk	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit Risk Management (cont'd)

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2018	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum credit risk as of balance sheet date (*)	-	54.531.265	-	401.172	9.881.571
- The part of maximum risk under guarantee with colleteral, etc.	-	6.397.396	-	-	-
A. Carrying value of financial assets that are neither past due nor impaired	-	48.016.301	-	401.172	9.881.571
- the part under guarantee with collateral, etc.	-	5.962.712	-	-	-
B. Carrying value of financial assets that are renegotiated, if not that will be accepted as part due nor impaired.	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	6.514.964	-	-	-
- the part under guarantee with collateral, etc.	-	434.684	-	-	-
D. Carried value of impaired assets					
- Past due (gross carrying amount)	-	201.915	-	-	-
- Impairment	-	(201.915)	-	-	-
- The part of net value under guarantee with colleteral etc.	-	-	-	-	-
- Not pass due (gross carrying amount)	-	-	-	-	-
E. Offbalance sheet items with credit risk	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit Risk Management (cont'd)

Trade Receivables	**31 December 2019**	**31 December 2018**
Overdue 1- 30 days	7.305.763	4.585.346
Overdue 1- 3 months	2.095.702	1.702.817
Overdue 3- 12 months	1.262.276	226.801
Overdue more than 1 year	443.278	-
Total overdue receivables	11.107.019	6.514.964

b.2) Liquidity risk management

Essential responsibility on liquidity risk management belongs to board of directors. Board of directors has created a liquidity risk management for the purposes of short, medium and long term funding and liquidity requirements of Group. Group manages the liquidity risk to follow estimated and actual cash flows and to provide continuance to funding to compensate the maturities of financial assets and liabilities. The credits that the Group will use in order to reduce liquidity risk as of balance sheet are disclosed in Note 24.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and its derivative financial instruments. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.2) Liquidity risk management (cont'd)

31 December 2019 **Maturities per contract**	**Carrying amount**	**Total cash outflow in accordance with contracts (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	97.135.688	105.772.211	14.488.813	27.375.912	59.732.696	4.174.790
Lease liabilibities	43.635.065	49.680.474	3.498.351	10.299.471	35.882.652	-
Other financial liabilities	633.550	633.550	633.550	-	-	-
Trade payables	26.275.396	26.384.077	23.012.036	3.372.041	-	-
Other payables	13.629.281	13.629.281	73.860	-	13.555.421	-
Total liabilities	181.308.980	196.099.593	41.706.610	41.047.424	109.170.769	4.174.790

31 December 2018 **Maturities per contract**	**Carrying amount**	**Total cash outflow in accordance with contracts (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	65.477.395	67.431.565	14.614.326	29.526.494	23.290.745	-
Lease liabilibities	37.364.598	43.833.619	2.286.362	7.140.256	34.407.001	-
Other financial liabilities	1.116.592	1.116.592	1.116.592	-	-	-
Trade payables	33.742.785	34.227.230	30.835.656	3.391.574	-	-
Other payables	12.413.581	12.228.722	12.228.722	-	-	-
Total liabilities	150.114.951	158.837.728	61.081.658	40.058.324	57.697.746	-

The Group expects the maturities to be the same with the maturities in the agreement.

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3) Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis.

In current period the group's method of handling market risks and measure the risk level has not been changed.

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk. Foreign currency risk is managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2019	TRY Equivalent	USD	EUR	GBP	CHF	Other
1. Trade Receivables	21.692.683	1.110.214	1.650.304	517.529	-	62.517
2a. Monetary Financial Assets	21.931.695	233.191	931.566	1.798.842	360	230.411
2b. Non-monetary Financial Assets	2.102.627	-	316.156	-	-	-
3. Other	2.250.114	18.800	69.650	213.743	2.142	-
4. CURRENT ASSETS	47.977.119	1.362.205	2.967.676	2.530.114	2.502	292.928
5. Non-monetary Financial Assets	-	-	-	-	-	-
6. Other	211.352	35.580	-	-	-	-
7. NON-CURRENT ASSETS	211.352	35.580	-	-	-	-
8. TOTAL ASSETS	48.188.471	1.397.785	2.967.676	2.530.114	2.502	292.928
9. Trade Payables	5.774.827	3.178	571.316	214.854	-	182.689
10. Financial Liabilities	100.273.395	1.760.236	8.376.335	4.386.239	-	-
11. CURRENT LIABILITIES	106.048.222	1.763.414	8.947.651	4.601.093	-	182.689
12. Financial Liabilities	41.932.552	3.841.479	2.873.936	-	-	-
13. Monetary Other Liabilities	-	-	-	-	-	-
14. NON-CURRENT LIABILITIES	41.932.552	3.841.479	2.873.936	-	-	-
15. TOTAL LIABILITIES	147.980.774	5.604.893	11.821.587	4.601.093	-	182.689
16. TOTAL LIABILITIES	147.980.774	5.604.893	11.821.587	4.601.093	-	182.689
17. Net Foreign Currency Assets/ (Liabilities) Position (8-15)	(99.792.303)	(4.207.108)	(8.853.911)	(2.070.979)	2.502	110.239
18. Monetary Items Net Foreign Currency Assets / Liabilities pozisyonu (1+2a+3+6-11-14)	(101.894.930)	(4.207.108)	(9.170.067)	(2.070.979)	2.502	110.239

