KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kerevitaş Gıda Sanayi ve Ticaret A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Fair value of investment properties As disclosed in Note 9, the Group accounts investment properties at their fair values. The investment properties are presented with their fair values as of December 31, 2019 with an amount of TL 219.842.001. Investment properties are valued with their fair values reflecting market conditions as of the balance sheet date, in accordance with the valuation reports received from the licensed real estate valuation corporations within the scope of the Capital Market Legislation. Fair values have been determined according to the peer comparison method that reflects the current transaction prices for peer real estates that are rented or offered for sale in the immediate vicinity of the real estate. Since these properties are significant in terms of consolidated financial statements and estimations (bargaining share, location correction etc.) are incorporated in their valuation, they are important for our audit.	The technical competency and independence of the valuation company that conducted the valuation work was assessed by checking the relevant licenses, agreements and statements. The valuation reports prepared for each property was obtained, and the audit studies have been carried out on the valuation reports with significant amount of fair value increases. The cost value of the relevant properties was checked for the accuracy of the increases in fair value. The accuracy of the valuation method applied was checked against the intended use of the relevant properties. At the same time, the square meter areas used in the fair value calculations were checked with the title deeds of the relevant properties. The values used in the calculation of the average peer value calculated per square meter by the valuation company were selected with the sampling method and compared with the market conditions and the sensitivity of the estimates such as bargaining share and location correction on the fair values were evaluated. Fair values in the valuation reports were compared with the disclosure notes to assess if the values provided in disclosure notes and accounting records are consistent with the valuation reports. The disclosures and explanations provided were assessed whether these are sufficient in terms of TFRSs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 3, 2020.

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

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

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

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

Seda Akkuş Tecer, SMMM
Partner

March 3, 2020
İstanbul, Turkey

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

	Notes	**Audited Current Year 31 December 2019**	**Audited Prior Year 31 December 2018**
ASSETS			
Current Assets		**1.533.120.810**	**1.795.523.526**
Cash and cash equivalents	29	13.208.215	19.448.273
Trade receivables	5	447.038.978	509.398.900
- Trade receivables from related parties	*4*	*269.099.666*	*337.686.279*
- Trade receivables from third parties	*5*	*177.939.312*	*171.712.621*
Other receivables	6	638.071.763	858.314.676
- Other receivables from related parties	*4*	*632.699.658*	*853.122.409*
- Other receivables from third parties	6	*5.372.105*	*5.192.267*
Inventories	7	417.527.030	363.038.616
Prepaid expenses	8	10.733.554	20.397.419
Current income tax assets	24	15.473	4.867.349
Other current assets	17	6.525.797	20.058.293
Non-Current Assets		**1.190.054.386**	**1.181.848.860**
Other receivables	6	1.466.589	5.487.505
- Other receivables from third parties	6	*1.466.589*	*5.487.505*
Financial investments	26	1.394.933	1.420.594
Investment properties	9	219.842.001	212.107.001
Property, plant and equipment	10	865.150.925	874.144.623
Right of use assets	11	4.245.452	-
Intangible assets	12	15.045.787	11.167.324
Prepaid expenses	8	8.069.552	4.177.578
Deferred tax assets	24	74.839.147	59.951.124
Other non-current assets	17	-	13.393.111
TOTAL ASSETS		**2.723.175.196**	**2.977.372.386**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

