

**ACISELSAN ACIPAYAM SELÜLOZ  
SANAYİ VE TİCARET ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020 AND  
INDEPENDENT AUDITOR'S REPORT

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



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH  
(TURKISH COPY IS AUTHORITATIVE)**

To the General Assembly of Aciselsan Acipayam Selüloz Sanayi ve Ticaret A.Ş.

**A. Audit of the Financial Statements**

**1. Opinion**

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

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

**2. Basis for Opinion**

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

**3. Key Audit Matters**

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



Key audit matters	How our audit addressed the key audit matters
<p><b>Fair value measurements of lands buildings and investment properties:</b></p> <p><b>(Refer to the Notes 2, 8 and 9)</b></p> <p>In accordance with TAS 16, “Property, Plant and Equipment” lands and buildings, and in accordance with TAS 40 “Investment Properties” investment properties are measured at fair value on the financial statements.</p> <p>Based on the valuations performed by an independent professional valuer as at 31 December 2020, the carrying values of the lands and buildings before tax increased by TRY 577.061 and credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position.</p> <p>On the other hand based on the valuations performed by an independent professional valuer as at 31 December 2020, the carrying values of investment properties increased by TRY 3.225.000 and credited to statement of profit and loss net of applicable deferred income tax in the financial position.</p> <p>The assessment of the carrying values of lands, buildings and investment properties was a key audit matter, since the total amount of aforementioned lands, buildings and investment properties as of 31 December 2020 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.</p>	<p>The following audit procedures were addressed in our audit work on the fair value measurement of lands, buildings and investment properties:</p> <ul style="list-style-type: none"> <li>• We assessed the competency, capability and objectivity of the independent professional valuer who was appointed by Company management, in accordance with relevant audit standards.</li> <li>• We tested completeness of the data used by the independent professional valuation company appointed by the Company management by reconciliation with the Company’s records on a sample basis.</li> <li>• In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuer who was appointed by the Company management.</li> <li>• The compliance of the disclosures of fair value determination of lands, buildings and investment properties in the financial statements in accordance with the relevant accounting standards were evaluated.</li> </ul>



#### **4. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

#### **5. Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



## **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 8 February 2021.

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

A handwritten signature in blue ink, consisting of a series of vertical and horizontal strokes, positioned over the printed name of the partner.

Mehmet Karakurt, Partner  
Partner

İstanbul, 8 February 2021

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**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.****AUDITED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

		<b>Current Period</b>	<b>Prior Period</b>
		<b>31 December</b>	<b>31 December</b>
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>26,579,131</b>	<b>18,628,141</b>
Cash and cash equivalents	29	5,701,063	2,233,195
Trade receivables	4	9,121,481	7,443,405
<i>Trade receivables from third parties</i>	4	9,121,481	7,443,405
Other receivables	5	628,921	1,266,781
<i>Other receivables from third parties</i>		628,921	1,266,781
Inventories	6	10,445,915	7,054,354
Prepaid expenses	7	22,295	28,757
Other current assets	15	659,456	601,649
<b>Non-Current Assets</b>		<b>34,780,632</b>	<b>30,819,940</b>
Financial investments		1,260	1,260
Investment properties	8	22,125,000	18,900,000
Property, plant and equipment	9	12,611,677	11,877,063
Intangible assets	10	42,599	41,521
Other non-current assets		96	96
<b>TOTAL ASSETS</b>		<b>61,359,763</b>	<b>49,448,081</b>

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



**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.****AUDITED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

		<b>Current Period 31 December 2020</b>	<b>Prior Period 31 December 2019</b>
	<b>Notes</b>		
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>		<b>5,472,428</b>	<b>4,326,296</b>
Short-term borrowings	25	-	47,788
Trade payables	4	3,705,403	2,271,640
<i>Trade payables to third parties</i>		3,705,403	2,271,640
Short-term provisions for employee benefits	13	133,463	308,553
Other payables	5	28,865	21,246
Deferred income	7	572,729	460,946
Current tax liabilities	23	571,490	581,019
Short-term provisions for employee benefits	13	179,565	221,455
Other current liabilities	15	280,913	413,649
<b>Non-Current Liabilities</b>		<b>3,910,644</b>	<b>3,240,030</b>
Long-term provisions for employee benefits	13	1,265,228	862,145
Deferred tax liability	23	2,645,416	2,377,885
<b>EQUITY</b>		<b>51,976,691</b>	<b>41,881,755</b>
Share capital	16	10,721,700	10,721,700
Treasury shares (-)	16	(20,450)	(20,450)
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		13,155,240	12,653,590
<i>Gain on revaluation of property, plant and equipment</i>	22	13,155,240	12,653,590
Restricted reserves appropriated from profit	16	674,630	420,292
Retained earnings		16,994,549	8,800,860
Net profit for the period		10,451,022	9,305,763
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>61,359,763</b>	<b>49,448,081</b>

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

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.****AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

		<b>Current Period</b>	<b>Prior Period</b>
		<b>1 January -</b>	<b>1 January -</b>
		<b>31 December</b>	<b>31 December</b>
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
<b>PROFIT OR LOSS</b>			
Revenue	17	47,660,506	42,939,006
Cost of sales (-)	17	(34,994,422)	(34,800,370)
<b>Gross profit from trade activities</b>		<b>12,666,084</b>	<b>8,138,636</b>
Administrative expenses (-)	18	(2,891,186)	(2,108,177)
Marketing expenses (-)	18	(1,127,746)	(1,053,807)
Other income from operating activities	19	1,442,971	946,532
Other expenses from operating activities (-)	19	(680,124)	(705,323)
<b>Operating profit</b>		<b>9,409,999</b>	<b>5,217,861</b>
Income from investing activities	20	3,580,161	5,998,585
<b>Operating profit before finance expense</b>		<b>12,990,160</b>	<b>11,216,446</b>
Finance expenses	21	(71,400)	(148,582)
<b>Profit before tax</b>		<b>12,918,760</b>	<b>11,067,864</b>
Current tax expense	23	(2,275,618)	(1,328,450)
Deferred tax (expense) / income	23	(192,120)	(433,651)
<b>Profit for the period</b>		<b>10,451,022</b>	<b>9,305,763</b>
Earning per share	24	0.975	0.868
<b>Other comprehensive income:</b>			
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property, plant and equipment	9	577,061	1,822,022
<b>Tax relating to other comprehensive income or expenses that will not be reclassified subsequently to profit or loss</b>			-
Deferred tax expense	23	(75,411)	(209,770)
<b>Total comprehensive income</b>		<b>10,952,672</b>	<b>10,918,015</b>

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

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

**AUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

	Share Capital	Treasury Shares	<del>Accumulated Other</del> Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss	Restricted Reserves Appropriated from Profit	Retained Earnings		Equity
			Gain / Loss on Revaluation and Remeasurement		Prior Years' Profit	Net Profit for the Period	
<b>Balances as of 1 January 2019</b> (Opening balances)	<b>10,721,700</b>	<b>(20,450)</b>	<b>11,041,338</b>	<b>220,393</b>	<b>1,534,767</b>	<b>8,216,511</b>	<b>31,714,259</b>
Transfers	-	-	-	199,899	8,016,612	(8,216,511)	-
Comprehensive income for the period	-	-	1,612,252	-	-	9,305,763	10,918,015
Dividends	-	-	-	-	(750,519)	-	(750,519)
<b>Balances as of 31 December 2019</b> (Closing balances)	<b>10,721,700</b>	<b>(20,450)</b>	<b>12,653,590</b>	<b>420,292</b>	<b>8,800,860</b>	<b>9,305,763</b>	<b>41,881,755</b>
<b>Balances as of 1 January 2020</b> (Opening balances)	<b>10,721,700</b>	<b>(20,450)</b>	<b>12,653,590</b>	<b>420,292</b>	<b>8,800,860</b>	<b>9,305,763</b>	<b>41,881,755</b>
Transfers	-	-	-	254,338	9,051,425	(9,305,763)	-
Comprehensive income for the period	-	-	501,650	-	-	10,451,022	10,952,672
Dividends	-	-	-	-	(857,736)	-	(857,736)
<b>Balances as of 31 December 2020</b> (Closing balances)	<b>10,721,700</b>	<b>(20,450)</b>	<b>13,155,240</b>	<b>674,630</b>	<b>16,994,549</b>	<b>10,451,022</b>	<b>51,976,691</b>