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

31 December 2018	TRY Equivalent	US Dollar	EUR	GBP	CHF	Other
1. Trade Receivables	20.592.435	930.566	1.917.165	622.316	-	-
2a. Monetary Financial Assets	8.330.165	152.962	614.938	529.848	360	207.859
2b. Non-monetary Financial Assets	793.441	-	131.626	-	-	-
3. Other	2.385.770	3.417	51.210	302.692	8.500	-
4. CURRENT ASSETS	32.101.811	1.086.946	2.714.939	1.454.856	8.860	207.859
6. Other	187.183	35.580	-	-	-	-
7. NON-CURRENT ASSETS	187.183	35.580	-	-	-	-
8. TOTAL ASSETS	32.288.994	1.122.526	2.714.939	1.454.856	8.860	207.859
9. Trade Payables	6.861.528	35.469	792.585	248.293	-	174.849
10. Financial Liabilities	59.857.014	1.004.474	3.098.991	5.395.000	-	-
11. CURRENT LIABILITIES	66.718.541	1.039.943	3.891.576	5.643.293	-	174.849
12. Financial Liabilities	51.059.450	4.856.255	4.232.113	-	-	-
13. Monetary Other Liabilities	-	-	-	-	-	-
14. NON-CURRENT LIABILITIES	51.059.450	4.856.255	4.232.113	-	-	-
15. TOTAL LIABILITIES	117.777.992	5.896.198	8.123.690	5.643.293	-	174.849
16. TOTAL LIABILITIES	117.777.992	5.896.198	8.123.690	5.643.293	-	174.849
17. Net Foreign Currency Assets/ (Liabilities) Position (7-15)	(85.488.998)	(4.773.672)	(5.408.751)	(4.188.437)	8.860	33.010
18. Monetary Items Net Foreign Currency Assets / Liabilities Position (1+2a+3+6-11-14)	(86.282.439)	(4.773.672)	(5.540.376)	(4.188.437)	8.860	33.010

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar, EUR and GBP.

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar EURO and British Pounds against TRY. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	31 December 2019 Profit/(Loss)		**31 December 2018 Profit/(Loss)**	
	Revaluation of foreign currency	Devaluation of foreign currency	Revaluation of foreign currency	Devaluation of foreign currency
	If US Dollar appreciated against TL by 10%			
1 - US Dollars net assets / liabilities	(2.499.106)	2.499.106	(2.511.381)	2.511.381
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- USD net effect (1+2)	(2.499.106)	2.499.106	(2.511.381)	2.511.381
	If Eur appreciated against TL by 10%			
4 - Euro net assets / liabilities	(6.098.645)	6.098.645	(3.339.739)	3.339.739
5 - Part of hedged from Euro risk (-)	-	-		
6- Euro net effect (4+5)	(6.098.645)	6.098.645	(3.339.739)	3.339.739
	If GBP appreciated against TL by 10%			
7- GBP net assets / liabilities	(1.610.497)	1.610.497	(2.786.483)	2.786.483
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	(1.610.497)	1.610.497	(2.786.483)	2.786.483
	If CHF appreciated against TL by 10%			
10- Swiss frank net assets/liabilities	1.525	(1.525)	4.727	(4.727)
11- Part of hedged from Swiss frank (-)	-	-	-	-
12- Swiss Frank net effect (10+11)	1.525	(1.525)	4.727	(4.727)
	If Polish Zloty appreciated against TL by 10%			
13- Polish Zloty net assets/liabilities	17.230	(17.230)	4.632	(4.632)
14- Part of hedged from Polish Zloty (-)	-	-	-	-
15- Polish Zloty net effect (13+14)	17.230	(17.230)	4.632	(4.632)
Total (3+6+9+12+15)	(10.189.493)	10.189.493	(8.628.244)	8.628.244

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.2) Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Strategies are assessed regularly in accordance with interest rate expectations and defined risk levels.

Interest rate sensitivity analysis

Interest Position Table

	31 December 2019	31 December 2018
Fixed Interest Rate Instruments		
Financial Liabilities	140.770.753	102.841.993

The Group has no liability for variable interest rate finance.

Categories of financial instruments and fair values

Categories of financial instruments and fair values

31 December 2019	Financial assets and liabilities valued at amortized cost	Carrying Amount
Financial Assets		
Cash and cash equivalents	25.482.545	25.482.545
Trade receivables	53.162.380	53.162.380
Financial investments	1.634.115	1.634.115
Other receivables	405.299	405.299
Financial liabilities		
Borrowings	141.404.303	141.404.303
Trade payables	26.275.396	26.275.396
Other payables	13.780.202	13.780.202

31 December 2018	Financial assets and liabilities valued at amortized cost	Defter değeri
Financial Assets		
Cash and cash equivalents	9.885.694	9.885.694
Trade receivables	54.531.265	54.531.265
Financial investments	1.995.601	1.995.601
Other receivables	401.172	401.172
Other current assets	45.567	45.567
Financial liabilities		
Borrowings	103.958.585	103.958.585
Trade payables	33.742.785	33.742.785
Other payables	12.413.581	12.413.581

(Amounts are expressed in Turkish Lira (TRY) unless otherwise stated.)

26. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	31 December 2019	31 December 2018
Cash	22.067	16.107
Cash at banks	25.478.303	9.881.571
Demand deposits	*25.478.303*	*9.881.571*
Expected loss provision (-)	(17.825)	(11.984)
	25.482.545	9.885.694

27. EVENTS AFTER REPORTING DATE

None.