	Notes	Audited Current Year 31 December 2019	Audited Prior Year 31 December 2018
LIABILITIES			
Current Liabilities		**620.562.397**	**735.713.313**
Short-term borrowings	27	71.353.171	317.984.874
- Bank loans	*27*	*70.057.502*	*317.984.874*
- Lease liabilities	*27*	*1.295.669*	-
Trade payables	5	385.132.347	367.605.640
- Trade payables to related parties	*4*	*50.952.499*	*46.417.101*
- Trade payables to third parties	*5*	*334.179.848*	*321.188.539*
Other payables	6	111.081.307	2.699.321
- Other payables to related parties	*4*	*111.081.307*	*2.351.507*
- Other payables to third parties	*6*	-	*347.814*
Payables related to employee benefits	16	12.020.130	11.559.769
Deferred income	8	4.492.874	2.928.650
Current income tax liabilities	24	16.460.798	14.384.165
Short-term provisions		15.027.956	11.355.282
- Short-term provisions for employee benefits	*16*	*11.458.762*	*10.111.477*
- Other short-term provisions	*14*	*3.569.194*	*1.243.805*
Other current liabilities	17	4.993.814	7.195.612
Non-Current Liabilities		**1.136.232.930**	**1.459.677.628**
Long-term borrowings	27	2.878.423	-
Lease liabilities	*27*	2.878.423	-
Other payables	6	1.031.988.897	1.364.244.005
- Other payables to related parties	*4*	*1.031.988.897*	*1.364.244.005*
Long-term provisions		33.225.074	30.305.487
- Long-term provisions for employee benefits	*16*	*33.225.074*	*30.305.487*
Deferred tax liabilities	24	68.140.536	65.128.136
Total Liabilities		**1.756.795.327**	**2.195.390.941**
EQUITY			
Paid in capital	18	662.000.000	662.000.000
Other comprehensive income or expenses not be reclassified to profit or loss		313.272.561	313.720.126
- Gains on revaluation of plant, property and equipment		*314.411.591*	*314.411.591*
- Losses on remeasurement of defined benefit plans		*(10.340.254)*	*(9.892.689)*
- Gains on revaluation of investment properties		*9.201.224*	*9.201.224*
Other comprehensive income or expenses to be reclassified to profit or loss		102.626.699	84.400.388
- Currency translation differences		*102.626.699*	*84.400.388*
Share premium		702.050	702.050
Restricted reserves	18	36.192.002	36.192.002
Effect of business combinations under common control		(895.717.515)	(895.717.515)
Retained earnings		399.294.136	433.864.245
Net profit/loss for the year		137.831.653	(34.570.109)
Equity holders of the parent		756.201.586	600.591.187
Non-controlling interests		210.178.283	181.390.258
Total Equity		**966.379.869**	**781.981.445**
TOTAL LIABILITIES AND EQUITY		**2.723.175.196**	**2.977.372.386**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

	Notes	Audited Current Year 1 January - 31 December 2019	Audited Prior Year 1 January - 31 December 2018
Revenue	19	2.492.865.759	2.422.035.082
Cost of sales (-)	19	(1.879.435.873)	(1.859.089.302)
Gross profit		**613.429.886**	**562.945.780**
General administrative expenses (-)	20	(59.295.803)	(52.804.351)
Marketing expenses (-)	20	(220.546.434)	(208.124.491)
Research and development expenses (-)	20	(3.930.240)	(3.137.542)
Other income from operating activities	21	46.714.455	66.165.579
Other expenses from operating activities (-)	21	(63.926.322)	(114.442.085)
OPERATING PROFIT		**312.445.542**	**250.602.890**
Income from investment activities	22	130.825.599	97.364.001
Expenses from investment activities (-)	22	(13.499.824)	(25.063.173)
OPERATING PROFIT/LOSS BEFORE FINANCIAL INCOME / (EXPENSE)		**429.771.317**	**322.903.718**
Financial expenses (-)	23	(224.254.342)	(364.915.670)
PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**205.516.975**	**(42.011.952)**
Tax expense/income from continuing operations		(46.593.957)	8.520.795
- Current tax expense	24	(57.388.020)	(14.384.165)
- Deferred tax income/expense	24	10.794.063	22.904.960
PROFIT/(LOSS) FOR THE YEAR		**158.923.018**	**(33.491.157)**
Profit/loss for the year attributable to:			
Non-controlling interests		21.091.365	1.078.952
Equity holders of the parent		**137.831.653**	**(34.570.109)**
OTHER COMPREHENSIVE INCOME:			
Items to not be reclassified subsequently to profit or loss		**(561.987)**	**7.245.342**
- Gain on revaluation of property, plant and equipment		-	9.514.578
- Actuarial loss on defined benefit plans		(724.331)	(1.330.973)
- Other comprehensive income not to be reclassified to profit or (loss), tax effect		162.344	(938.263)
Items to be reclassified subsequently to profit or loss		**26.037.393**	**50.776.816**
- Currency translation differences		26.037.393	53.816.816
- Impairment of financial investments		-	(3.040.000)
Other Comprehensive Income		**25.475.406**	**58.022.158**
TOTAL COMPREHENSIVE INCOME		**184.398.424**	**24.531.001**
Total comprehensive income for the year attributable to:			
Non-controlling interests		28.788.025	17.119.241
Equity holders of the parent		**155.610.399**	**7.411.760**
Earnings /(Losses) per share (Kr)	25	0,21	(0,05)