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

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

**AUDITED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January- 31 December 2020	Prior Period 1 January- 31 December 2019
<b>A. Cash flows from operating activities</b>			
<b>Profit for the period</b>		<b>10,451,022</b>	<b>9,305,763</b>
<b>Adjustments to reconcile profit for the period</b>			
- Adjustments related to depreciation and amortization expenses	9, 10	563,462	510,300
- Adjustments to provision for / (reversal of) impairment	4	292,655	469,742
- Adjustments related to provisions		406,066	720,123
- Adjustments related to provisions for employee benefits	13	406,066	720,123
- Adjustments related to interest income	20	(353,525)	(317,615)
- Adjustments related to interest expense	21	15,068	90,915
- Adjustments related to gain on fair value of investment properties	8	(3,225,000)	(5,628,192)
- Adjustments related to tax expense	23	2,467,738	1,762,101
- Adjustments related to proceeds from disposal of non-current assets	20	-	(52,778)
		<b>10,617,486</b>	<b>8,675,238</b>
<b>Cash outflows from operating activities</b>			
- Adjustments related to increase in trade receivables	4	(1,970,731)	(3,734,003)
- Adjustments related to increase in other receivables		637,860	(540,767)
- Adjustments related to (increase)/decrease in inventories	6	(3,391,561)	(120,130)
- (Increase) / decrease in prepaid expenses	7	6,462	197,911
- Adjustments related to increase in trade payables	4	1,433,763	(130,098)
- Decrease in payables for employee benefits		(175,090)	(278,322)
- Adjustments related to decrease in other payables	15	(125,117)	347,877
- Increase in deferred income	7	111,783	221,587
- Adjustments related to increase in other operating assets		(57,807)	312,010
		7,087,048	4,951,303
<b>Cash generated from operations</b>			
- Payments related to provision for employee benefits	13	(44,873)	(342,556)
- Tax payments	23	(2,285,147)	(747,431)
		<b>4,757,028</b>	<b>3,861,316</b>

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

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.****AUDITED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

	<b>Notes</b>	<b>Current Period 1 January- 31 December 2020</b>	<b>Prior Period 1 January- 31 December 2019</b>
<b>B. Cash flows from investing activities</b>			
- Proceeds from disposal of property, plant and equipment		-	243,420
- Payments for property, plant and equipment and intangible assets	9, 10	(722,093)	(1,200,092)
- Payments for acquisition of investment properties	8	-	(122,848)
- Interest received		353,525	317,615
		<b>(368,568)</b>	<b>(518,485)</b>
<b>C. Cash flows from financing activities</b>			
- Cash used for repayment of borrowings	25	(47,788)	(654,144)
- Dividends paid	16	(857,736)	(750,519)
- Interest paid		(15,068)	(90,915)
		<b>(920,592)</b>	<b>(1,495,578)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>			
		3,467,868	(211,046)
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
	28	2,233,195	2,444,241
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)</b>			
	28	<b>5,701,063</b>	<b>2,233,195</b>

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

# ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. (“the Company”), was incorporated in Denizli on 12 April 1973.

The Company’s address and principal place of business is Aşağı Mahallesi Acıselsan Cad. No: 25 Acıpayam / Denizli.

The Company operates in production, purchase and sale of cellulose and cellulose derivatives, production, purchase and sale of sodium carboxymethyl derivatives, importation, exportation and trade of any chemical substance, and utilization of production-related waste.

The Company’s certificates of shares have been traded in Borsa İstanbul since 2012.

As of 31 December 2020, the average blue-collar personnel number of the Company is 46, and average white-collar personnel number is 12 (31 December 2019: 45 blue-collar, 12 white-collar).

The Company does not have any consolidated associate and subsidiary.

Verusa Holding A.Ş. is the immediate parent of the Company.

#### Dividend payable

As of the reporting date, the Company management has not taken any resolution related to dividend policy. Dividends are subject to approval of the shareholders in the annual general assembly meeting.

#### Approval of financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on 8 February 2020. General Assembly has the authority to modify the financial statements.

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### Statement of Compliance to TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards (“TFRS”) and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. Financial statements are presented in accordance with the formats specified in the "Announcement on TMS Taxonomy" published by the POA on April 15, 2019, and the Financial Statement Examples and User Guide.

The accompanying financial statements have been prepared on the historical cost basis except for revaluation of investment properties, lands and buildings.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.1 Basis of Presentation (cont'd)

#### Currency Used

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

#### Preparation of financial statements in hyperinflationary periods

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

#### Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period financial statements, and material differences are disclosed.

#### Important Changes Regarding the Current Period

The necessary actions have been taken by the Company management to minimize the possible effects of COVID-19, which affects the whole world, on the Company's activities and financial status.

Due to the COVID-19 epidemic, the Company's activities were positively affected by the developments in the sector in which the Company is involved, as well as in the general economic activity. In addition, some actions were taken by the Company management.

While preparing its financial statements dated December 31, 2020, the company evaluated the possible effects of the COVID-19 epidemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, the Company has tested possible impairment in the values of financial assets, stocks, tangible fixed assets and investment properties included in its financial statements dated December 31, 2020, and no impairment was detected.

### 2.2 Changes in the Accounting Policies

Significant changes in accounting policies and accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly. The Company has not made a significant change in its accounting policies in the current year except for new and revised standards disclosed in Note 2.4.

# ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

#### 2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. The Company has not made a material change related to accounting estimates in the current year.

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. In this context, the Company has classified 1.079.945 TL, which was shown as "prepaid expenses", under "inventories" in the period of 31 December 2019, and the aforementioned adjustment has no effect on profit or loss.

#### 2.4 New and Revised Turkish Accounting Standards

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

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
  - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  - ii) clarify the explanation of the definition of material; and
  - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.



## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

##### 2.4 New and Revised Turkish Accounting Standards (cont'd)

###### a) *Standards, amendments and interpretations applicable as at 31 December 2020: (cont'd)*

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

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

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
  - **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

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

##### 2.4 New and Revised Turkish Accounting Standards (cont'd)

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies

#### Related Parties

In terms of these financial statements, the partners who have control, joint control or significant effectiveness over the Company, Verusa Group Companies, senior management staff and board members of the Company or Verusa Holding as the main partner, are controlled by them, Companies that are controlled jointly or have important activities on them are accepted and expressed as related parties (Note 3).

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and other subsidiary is associated to the others).
- (ii)•The entity's other entity (or a member of a group to which the other entity is a member) if it is an affiliate or joint venture,
- (ii) 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 affiliate of the third entity.
- (v) The entity has 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 business itself has such a plan, the sponsoring employers are also associated with the reporting business.
- (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).

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### Revenue

The Company's revenue mainly comprise sales of cellulose and cellulose derivatives and sodium carboxymethyl derivatives.

The Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods or services are transferred to the customer when the control is transferred over time or at a point in time.

The Company recognizes revenue based on the following main principles:

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

According to this model, firstly, the committed goods or services are evaluated in each contract with customers and each commitment made to transfer the said goods or services is determined as a separate performance obligation. Afterwards, it is determined whether performance obligations will be fulfilled over time or at a certain time. The company transfers control of a good or service over time and therefore fulfills its performance obligations regarding the relevant sales over time, it measures the progress towards the absolutely fulfillment of the performance obligations in question and takes the revenue to the financial statements over time. Revenue related to performance obligations, which is a commitment transfer of goods or services are recognized when the control of goods or services are transfer the customer liability.