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

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

		Accumulated other comprehensive income or expenses not to be reclassified to profit or lose			**Accumulated other comprehensive income or expenses to be reclassified to profit or lose**				**Retained Earnings**				
	Paid in capital	**Gains on revaluation of plant, property and equipment**	**Losses on remeasurement of defined benefit plans**	**Gains on revaluation of investment properties**	**Currency translation differences**	**Share premium**	**Restricted reserves**	**Effect of business combinations under common control**	**Retained earnings**	**Net profit / loss for the year**	**Equity holders of the parent**	**Non-controlling interests**	**Total Equity**
Balances as of 1 January 2018	**23.900.000**	**306.101.471**	**(8.951.134)**	**44.486.522**	**46.747.084**	**886.860.880**	**34.656.534**	**(909.376.861)**	**114.893.278**	**53.861.653**	**593.179.427**	**166.808.679**	**759.988.106**
Capital increase	638.100.000	-	-	-	-	(886.158.830)	-	-	248.058.830	-	-	-	-
Transfers	-	-	-	(35.285.298)	-	-	1.535.468	-	87.611.483	(53.861.653)	-	-	-
Effect of business combinations under common control	-	-	-	-	-	-	-	13.659.346	(13.659.346)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(2.537.662)	(2.537.662)
Total comprehensive income	-	8.310.120	(941.555)	-	37.653.304	-	-	-	(3.040.000)	(34.570.109)	7.411.760	17.119.241	24.531.001
Balances as of 31 December 2018	**662.000.000**	**314.411.591**	**(9.892.689)**	**9.201.224**	**84.400.388**	**702.050**	**36.192.002**	**(895.717.515)**	**433.864.245**	**(34.570.109)**	**600.591.187**	**181.390.258**	**781.981.445**
Balances as of 1 January 2019	**662.000.000**	**314.411.591**	**(9.892.689)**	**9.201.224**	**84.400.388**	**702.050**	**36.192.002**	**(895.717.515)**	**433.864.245**	**(34.570.109)**	**600.591.187**	**181.390.258**	**781.981.445**
Transfers	-	-	-	-	-	-	-	-	(34.570.109)	34.570.109	-	-	-
Total comprehensive income	-	-	(447.565)	-	18.226.311	-	-	-	-	137.831.653	155.610.399	28.788.025	184.398.424
Balances as of 31 December 2019	**662.000.000**	**314.411.591**	**(10.340.254)**	**9.201.224**	**102.626.699**	**702.050**	**36.192.002**	**(895.717.515)**	**399.294.136**	**137.831.653**	**756.201.586**	**210.178.283**	**966.379.869**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (NOTE 2.7)