The Company recognized revenue from its customers only when all of the following criteria are met:

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

In accordance with the relevant paragraphs of TFRS 15, the performance obligation is fulfilled at a certain time, not spread over time and the Company takes into account indicators for the transfer of control, including, but not limited to:

- the ownership of the right to collect goods or services,
- the customer's constructive possession of the goods or services,
- transfer of the constructive possession of the goods or services,
- the ownership of the property's significant risks and returns
- takes into account the conditions that the customer accepts the good or service.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### Revenue (cont'd)

##### Other Revenues

Other income generated by the company is accounted for in accordance with the following principles:

- Rental income - are taken into account on the accrual basis, taking into account the essence of the contract,
- Interest income - valid interest rate and effective interest method within the time to maturity,
- Dividend income - is recognized on the date when it is entitled to receive a dividend payment.

#### Trade receivables

Trade receivables arising from providing products or services to a buyer by the company are shown as net off from deferred financial income. Short-term receivables without a determined interest rate are shown in the original invoice values if the interest accrual effect is not very large (Note 4).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. Objective evidence is when the receivable is in the litigation or execution phase or preparation, the buyer falls into significant financial difficulty, the buyer is in default, or there will be an unpredictable delay will occur. The amount of provision is the difference between the carrying amount and the recoverable amount

#### Trade payables

Trade payables are recorded at their fair value at the date they are included in the financial statements and at the reduced cost value in the following period (Note 4).

#### Going concern basis

The Company has prepared its financial statements with the going concern basis.

#### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period 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 changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### Property, Plant and Equipment

Lands and buildings are reflected in the financial statements by deducting the depreciation and depreciation provisions from distribution costs, acquisition of tangible assets until the balance sheet date. Lands and lands, buildings are reflected in the financial statements based on the fair value determined in the valuation studies carried out by an independent professional valuation company as of 31 December 2020 (Note 9). On the date of the revaluation, the accumulation of the relevant tangible fixed asset subject to the appraisal has been revalued by netting the cost of the asset and the subsequent periods.

Increases in the carrying values of lands and buildings resulting from revaluation are credited to the revaluation fund account under equity in the balance sheet, by deducting the deferred tax effect. Valuation increases related to the assets whose impairment was previously reflected in the comprehensive income statement are recorded in the comprehensive income statement in the amount of the said impairment. The decreases corresponding to the increases in the fund of the same asset in the previous period are deducted from the fund; all other decreases are reflected in the comprehensive income statement. Every year, the difference between the depreciation calculated on the revalued amount (depreciation reflected in the comprehensive income statement) and the depreciation on the pre-revaluation cost of the asset is transferred from the revaluation fund to the accumulated profits by deducting the related deferred tax effect.

Buildings are activated and depreciated when their capacities are fully ready for use and their physical condition will meet the specified production capacity. It is estimated that the scrap value of tangible assets is not significant.

Advances given for tangible assets purchases are followed under prepaid expenses under fixed assets until the related asset is activated. In each reporting period, the scrap value of tangible assets is reviewed and necessary adjustments are made prospectively.

Depreciation is calculated by applying linear depreciation method over the tangible assets that are revalued or expressed at the date of balance sheet (Note 9). Lands are not depreciated, assuming they have an infinite life.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### Property, Plant and Equipment (cont'd)

Economic useful lives of property, plant and equipment are as follows:

	<b>Years</b>
Land improvements	8-25 year
Buildings	30 year
Machinery and equipment	3-20 year
Motor vehicles	4-5 year
Furniture and fixtures	3-20 year
Other tangible fixed assets	4-10 year

Expenditures after activation are added to the cost of the related asset or reflected to the financial statements as a separate asset if it is highly likely to provide economic benefits in the future and the cost of the related expenditure is reliably measured. Tangible assets; it is reviewed for impairment under conditions that indicate that the movable values may be more than their recoverable values. In order to detect impairment, assets are grouped at the lowest level (cash generating units), which are cash generating units. If the value of a tangible asset is more than its recoverable value, the allowance is separated and the book value is reduced to its recoverable value. The recoverable value is the higher of the tangible asset's value in use or the net sales price after deducting the expenses for the sale of the asset.

If the property, plant and equipment that is subject to this impairment is revalued, the impairment is deducted from the fund corresponding to the increases in the revaluation fund in the previous periods and the remaining amount is associated with the comprehensive income statement.

Maintenance and repair expenses are recorded as expense in the comprehensive income statement of the period they occur. The Company removes the carried values from the balance sheet, regardless of whether the parts that are replaced in accordance with the renewals made are depreciated independently from other departments. Major renewals are depreciated based on the shorter remaining life of the relevant tangible asset or the economic life of the renewal itself. Profit or loss obtained from disposal of tangible assets is determined according to the value of tangible assets and is recorded in the related income and expense accounts. In the disposal of the revalued tangible asset, the amount in the revaluation fund related to the disposal of the disposed asset is transferred to the account of previous years' profits by deducting the deferred tax effect.

#### 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. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### 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 (3-15 years).

##### 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.

##### **Financial assets**

##### *Classification and measurement*

The Company classified its financial assets in two categories; financial assets carried at amortized cost or financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

##### (a) Financial assets carried at amortized cost

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

##### (b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Company make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

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



# ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### Effects of Exchange Differences

###### Foreign Currency Transaction and Balance Amounts

In preparing the financial statements of the individual entities, transactions in currencies other than TL (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.

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;

##### Earnings Per Share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

## **ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

### **NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(Amounts are expressed in Turkish Lira (TL))

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

##### **2.5 Summary of Significant Accounting Policies (cont'd)**

###### **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 Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

###### **Provisions, Contingent Assets and Liabilities**

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company 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.

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.

###### **Investment Properties**

As of December 31, 2020, after the evaluation made by the Company management, Instead of being used in the production of goods and services or for administrative purposes or during the normal course of business, the land held for the purpose of obtaining rent or appreciation or both are classified as investment properties. Investment properties are reflected in the financial statements at the fair value determined in the valuation studies performed by an independent professional valuation company as of 31 December 2020. In subsequent measurements, gains or losses arising from fair value changes are accounted for in the income statement.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### **Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. 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 deferred tax 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 Company 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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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 Company intends to settle its current tax assets and liabilities on a net basis.

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## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 2.5 Summary of Significant Accounting Policies (cont'd)

##### **Income Taxes (cont'd)**

###### *Current and deferred tax for the period*

The tax is included in the statement of profit or loss, provided it is not related to a transaction that is accounted directly under equity. Otherwise, the tax is also accounted under equity together with the related transaction.

##### **Employee Benefits**

###### *Termination and retirement benefits*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 *Employee Benefits* ("TAS 19").

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

##### **Statement of Cash Flows**

In the cash flow statement, cash flows related to the period are classified and reported based on business, investment and financial activities. Cash flows from operating activities indicate cash flows from the activities of the Company. Cash flows related to investment activities show the cash flows used and obtained by the Company in investment activities (fixed asset investments and financial investments). Cash flows related to financing activities show the resources used by the Company in financing activities and repayments of these resources. Cash and cash equivalents include cash and bank deposits, and short-term investments with high liquidity that can easily be converted into a specific amount of cash, with a maturity of 3 months or less.

##### **Capital and Dividends**

Ordinary shares are classified as capital. The capital increase made to the existing shareholders is recorded with the nominal value approved. Dividends distributed over ordinary shares are recorded as profit distribution in the period they are announced.

##### **Netting / Offsetting**

Any item that is important in terms of content and amount, even in a similar nature, is shown separately in the financial statements. Non-significant amounts are aggregated in terms of items that are similar in terms of their bases or functions. As a result of the fact that the essence of the transaction and the event requires the deduction, the display of this transaction and the event over the net amounts or the monitoring of the assets after the deduction of the impairment is not considered as a violation of the non-deduction rule. As a result of the transactions carried out by the Company within the normal business flow, the revenues obtained from the income defined in the section titled "Revenue" are shown on the basis of their net values, provided that they comply with the substance of the transaction or event.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

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

### 2.5 Summary of Significant Accounting Policies (cont'd)

#### Segment Reporting

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

Company senior executives take strategic decisions to cover the Company's activities in these segments, taking into account the geographic operation of the Company in a single area both domestically and internationally, and follow up net sales in two segments, domestic and international. Apart from this, there is no follow-up mechanism according to any departments.

### 2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements requires the Company management to use estimates and assumptions affecting the reported amounts of assets and liabilities, and determining liabilities and guarantees that are probable to occur as of the reporting of the statement of financial position and income and expense amounts as of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and recognized in the statement of profit or loss for the period in which they are incurred.

#### Fair value measurements of the Company's freehold land and buildings

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurements of the Company's freehold land and buildings as at 31 December 2020 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company, and by the Company management. 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. There has been no change to the valuation technique during the year. Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized by CMB, and render services in accordance with capital market regulations.

According to the provisions in IAS 36 "Impairment of Assets" standard, the values determined by the peer value approach method were first reflected in the financial statements, and it was concluded that there are no impairment indicators.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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#### 3. RELATED PARTY DISCLOSURES

Details of transactions between the Company and other related parties are disclosed below:

<u>Transactions with related parties</u>	<u>1 January - 31 December 2020</u>	
	<u>Interest income</u>	<u>Electricity expenses</u>
<u>Shareholders</u>		
Verusa Holding A.Ş.	302,956	-
<u>Other companies controlled by the parent</u>		
Ata Elektrik Enerjisi Toptan Satış A.Ş.	-	1,696,214
	<u>302,956</u>	<u>1,696,214</u>

<u>Transactions with related parties</u>	<u>1 January - 31 December 2019</u>	
	<u>Interest income</u>	<u>Electricity expenses</u>
<u>Shareholders</u>		
Verusa Holding A.Ş.	290,570	-
<u>Other companies controlled by the parent</u>		
Ata Elektrik Enerjisi Toptan Satış A.Ş.	-	1,413,500
	<u>290,570</u>	<u>1,413,500</u>

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and the general manager. The compensation of key management personnel is consisted of payments to the management personnel in scope of the attendance fee.

The compensation of key management during the period are as follows:

	<u>1 January- 31 December 2020</u>	<u>1 January- 31 December 2019</u>
Salaries and other short term benefits	851,570	548,555

# ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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### 4. TRADE RECEIVABLES AND PAYABLES

#### a) Trade Receivables:

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

	31 December 2020	31 December 2019
<u>Current trade receivables</u>		
Trade receivables	10,210,755	8,247,524
Notes receivable	7,500	-
Allowance for doubtful receivables (-)	(1,096,774)	(804,119)
	<u>9,121,481</u>	<u>7,443,405</u>

Trade receivables comprise receivables from customers for products sold in normal workflow. The maturity of trade receivables that are classified as current trade receivable is generally 45 days (31 December 2019: 45). The Company has trade receivables to collect its contractual cash flows, and measures these receivables at amortized cost by using effective interest method.

The Company measures impairment on trade receivables in accordance with lifetime expected credit loss. Expected credit losses in trade receivables is estimated by using provision matrix created by considering the past default experience of customers, analyzing present financial position and taking into consideration the general economic conditions of the industry in which the customer operates and the conditions in the reporting period. As of 31 December 2020, the Company's allowances for doubtful receivables is TL 1,096,774 (31 December 2019: TL 804,119).

Movements of allowance for doubtful receivables are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Opening balance	804,119	334,377
Charge for the period	292,655	469,742
Closing balance	<u>1,096,774</u>	<u>804,119</u>

Explanations about the nature and level of risks related to trade receivables are provided in Note 26.

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts are expressed in Turkish Lira (TL))

#### 4. TRADE RECEIVABLES AND PAYABLES (cont'd)

##### b) Trade Payables:

The details of the Company's trade payables as of balance sheet date are as follows:

	31 December 2020	31 December 2019
<u>Current trade payables</u>		
Trade payables	3,705,403	2,271,640
	<u>3,705,403</u>	<u>2,271,640</u>

The weighted average maturity for trade payables is 24 days (31 December 2019: 24 days).

#### 5. OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables

	31 December 2020	31 December 2019
<u>Other Current Receivables</u>		
VAT receivable	80,387	533,807
Deposits and guarantees given (*)	548,534	502,559
Other	-	230,415
	<u>628,921</u>	<u>1,266,781</u>

(\*) It comprises deposits and guarantees given to customs and banks.

##### b) Other Payables

	31 December 2020	31 December 2019
<u>Other Current Payables</u>		
Other	28,865	21,246

#### 6. INVENTORIES

	31 December 2020	31 December 2019
Raw materials	5,997,898	4,650,381
Work in process	884,848	478,386
Finished goods	2,167,068	838,323
Goods in transit	1,387,901	1,079,945
Other inventory	8,200	7,319
	<u>10,445,915</u>	<u>7,054,354</u>

The cost of inventories amounting to TL 25,665,336 (2019: TL 25,985,170) is recognized as an expense under the cost of goods sold.



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### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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#### 7. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2020	31 December 2019
<u>Short-Term Prepaid Expenses</u>		
Prepaid expenses	22,295	28,757
	<u>22,295</u>	<u>28,757</u>
	31 December 2020	31 December 2019
<u>Short-Term Deferred Income</u>		
Order advances received	572,729	460,946

#### 8. INVESTMENT PROPERTIES

	Land
Opening balance as of 1 January 2020	18,900,000
Gain on change of fair value	3,225,000
Closing balance as of 31 December 2020	<u>22,125,000</u>
	Land
Opening balance as of 1 January 2019	13,148,960
Additions during the period	122,848
Gain on change of fair value	5,628,192
Closing balance as of 31 December 2019	<u>18,900,000</u>

#### Fair value measurement of the Company's investment properties

The fair value measurements of the Company's freehold land and buildings as at 31 December 2020 and 2019 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company, and by the Company management.

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

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**8. INVESTMENT PROPERTIES (cont'd)**

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

	31 December 2020	Fair value as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	22,125,000	-	22,125,000	-

  

	31 December 2019	Fair value as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	18,900,000	-	18,900,000	-

There were no transfers between Levels 1 and 2 during the period.

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Land	Land improvements	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
<b><u>Cost Value</u></b>									
Opening balance as of 1 January 2020	5,110,000	525,309	4,702,659	4,514,313	619,520	460,346	110,385	9,551	16,052,083
Additions	-	-	-	77,786	-	66,648	17,876	546,222	708,532
Gain on valuation of property, Transfers from constructions in progress	400,000	-	177,061	-	-	-	-	-	577,061
	-	-	-	555,773	-	-	-	(555,773)	-
Closing balance as of 31 December 2020	<u>5,510,000</u>	<u>525,309</u>	<u>4,879,720</u>	<u>5,147,872</u>	<u>619,520</u>	<u>526,994</u>	<u>128,261</u>	<u>-</u>	<u>17,337,676</u>
<b><u>Accumulated Depreciation</u></b>									
Opening balance as of 1 January 2020	-	133,272	2,247,659	1,311,868	254,389	202,145	25,687	-	4,175,020
Charge for the period	-	31,958	82,061	260,073	101,233	60,906	14,748	-	550,979
Closing balance as of 31 December 2020	<u>-</u>	<u>165,230</u>	<u>2,329,720</u>	<u>1,571,941</u>	<u>355,622</u>	<u>263,051</u>	<u>40,435</u>	<u>-</u>	<u>4,725,999</u>
Carrying value as of 31 December 2020	<u>5,510,000</u>	<u>360,079</u>	<u>2,550,000</u>	<u>3,575,931</u>	<u>263,898</u>	<u>263,943</u>	<u>87,826</u>	<u>-</u>	<u>12,611,677</u>