KEREVİTAŞ GIDA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

	Notes	Audited Current Year 1 January- 31 December 2019	Audited Prior Year 1 January- 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		**372.120.032**	**319.367.934**
Net profit/loss for the year		158.923.018	(33.491.157)
Adjustments to reconcile net profit/loss for the year		**225.010.998**	**353.942.713**
Adjustments related to depreciation and amortization expenses	10, 11, 12	49.689.074	44.703.930
Adjustments related to provision for/reversal of impairment loss		2.569.547	7.404.311
- *Adjustments related to impairment loss on receivables*	*5*	*2.581.000*	*4.446.232*
- *Adjustments related to impairment on inventories, net*	*7*	*(37.114)*	*(81.921)*
- *Adjustments related to impairment of financial investments*	*26*	*25.661*	*3.040.000*
Adjustments related to provisions		26.090.281	17.501.050
- *Adjustments related to provisions for employee benefits*	*16*	*23.719.629*	*17.448.314*
- *Adjustments related to lawsuit provisions*	*14*	*2.370.652*	*52.736*
Adjustments related to interest income and expenses		94.898.650	118.670.385
- *Adjustments related to interest and commission expenses*	*23*	*205.003.483*	*198.203.467*
- *Adjustments related to interest income*	*22*	*(110.104.833)*	*(79.533.082)*
Changes in unrealized foreign currency translation differences	*23*	18.039.315	166.500.016
Adjustments related to tax expense/(income)	*24*	46.593.957	(8.520.795)
Adjustments related to (gain)/loss on fair value	*9*	(7.735.000)	(11.322.568)
Adjustments related to (gain)/loss on disposal of non-current assets	*22*	(5.134.826)	19.006.384
Changes in working capital		**58.822.615**	**21.707.437**
Changes in trade receivables		59.778.922	59.319.137
- *Increase/decrease in trade receivables from third parties*		*(8.807.691)*	*42.508.624*
- *Increase/decrease in trade receivables from related parties*		*68.586.613*	*16.810.513*
Changes in inventories		(54.451.300)	(27.529.451)
Changes in other receivables related with operations		36.538.576	4.880.230
Changes in trade payables		17.526.707	(17.896.349)
- *Increase / decrease in trade payables to third parties*		*12.991.309*	*(62.668.552)*
- *Increase / decrease in trade payables to related parties*		*4.535.398*	*44.772.203*
Changes in other payables		(570.290)	2.933.870
Cash generated from operations		**442.756.631**	**342.158.993**
Cash outflows on payment of provisions for employee benefits	*16*	(20.177.088)	(15.150.156)
Income taxes paid	*24*	(50.459.511)	(7.640.903)
CASH FLOWS FROM INVESTING ACTIVITIES		**106.035.135**	**74.975.107**
Payments for purchase of property, plant and equipment and intangible assets		(17.169.796)	(39.151.571)
- *Payments for purchases of property, plant and equipment*	*10*	*(13.873.905)*	*(36.393.235)*
- *Payments for purchases of intangible assets*	*12*	*(3.295.891)*	*(2.758.336)*
Proceeds from sale of property, plant and equipment and intangible assets	10, 12	13.100.098	281.413
Proceeds from sale of investment properties		-	34.312.183
Interest income from investing activities		110.104.833	79.533.082
CASH FLOWS FROM FINANCING ACTIVITIES		**(476.196.915)**	**(812.150.981)**
Cash inflows from borrowings received	27	178.554.522	423.567.788
Cash outflows on repayment of borrowings	27	(439.287.687)	(1.504.631.453)
Cash outflows on repayment of obligations under financial leases		-	(1.119.525)
Payments of lease liabilities	27	(2.124.187)	-
Interest paid		(205.003.483)	(359.071.856)
Increase/(decrease) in other payables to related parties, net		(8.336.080)	629.104.065
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE CHANGES		**1.958.252**	**(417.807.940)**
Effects of foreign exchange rate changes on cash and cash equivalents		(8.198.310)	(2.100.165)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6.240.058)**	**(419.908.105)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	29	**19.448.273**	**439.356.378**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	**13.208.215**	**19.448.273**