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE AUDITED FINANCIAL STATEMENTS  
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**9. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	Land	Land improvements	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
<b><u>Cost Value</u></b>									
Opening balance as of									
1 January 2019	3,558,500	501,120	4,426,985	3,512,437	670,363	340,048	110,385	157,921	13,277,759
Additions	5,152	24,189	-	446,729	190,932	120,298	-	406,777	1,194,077
Disposals	-	-	-	-	(241,775)	-	-	-	(241,775)
Gain on valuation of property,	1,546,348	-	275,674	-	-	-	-	-	1,822,022
Transfers from constructions in progress	-	-	-	555,147	-	-	-	(555,147)	-
Closing balance as of									
31 December 2019	5,110,000	525,309	4,702,659	4,514,313	619,520	460,346	110,385	9,551	16,052,083
<b><u>Accumulated Depreciation</u></b>									
Opening balance as of									
1 January 2019	-	101,415	2,176,985	1,101,393	177,089	157,858	12,429	-	3,727,169
Charge for the period	-	31,857	70,674	210,475	128,433	44,287	13,258	-	498,984
Disposals	-	-	-	-	(51,133)	-	-	-	(51,133)
Closing balance as of									
31 December 2019	-	133,272	2,247,659	1,311,868	254,389	202,145	25,687	-	4,175,020
Carrying value as of									
31 December 2019	5,110,000	392,037	2,455,000	3,202,445	365,131	258,201	84,698	9,551	11,877,063

## ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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#### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following useful lives are used in the calculation of depreciation:

	Useful Life
Land improvements	8-25 years
Buildings	30 years
Plant, machinery and	3-20 years
Motor vehicles	4-5 years
Furniture and fixtures	3-20 years
Other fixed assets	4-10 years

Depreciation and amortization expense of TL374,986 (31 December 2019: TL 325,370) has been charged in 'cost of goods sold', TL 152,564 (31 December 2019: TL 157,682) in 'general administrative expenses' and TL 35,912 (31 December 2019: TL 27,248) in 'marketing, selling and distribution expenses'.

There is no pledge and mortgage on property, plant and equipment detailed above.

#### Fair value measurement of the Company's freehold land and buildings

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation,. The fair value measurements of the Company's freehold land and buildings as at 31 December 2020 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company.

Details of the Company's freehold land and buildings and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

	31 December 2020	Fair value as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	5,510,000	-	5,510,000	-
Building	2,550,000	-	2,550,000	-

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.****NOTES TO THE AUDITED FINANCIAL STATEMENTS  
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**9. PROPERTY, PLANT AND EQUIPMENT (cont'd)****Fair value measurement of the Company's freehold land and buildings (cont'd)**

	31 December 2019	Fair value as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	5,110,000	-	5,110,000	-
Building	2,455,000	-	2,455,000	-

There were no transfers between Level 1 and Level 2 during the period.

The net book values of the Company's freehold land and buildings when valued based historical cost are as follows:

	31 December 2020	31 December 2019
Cost	1,808,187	1,790,311
Accumulated depreciation	(584,090)	(535,337)
Net book value	<u>1,224,097</u>	<u>1,254,974</u>

**10. INTANGIBLE ASSETS**

<u>Cost Value</u>	<u>Rights</u>
Opening balance as of 1 January 2020	102,734
Additions	13,561
Closing balance as of 31 December 2020	<u>116,295</u>
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2020	61,213
Charge for the period	12,483
Closing balance as of 31 December 2020	<u>73,696</u>
Carrying value as of 31 December 2020	<u>42,599</u>

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.****NOTES TO THE AUDITED FINANCIAL STATEMENTS  
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**10. INTANGIBLE ASSETS (cont'd)**

<u>Cost Value</u>	<u>Rights</u>
Opening balance as of 1 January 2019	96,719
Additions	6,015
Closing balance as of 31 December 2019	<u>102,734</u>
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2019	49,897
Charge for the period	11,316
Closing balance as of 31 December 2019	<u>61,213</u>
Carrying value as of 31 December 2019	<u>41,521</u>

The useful lives are used in the calculation of amortization are as follows:

	<u>Useful life</u>
Rights	3-15 years

**11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

None (31 December 2019: None).

**12. COMMITMENTS**

None (31 December 2019: None).

**13. EMPLOYEE BENEFITS**

	<u>31 December 2020</u>	<u>31 December 2018</u>
Due to personnel	-	150,751
Employment termination benefits payable (*)	415	45,288
Social security premiums payable	133,048	112,514
	<u>133,463</u>	<u>308,553</u>

(\*) Employment termination benefits payable comprise the retirement pay amount that the Company pays in installments.

**Short-term provisions for employee benefits**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Unused vacation provision	179,565	221,455

**ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.**

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**13. EMPLOYEE BENEFITS (cont'd)**

**Long-term provisions for employee benefits**

Provision for employee termination benefits:

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 and reaches the retirement age (58 for women, 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 7,117.17 for each period of service at 31 December 2020 (31 December 2019: TL6,379.86).

Employee termination benefit is not subject to any kind of funding legally. Provision for employee termination benefit 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 the 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 2020, 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 4.70% real discount rate (31 December 2019: 4.86%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 2.11% (2019: 2.34%) for employees with 0-15 years of service, and 0% for those 16 or more years of service. Ceiling amount for retirement pay is revised annually, and the ceiling amount of TL 7,638.96 which is effective since 1 January 2021 is used in the calculation of Company's provision for retirement pay liability (1 January 2020: TL 6,730.15).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

If the discount rate had been 1% (lower)/higher, provision for employee termination benefits would (increase) TL 156,142 and decrease by TL 133,611.

If the anticipated turnover rate had been 1% lower / (higher) while all other variables were held constant, provision for employee termination benefits would decrease by TL 54,003 and increase by TL 62,396.



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**13. EMPLOYEE BENEFITS (cont'd)****Long-term provisions for employee benefits (cont'd)**Employee termination benefits (cont'd):

Movement of provision for employee termination benefits is as follows:

	2020	2019
Provision as of 1 January	862,145	580,011
Service cost	405,943	603,007
Interest cost	42,013	21,683
Employment termination benefits paid	(44,873)	(342,556)
Provision as of 31 December	<u>1,265,228</u>	<u>862,145</u>

**14. EXPENSES BY NATURE**

	1 January- 31 December 2020	1 January- 31 December 2019
Raw material expenses	(27,396,346)	(26,283,472)
Personnel expenses	(6,742,053)	(5,311,190)
Production overheads	(4,719,820)	(4,769,304)
Depreciation and amortization expenses (Note 9,10)	(563,462)	(510,300)
Export expenses	(330,608)	(265,133)
Consultancy expenses	(241,618)	(260,865)
Tax expenses	(118,174)	(151,645)
Lawyer expenses	(47,580)	(100,607)
Insurance expenses	(66,138)	(69,579)
Maintenance and repair expenses	(29,466)	(36,493)
Change in inventories of finished goods (Note 6)	1,328,745	254,937
Change in inventories of work in progress (Note 6)	406,462	46,628
Other expenses	(493,296)	(505,331)
	<u>(39,013,354)</u>	<u>(37,962,354)</u>

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**15. OTHER ASSETS AND LIABILITIES**

	31 December 2020	31 December 2019
<u>Other Current Assets</u>		
Other VAT	610,094	537,759
Other	49,362	63,890
	<u>659,456</u>	<u>601,649</u>
	31 December 2020	31 December 2019
<u>Other Current Liabilities</u>		
VAT payable	199,839	327,562
Tax and funds payable	81,074	81,152
Other current liabilities	-	4,935
	<u>280,913</u>	<u>413,649</u>

**16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS****a) Share Capital**

As of 31 December 2020 and 2019, the Company's paid-in capital held is as follows:

	31 December 2020		31 December 2019	
Shareholders		%		%
Verusa Holding A.Ş.	5,071,149	% 47.30	5,071,149	% 47.30
Public shares	5,650,551	% 52.70	5,650,551	% 52.70
	<u>10,721,700</u>	<u>% 100</u>	<u>10,721,700</u>	<u>% 100</u>

Public shares of the Company's capital are traded in Borsa İstanbul (BİST). The Company adopted the registered share capital, and the ceiling amount of the Company's registered share capital is TL30,000,000; and its issued share capital is TL10,721,700 (31 December 2019: TL 10,721,700). The capital is divided into 10,721,700 shares with a par value of TL 1; there is no privileged share.

**b) Reserves on Retained Earnings**

	31 December 2020	31 December 2019
Legal reserves	674,630	420,292

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital according to Turkish Commercial Law. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves can only be used if it does not exceed the capital or issued capital for close the losses, continue the business when business is not going well or end the unemployment and to take suitable precautions to reduce the results of unemployment.

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

**c) Treasury Shares**

	31 December 2020	31 December 2019
Treasury shares	(20,450)	(20,450)

The Company has purchased shares from BIST with the nominal amount of TL 20,450 in consideration of TL 74,643 in 2016. The nominal amount of share purchased is recognized in treasury shares under equity, and the difference amounting to TL54,193 between purchase value and nominal share value is recognized in retained earnings under equity.

**Profit Distribution:**

Listed companies process their profit distributions according to the II-19.1 numbered CMB profit distribution communique that is effective as of 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communique does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation.

In the 24 June 2020 dated General Assembly meeting, cash dividend amounting to TL 857,736 is decided to be distributed and the profit distribution was realized on 26 June 2020. Due to the COVID-19 (Coronavirus) epidemic affecting the whole world, it was decided to distribute a profit of 8.00% of the issued capital, as companies should follow their financing structures with caution and be in a period where they should have more liquidity.

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**17. REVENUE AND COST OF SALES**

	1 January- 31 December 2020	1 January- 31 December 2019
<b><u>a) Sales</u></b>		
Domestic Sales		
Detergent	4,430,595	3,515,943
Technical Dye	-	117,348
Technical Glue	2,240,902	2,195,506
Low Viscosity Drilling	617,891	3,863,702
Other	525,894	718,742
Export Sales		
Detergent	21,332,794	18,988,849
Technical Dye	2,517,541	1,972,130
Technical Glue	4,488,749	1,409,469
Low Viscosity Drilling	40,590	1,976,616
Technical Pac	11,562,773	8,249,282
Other	-	83,087
Sales returns (-)	(40,415)	(117,323)
Sales discounts (-)	(56,808)	(34,345)
	<u>47,660,506</u>	<u>42,939,006</u>
	1 January- 31 December 2020	1 January- 31 December 2019
<b><u>b) Cost of Sales</u></b>		
Raw materials	(27,396,346)	(26,283,472)
Personnel expenses (*)	(4,234,280)	(3,720,526)
Production overheads	(4,719,820)	(4,769,304)
Depreciation and amortization expenses (Note 9, 10)	(374,986)	(325,370)
Change in work-in-progress inventories (Note 6)	406,462	46,628
Change in finished goods inventories (Note 6)	1,328,745	254,937
	<u>(34,990,225)</u>	<u>(34,797,107)</u>
Cost of merchandises sold	<u>(4,197)</u>	<u>(3,263)</u>
	<u>(34,994,422)</u>	<u>(34,800,370)</u>

(\*) Expenses from provisions for employment termination benefits are recognized under personnel expenses.

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**18. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**

	1 January- 31 December 2020	1 January- 31 December 2019
Administrative expenses (-)	2,891,186	2,108,177
Marketing expenses (-)	1,127,746	1,053,807
	<u>4,018,932</u>	<u>3,161,984</u>
<b>Administrative expenses (-)</b>	1 January- 31 December 2020	1 January- 31 December 2019
Personnel expenses (*)	1,956,057	1,299,263
Consultancy expenses	197,320	112,707
Depreciation and amortization expenses (Note 9, 10)	152,564	157,682
Tax expenses	118,174	151,645
CMB and Borsa İstanbul expenses	32,068	40,819
Lawyer expenses	47,580	100,607
Maintenance and repair expenses	29,466	36,493
Communication expenses	14,117	13,759
Other expenses	343,840	195,202
	<u>2,891,186</u>	<u>2,108,177</u>

(\*) Expenses from provisions for employment termination benefits are recognized under personnel expenses.

	1 January- 31 December 2020	1 January- 31 December 2019
<b>Marketing expenses (-)</b>		
Export expenses	330,608	265,133
Personnel expenses	551,716	291,401
Insurance expenses	66,138	69,579
Depreciation and amortization expenses (Note 9, 10)	35,912	27,248
Exhibition expenses	44,298	148,158
Other expenses	99,074	252,288
	<u>1,127,746</u>	<u>1,053,807</u>

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**19. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

The details of other income from operating activities for the years ended in 31 December 2020 and 2019 are as follows:

**Other Income from Operating Activities**

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange gains from operations	1,329,825	836,283
Other income	113,146	110,249
	<u>1,442,971</u>	<u>946,532</u>

The details of other expenses from operating activities for the years ended in 31 December 2020 and 2019 are as follows:

**Other Expenses from Operating Activities**

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange losses from operations	350,714	219,132
Provision for doubtful receivables	292,655	469,742
Other expenses	36,755	16,449
	<u>680,124</u>	<u>705,323</u>

**20. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES**

The details of income from investment activities for the years ended in 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Increase on fair values of investment properties	3,225,000	5,628,192
Interest income	353,525	317,615
Gain on disposal of property, plant and equipment	1,636	52,778
	<u>3,580,161</u>	<u>5,998,585</u>

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**21. FINANCE EXPENSES**

	1 January- 31 December 2020	1 January- 31 December 2019
Interest expenses on bank loans	15,068	90,915
Commission expenses	56,332	57,667
	<u>71,400</u>	<u>148,582</u>

**22. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS****Properties Revaluation Reserve**

	31 December 2020	31 December 2019
Properties revaluation reserve	13,155,240	12,653,590
	<u>13,155,240</u>	<u>12,653,590</u>

  

	1 January- 31 December 2020	1 January- 31 December 2019
<b>Properties revaluation reserve</b>		
Opening balance	12,653,590	11,041,338
Gain on revaluation of land and buildings	577,061	1,822,022
Deferred tax liability arising from revaluation	(75,411)	(209,770)
Closing balance	<u>13,155,240</u>	<u>12,653,590</u>

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**23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

	31 December 2020	31 December 2019
<i><u>Current tax liability:</u></i>		
Current corporate tax provision	2,275,618	1,328,450
Less: prepaid taxes and funds	1,704,128	747,431
	<u>571,490</u>	<u>581,019</u>
<i><u>Tax expense in the statement of profit or loss:</u></i>		
	1 January- 31 December 2020	1 January- 31 December 2019
<i><u>Tax expense comprises:</u></i>		
Current tax expense	2,275,618	1,328,450
Deferred tax income relating to the origination and reversal of temporary differences	192,120	433,651
Total tax expense	<u>2,467,738</u>	<u>1,762,101</u>
<i><u>Tax recognized directly in equity</u></i>		
	1 January- 31 December 2020	1 January- 31 December 2019
<i><u>Deferred tax</u></i>		
Charged directly to equity:		
- Revaluations of property, plant and equipment	(75,411)	(209,770)
Total deferred tax expense charged directly to equity	<u>(75,411)</u>	<u>(209,770)</u>

*Corporate Tax:*

The Company is subject to corporation tax applicable in Turkey. The Company's current period results of operations for the estimated necessary tax liabilities accounted in the financial statements.

The corporate tax rate to be accrued over the taxable corporate income is the deduction of the expenses that cannot be deducted from the tax base and the tax exemptions, non-taxable income and other discounts (if any, previous year losses and investment discounts used if preferred). it is calculated.

The effective tax rate in 2020 is 22% (2019: 22%).

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.



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**23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)  
(cont'd)***Deferred Tax:*

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

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2019: 22%).