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

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Main operations of Kerevitaş Gıda Sanayi ve Ticaret Anonim Şirketi ("Kerevitaş" or "the Company") and its subsidiaries ("Group") are production and trading of frozen and canned vegetables and fruits, frozen and canned sea food, frozen pastry products, croquettes, canned tuna fish, oil and margarine. The Group distributes frozen and canned products that are produced in Bursa and Afyon facilities throughout Turkey through its dealers and own direct distribution channels, as well as exports its products. Kerevitaş was initially established in 1978, to export its sea food and has been one of the pioneer food companies since 1990 with "Superfresh" brand. The Company's registered office is in Kısıklı Mahallesi Yenişen Sokak Yıldız Holding B Blok Apt. No:8 B/1 Üsküdar İstanbul.

The Company has vegetables, fruits, seafood, tuna canned food, bakery products and pizza facilities in the its Bursa factory, and has potato, vegetables and fruit production facilities in its the Afyon factory. The Company also has cold storage warehouses in Bursa/Factory, Afyon/Factory, Kartal/Istanbul and Antalya.

Kerevitaş acquired Besler Gıda ve Kimya Sanayi ve Ticaret A.Ş. ("Besler") which is operating in margarine and oil businesses on 24 November 2017 for an amount of TL904.500.000. Thus, the field of activities of the Group expanded to include the production and trading of oil and margarine.
Besler has two production plants of oil and margarine in Pendik/İstanbul and in Adana. The third production plant of Besler was established by the end of 2017 in Sultanate of Brunei.
The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa İstanbul ("BIST") since 1994.

The ultimate shareholder of the Group is Yıldız Holding A.Ş. and Yıldız Holding A.Ş. is managed by Ülker Family.

As of 31 December 2019 and 2018, the principal shareholders and their respective shareholding rates in the Company are as follows:

	31 December 2019 (%)	**31 December 2018 (%)**
Yıldız Holding A.Ş.	54,27	46,14
Ufuk Yatırım Yönetim ve Gayrimenkul A.Ş.	10,34	10,34
Murat Ülker	9,98	9,98
Ahsen Özokur	-	8,13
Trade Türk Gıda Yatırım A.Ş.	5,42	7,23
Other	20,00	18,19
	100	**100**

As of 31 December 2019, the number of employees employed by the Group is 1.736 (31 December 2018: 2.224).

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

The subsidiaries included in the scope of consolidation of the Group as of 31 December 2019 and 2018 and respective effective ownership rates are as follows:

	Direct and Indirect Effective Ownership %			
Subsidiaries	**31 December 2019**	**31 December 2018**	**Countries of activity**	**Nature of business**
Besler Gıda ve Kimya San. Ve Tic. A.Ş.	100,00	100,00	Turkey	Production and Trading of Oil and Oil Products
Berk Enerji Üretimi A.Ş. (*)	88,07	88,07	Turkey	Generation of Electricity
Marsa Yağ Sanayi ve Tic. A.Ş. (*)	70,00	70,00	Turkey	Production and Trading of Oil and Oil Products
Western Foods and Packaging SDN BHD (*)	70,00	70,00	Brunei	Production and Trading of Oil and Oil Products

(*) The Group has indirect ownership.

Operations of subsidiaries

<u>Acquisition of Besler Shares</u>

The Group acquired Besler on 24 November 2017 from its ultimate parent Yıldız Holding. Since both companies are controlled by the same parent before and after the acquisition, this transaction has been identified as business combinations under common control, and the transaction has been included in the accompany financial statements, in accordance with the principles issued by Public Oversight Accounting and Auditing Standards Authority on 21 July 2013.

<u>Approval of the financial statements</u>

The consolidated financial statements as of and for the year ended 31 December 2019 have been approved by the Board of Directors on 3 March 2020. General Assembly has authority to change the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 - Basis of Presentation

Statement of Compliance with TAS

The accompanying financial statements are prepared in accordance with the requirements of the Communiqué Serial II, no: 14.1 "Basis of Financial Reporting in Capital Markets" as issued by Capital Markets Board of Turkey ("CMB") which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements have been prepared in accordance with the Turkish Accounting Standards ("TAS") and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") under Article 5th of the Communiqué.

In addition, financial statements and disclosures have been presented in accordance with the resolution of POA dated 7 June 2019 on "2019 TAS Taxanomy".

With the 11/367 numbered decision taken on 11 March 2005, CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the listed companies operating in Turkey which are preparing their financial statements in accordance with Turkish Accounting Standards. Accordingly, the Group did not apply "Financial Reporting in High Inflation Economies" ("TAS 29") since 1 January 2005.

The Company and its subsidiaries in Turkey maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The consolidated financial statements have been prepared on the historical cost basis except for land and building and financial assets and liabilities accounted with their fair values. Historical cost is generally based on the nominal or original cost of assets when acquired by the Company.

Functional Currency

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

As of 31 December 2019 and 2018, the exchange rates announced by Central Bank of Turkey are as below:

EUR 1 = TL 6,6506, USD 1 TL 5,9402 TL
(31 December 2018: EUR 1 = TL 6,0280; USD 1 TL 5,2609)

As of 31 December 2019, and 2018, the average of the exchange rates announced by Central Bank of Turkey are as below:

EUR 1=TL 6,3481, USD 1=TL 5,6712
(1 January – 31 December 2018: EUR 1=TL 5,6789; USD 1=TL 4,8301)

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

2.1 - Basis of Presentation (Continued)

<u>Going Concern</u>

The consolidated financial statements of the Group are prepared on a going concern basis.

<u>Basis of Consolidation</u>

(a) Subsidiaries

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

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

(b) Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the loss of control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to owners of the Company.

(c) Losses control of subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. transfer to profit / loss or transfer to retained earnings in accordance with TFRSs). The fair value of any investment retained after the sales of a subsidiary at the date when control is lost, is regarded as the fair value on initial recognition accounting within the scope of TFRS 9 Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2.1 - Basis of Presentation (Continued)

Changes in the Group’s ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recategorized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recategorized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *TFRS 9 Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.2 - Changes in Accounting Policies

Comparative Information and Restatement of Prior Period Consolidated Financial Statements

In order to allow the determination of financial position and performance trends, the Group's consolidated financial statements are prepared in comparison with the previous period. In order to comply with the presentation of consolidated financial statements the current period when deemed necessary, comparative information is reclassified, and material differences are presented. The Group has made some reclassifications in prior year financial statements in order to conform presentation with current period financial statements for prior periods.

Change in accounting policies is applied retrospectively and previous year financial statements are restated accordingly.

The Group has made following reclassifications in financial statements as of 31 December 2018 in order to conform with the presentation of current year consolidated financial statements.

Trade payables to Yıldız Holding amounting to TL 62.461.695 classified under “Trade Payables to Related Parties” under short-term liabilities of the Group provided in the consolidated financial statements of the Group as of 31 December 2018, has been netted with the other receivables from Yıldız Holding classified under “Other Receivables From Related Parties”. The reclassification has no effect on net profit for the period.

Rent income from investment properties amounting to TL 6.287.415 recognised under “Other Income from Operating Activities” in the consolidated statement of profit or loss and other comprehensive income for the period ended as of 31 December 2018, has been reclassified under the “Income from Investment Activities”.

The Group has adopted TFRS 16 “Leases” as at 1 January 2019 for the first time, the accounting policies related to adoption of TFRS 16 are provided below:

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

2.2 - Changes in Accounting Policies (Continued)

TFRS 16 Leases

The accounting policies of the Group in relation to adoption of TFRS 16 are provided below:

Right of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The amount is adjustes when the lease liability is revalued. The recognised right-of-use assets are depreciated on component basis when it is deemed as necessary.