	31 December 2020	31 December 2019
Deferred tax (assets)/liabilities base:	<u>                    </u>	<u>                    </u>
Revaluation differences	(28,966,949)	(25,164,887)
Depreciation / amortization differences of property, plant and equipment and other intangible assets	(267,566)	(288,518)
Provision for employment termination benefits	1,265,228	862,145
Unused vacation liabilities	179,565	221,455
Other	799,799	507,894
	<u>(26,989,923)</u>	<u>(23,861,911)</u>
	<u>                    </u>	<u>                    </u>
<u>Deferred tax (assets)/liabilities:</u>	<u>                    </u>	<u>                    </u>
Revaluation differences	3,158,688	2,760,776
Depreciation / amortization differences of property, plant and equipment and other intangible assets	(64,353)	(60,162)
Provision for employment termination benefits	(253,046)	(172,429)
Unused vacation liabilities	(35,913)	(48,720)
Other	(159,960)	(101,580)
	<u>2,645,416</u>	<u>2,377,885</u>

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

Movement of deferred tax (assets)/liabilities for years ended 31 December 2020 and 2019 are as follows:

<u>Movement of deferred tax (assets)/liabilities</u>	<u>2020</u>	<u>2019</u>
Opening balance as of 1 January	2,377,885	1,734,464
Charged to profit or loss	192,120	433,651
Charged to equity	75,411	209,770
Closing balance as of 31 December	<u>2,645,416</u>	<u>2,377,885</u>

*The reconciliation of the current period tax expense with profit for the period is as follows:*

	<u>1 January- 31 December 2020</u>	<u>1 January- 31 December 2019</u>
<u>Reconciliation of tax provision:</u>		
Profit from continuing operations	<u>12,918,760</u>	<u>11,067,864</u>
	<u>% 22</u>	<u>% 22</u>
Income tax rate 22% (2019: 22%)	2,842,127	2,434,930
Tax effects of:		
- expenses that are not deductible in determining taxable profit	9,312	41,709
- exemption from gain on sale of properties - deferred tax effect	(383,408)	(672,357)
- other	(293)	(42,181)
Income tax expense recognised in profit or loss	<u>2,467,738</u>	<u>1,762,101</u>

**24. EARNINGS PER SHARE**

	<u>1 January- 31 December 2020</u>	<u>1 January- 31 December 2019</u>
Weighted Average Number of Ordinary Shares Outstanding During the Period with Nominal Amount of TL 1	10,721,700	10,721,700
Net Profit for the Period	<u>10,451,022</u>	<u>9,305,763</u>
Earning per Share (TL)	<u>0.975</u>	<u>0.868</u>

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**25. FINANCIAL INSTRUMENTS****Financial Liabilities**

	31 December 2020	31 December 2019
<b>Financial Borrowings</b>		
Bank loans	-	47,788
Total financial borrowings	-	47,788

The borrowings are repayable as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	-	47,788
To be paid between 1-2 years	-	-
	-	47,788

Currency	Weighted average effective interest rate	31 December 2020	
		Short term	Long term
TL	-	-	-
		-	-
31 December 2019			
Currency	Weighted average effective interest rate	Short term	Long term
TL	%29.47	47,788	-
		701,932	-

There is no covenants on bank loans that the Company is required to be comply with.

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**25. FINANCIAL INSTRUMENTS (cont'd)****Financial Liabilities (cont'd)**

Reconciliation of liabilities arising from financing activities

Cash and non-cash changes regarding the Company's liabilities arising from financing activities are given in the table below. Liabilities arising from financing activities are cash flows classified or to be classified in cash flows arising from financing activities in the Company's cash flow statement.

	<u>1 January 2020</u>	<u>Financing cash inflows</u>	<u>Financing cash outflows</u>	<u>Non-cash changes Interest accrual</u>	<u>31 December 2020</u>
Bank loans	47,788	-	(47,788)	-	-
	<u>47,788</u>	<u>-</u>	<u>(47,788)</u>	<u>-</u>	<u>-</u>

	<u>1 January 2019</u>	<u>Financing cash inflows</u>	<u>Financing cash outflows</u>	<u>Non-cash changes Interest accrual</u>	<u>31 December 2019</u>
Bank loans	701,932	-	(654,144)	-	47,788
	<u>701,932</u>	<u>-</u>	<u>(654,144)</u>	<u>-</u>	<u>47,788</u>

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#### 26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

The Company manages its capital to ensure that the Company 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 Company consists of equity items comprising debt, which includes the borrowings disclosed in Note 25, cash and cash equivalents, issued capital, reserves and retained earnings.

The Company's Board of Directors analyzes the capital structure if it is required, in addition to its routine meetings. During these analyses, the Board evaluates the cost of capital and the risks associated to each capital classification. Depending on the evaluations of the Board, the Company aims to balance the capital structure with new loan acquisition or the repayment of existing loans as well as dividend payments and new share issuance.

In addition and consistent with others in the industry, the Company management monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

The Company's strategy has not been changed from 2017.

##### b) Financial Risk Factors:

The Company's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on Company's financial performance.

Risk management is performed by the Committee of Early Detection of Risk in accordance with the policies approved by the Board of Directors. In accordance with the risk policies, financial risk is identified, evaluated, and some instruments are used to decrease risk by working together with the Company's operation units.

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

##### b) Financial Risk Factors (cont'd)

###### b.1) Credit risk management

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company monitors the credibility of the parties with whom they perform transactions. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. Additionally, the Company management evaluates the trade payables and financial assets on a customer and asset basis at the end of the period and ensures that the required provisions for the non-collectible amounts are reflected in the financial statements. In this context, the Company management believes that the Company's credit risk has decreased significantly as of the reporting date.

##### Overview of the Company's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As of 31 December 2020, the Company's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from:

- The carrying amount of financial assets in the statement of financial position.

In order to minimize the credit risk, the Company has performed credit ratings considering the default risks of the counterparties and categorized the related parties. The Company's current credit risk rating methodology includes the following categories:

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

**b) Financial Risk Factors (cont'd)**

**Overview of the Company's exposure to credit risk (cont'd)**

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime expected credit losses
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime expected credit losses – not credit impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime expected credit losses – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

31 December 2020	Note	Lifetime expected credit losses?	Gross carrying amount	Loss allowance	Net carrying amount
Trade and other receivables (i)	4, 5	(1,096,774)	10,847,176	(1,096,774)	9,750,402
Bank deposits	28	(-)	5,701,063	(-)	5,701,063

31 December 2019	Note	Lifetime expected credit losses?	Gross carrying amount	Loss allowance	Net carrying amount
Trade and other receivables (i)	4, 5	(804,119)	9,514,305	(804,119)	8,710,186
Bank deposits	28	(-)	2,233,195	(-)	2,233,195

(i) For trade receivables, the Company has applied the simplified approach in TFRS 9 to measure the loss allowance at lifetime expected credit losses. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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

**b) Financial Risk Factors (cont'd)**

**b.1) Credit risk management (cont'd)**

Details of credit risk by class of financial instruments	Receivables		Deposits at Banks	Financial Investments
	Trade Receivables	Other Receivables		
	Other Party	Related Party		
<b>31 December 2020</b>				
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	9,121,481	-	5,700,524	1,260
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	9,121,481	-	5,700,524	1,260
B. Net book value of financial assets that are past due but not impaired	-	-	-	-
C. Net book value of the impaired assets				
- Past due (gross amount)	1,096,774	-	-	-
- Impairment (-)	(1,096,774)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
- Not past due (gross amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-

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

(\*\*) Guarantees consist of guarantee letters, guarantee checks and mortgages obtained from the customers.



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

##### b) Financial Risk Factors (cont'd)

##### b.1) Credit risk management (cont'd)

##### Details of credit risk by class of financial instruments

<u>31 December 2019</u>	<u>Receivables</u>		<u>Deposits at Banks</u>	<u>Financial Investments</u>
	<u>Trade Receivables</u>	<u>Other Receivables</u>		
	<u>Other Party</u>	<u>Related Party</u>		
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	7,443,405	-	2,232,856	1,260
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	7,140,746	-	2,232,856	1,260
B. Net book value of financial assets that are past due but not impaired	302,659	-	-	-
C. Net book value of the impaired assets	-	-	-	-
- Past due (gross amount)	804,119	-	-	-
- Impairment (-)	(804,119)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
- Not past due (gross amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-

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

(\*\*) Guarantees consist of guarantee letters, guarantee checks and mortgages obtained from the customers.

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

##### b) Financial Risk Factors (cont'd)

##### *b.1) Credit risk management (cont'd)*

<b>Trade receivables</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Past due between 1-5 years	1,096,774	1,106,778
Less: impairment	(1,096,774)	(804,119)
<b>Total</b>	<b>-</b>	<b>302,659</b>

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

In the impairment tests, the payments made after the reporting period have been concluded that the receivables that the related receivables originated were not impaired as a result of the payment performance of the previous periods. It has been working with relevant customers for a long time and there are no significant amounts they do not pay.

##### *b.2) Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below shows the Company's non-derivative and financial liabilities with maturity distribution with repayment periods in accordance with the contract. Financial liabilities are prepared without discounting and based on the earliest dates to pay. Interests to be paid on the said liabilities are included in the table below. The amount announced when the receivables or debts are not fixed is determined by using the interest rate obtained from the yield curves at the date of the report.

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

##### b) Financial Risk Factors (cont'd)

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

##### **Liquidity risk table:**

Since the Company takes into account the expected maturity for its non-derivative financial liabilities, the cash flows resulting from financial liabilities based on the expected maturity are presented separately:

##### 31 December 2020

<b><u>Contract terms</u></b>	<b><u>Carrying Valu</u></b>	<b><u>Total contracted</u></b>			
		<b><u>cash outflows</u></b>	<b><u>Less than 3</u></b>	<b><u>3 to 12</u></b>	<b><u>1 to 5</u></b>
		<b><u>(I+II+III+IV)</u></b>	<b><u>months (I)</u></b>	<b><u>months (II)</u></b>	<b><u>years (III)</u></b>
<b>Financial liabilities</b>					
Bank loans	-	-	-	-	-
Trade payables	3,705,403	3,705,403	3,705,403	-	-
Other payables	28,865	28,865	28,865	-	-
Total liabilities	3,734,268	3,734,268	3,734,268	-	-

##### 31 December 2019

<b><u>Contract terms</u></b>	<b><u>Carrying Valu</u></b>	<b><u>Total contracted</u></b>			
		<b><u>cash outflows</u></b>	<b><u>Less than 3</u></b>	<b><u>3 to 12</u></b>	<b><u>1 to 5</u></b>
		<b><u>(I+II+III+IV)</u></b>	<b><u>months (I)</u></b>	<b><u>months (II)</u></b>	<b><u>years (III)</u></b>
<b>Financial liabilities</b>					
Obligations under finance leases	47,788	56,390	56,390	-	-
Trade payables	2,271,640	2,271,640	2,271,640	-	-
Other payables	21,246	21,246	21,246	-	-
Total liabilities	2,340,674	2,349,276	2,349,276	-	-

##### b) Financial Risk Factors (cont'd)

##### *b.3) Market risk management*

The Company's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are also supplemented by sensitivity analysis.

In the current year, there has been no change in the Company's market risk subjected and its management and measurement methods for the risks subjected, in comparison with the prior year.

##### *b.3.1) Foreign currency risk management*

Transactions denominated in foreign currencies result in foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of the balance sheet date are as follows:

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

**b) Financial Risk Factors (cont'd)**

**b.3) Market risk management (cont'd)**

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

	<b>31 December 2020</b>		
	<b>TL Equivalent (Functional Currency)</b>	<b>USD</b>	<b>Euro</b>
1. Trade Receivables	6,735,705	769,938	120,336
2a. Monetary Financial Assets	2,702,356	324,334	35,700
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
<b>4. CURRENT ASSETS</b>	<b>9,438,061</b>	<b>1,094,272</b>	<b>156,036</b>
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
<b>8. NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>9,438,061</b>	<b>1,094,272</b>	<b>156,036</b>
10. Trade Payables	95,362	9,678	2,700
11. Financial Liabilities	-	-	-
12a. Other Monetary Financial Liabilities	436,592	48,061	9,303
12b. Other Non-Monetary Financial Liabilities	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>531,954</b>	<b>57,739</b>	<b>12,003</b>
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-
<b>17. NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>531,954</b>	<b>57,739</b>	<b>12,003</b>
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency liability position	8,906,107	1,036,533	144,033
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	8,906,107	1,036,533	144,033
22. Fair value of foreign currency hedged financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

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**26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)***b.3) Market risk management (cont'd)**b) Financial Risk Factors (cont'd)**b.3.1) Foreign currency risk management (cont'd)***31 December 2019**

	<b>TL (Functional Currency)</b>	<b>USD</b>	<b>Euro</b>
1. Trade Receivables	5,577,069	759,031	160,628
2a. Monetary Financial Assets	2,730,817	446,283	12,000
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	8,307,886	1,205,314	172,628
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	8,307,886	1,205,314	172,628
10. Trade Payables	125,444	14,735	5,701
11. Financial Liabilities	-	-	-
12a. Other Monetary Financial Liabilities	458,486	75,971	1,083
12b. Other Non-Monetary Financial Liabilities	-	-	-
13. CURRENT LIABILITIES	583,930	90,706	6,784
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	583,930	90,706	6,784
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency liability position	7,723,956	1,114,608	165,844
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	7,723,956	1,114,608	165,844
22. Fair value of foreign currency hedged financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

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

#### b) Financial Risk Factors (cont'd)

##### *b.3) Market risk management (cont'd)*

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

##### Interest rate sensitivity

The Company is exposed to foreign exchange risk primarily with respect to US Dollar and EURO. The following table details the Company's sensitivity to a 10% increase and decrease in US Dollar and EURO against TL. 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 2020	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
1 - US Dollar net asset / liability	760,867	(760,867)
<b>2- US Dollar net effect</b>	<b>760,867</b>	<b>(760,867)</b>
In case 10% appreciation in EURO against TL		
3 - EURO net asset / liability	129,743	(129,743)
<b>4- EURO net effect</b>	<b>129,743</b>	<b>(129,743)</b>
Total (2 + 4)	<b>890,610</b>	<b>(890,610)</b>
	31 December 2019	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
1 - US Dollar net asset / liability	662,099	(662,099)
<b>2- US Dollar net effect</b>	<b>662,099</b>	<b>(662,099)</b>
In case 10% appreciation in EURO against TL		
3 - EURO net asset / liability	110,296	(110,296)
<b>4- EURO net effect</b>	<b>110,296</b>	<b>(110,296)</b>
Total (2 + 4)	<b>772,395</b>	<b>(772,395)</b>

##### *b.3.2) Interest rate risk management*

The Company borrows only at fixed interest rates. Therefore, the Company is not subject to interest rate risk.

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**27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)****Categories of financial instruments and fair values**

	<u>Financial assets at amortized cost</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
31 December 2020				
<u>Financial assets</u>				
Cash and cash equivalents	5,701,063	-	5,701,063	28
Trade receivables	9,121,481	-	9,121,481	4
<u>Financial liabilities</u>				
Borrowings	-	-	-	25
Trade payables	-	3,705,403	3,705,403	4
Other payables to related parties	-	28,865	28,865	3
31 December 2019				
<u>Financial assets</u>				
Cash and cash equivalents	2,233,195	-	2,233,195	28
Trade receivables	7,443,405	-	7,443,405	4
<u>Financial liabilities</u>				
Borrowings	-	47,788	47,788	25
Trade payables	-	2,271,640	2,271,640	4
Other payables to related parties	-	21,246	21,246	3

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#### 27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

##### Fair Value of Financial Instruments (cont'd)

The fair value of financial assets and liabilities is assigned as below:

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

#### 28. NOTES ON STATEMENT OF CASH FLOWS

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash on hand	539	339
Cash at banks	5,700,524	2,232,856
<i>Demand deposits</i>	2,400,524	2,232,856
<i>Time deposits</i>	3,300,000	-
	<u><u>5,701,063</u></u>	<u><u>2,233,195</u></u>

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 26.

The maturity and interest rates of the Company's time deposits as of 31 December 2020 and 2019 are detailed as follows:

<u>Original currency</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Original balance</u>	<u>31 December 2020</u>
Turkish Lira	January 2021	%19	3,300,000	<u><u>3,300,000</u></u>
				<u><u>3,300,000</u></u>

#### 29. EVENTS AFTER THE REPORTING PERIOD

None.