The right of use asset is initially recognized at cost comprising of:

a) amount of the initial measurement of the lease liability,
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the Group

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease assets are subject to impairment test.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

Lease payments included in the measurement of the lease liability at the commencement date of the lease includes the lease payments will be made during the term of the lease and the unpaid lease payments existing at the commencement date of the lease and comprised as followings:

a) Fixed payments,
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) Amounts expected to be paid by the Group within the scope of residual value commitments
d) If the Group is reasonably sure that it will use the purchase option, the price of use of this option and
e) If the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs

When determining the revised discount rate for the remainder of the group rental period, the Group uses the implicit interest rate if the implicit interest rate in the lease can be easily determined; In case it cannot be determined easily, it determines the alternative borrowing interest rate on the date of the Group's re-evaluation.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

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

2.2 - Changes in Accounting Policies (Continued)

Lease liabilities (Continued)

After initial recognition, the lease liability is measured as followings:

a) Increasing the carrying amount to reflect interest on lease liability, and
b) Reducing the carrying amount to reflect the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Transition to IFRS 16:

The Group has applied TFRS 16 "Leases", which replaces TAS 17 "Leases", for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

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

The impact of transition to TFRS 16 is as below:

	1 January 2019
Assets	**6.298.281**
Right-of-use assets	6.298.281
Liabilities	**6.298.281**
Short-term Lease liabilities	3.673.286
Long-term Lease liabilities	2.624.995

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

2. 3 - Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are related only for one period, changes are applied in the current year but if the changes in estimates affect following periods, changes are applied both in current and following years prospectively. In current year, there are no significant changes in the accounting estimates of the Group.

The accounting errors identified are corrected retrospectively and prior year financial statements are restated. In current year, there are no changes in accounting estimates and no errors identified.

2.4 - New and Revised Turkish Accounting Standards

The new standards, amendments and interpretations

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

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

TFRS 16 Leases

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

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

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

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach. Transition effects to the mentioned standard and a summary of the relevant accounting policies are presented in "Note 2.2 Changes in Accounting Policies".

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

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

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

These amendments are applied for annual periods beginning on or after 1 January 2019.

The interpretation did not have a significant impact on the financial position or performance of the Group.

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

The interpretation did not have a significant impact on the financial position or performance of the Group.

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

Annual Improvements – 2015–2017 Cycle

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

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

The amendments are effective from annual periods beginning on or after 1 January 2019

The amendments did not have a significant impact on the financial position or performance of the Group.

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

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Group.

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

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

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

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

The Group does not expect an impact on the financial position or performance of the Group.

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

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

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

The Group does not expect an impact on the financial position or performance of the Group.

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

2.4 - New and Revised Turkish Accounting Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

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

The Group does not expect an impact on the financial position or performance of the Group.

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

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

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

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

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

Changes in IAS 1 - Classification of liabilities as short and long term

On January 23, 2020, IASB made amendments to the "Presentation of IAS 1 Financial Statements" standard. These amendments, which are effective for annual reporting periods starting on or after 1 January 2022, provide explanations to the criteria for the long and short term classification of liabilities. The amendments should be applied retrospectively according to IAS 8 "Accounting Policies, Changes and Errors in Accounting Estimates". Early application is allowed. The Group evaluates the effects of this change on the financial position and performance of the Group.

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

2.5 - Summary of Significant Accounting Policies

Related Parties

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

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.

The income from the sale of the goods is recognized as soon as all the following conditions are met.

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

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

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

Revenue recognition

The revenue of the Group mainly consists of frozen food, canned food and oil sales.

The Group recognizes revenue based on the following five main principles: according to TFRS 15 "Revenue from Contracts with Customers":

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

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

2.5 - Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

The Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations. Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services: a) presence of Group's collection right of the consideration for the goods or services, b) customer's ownership of the legal title on goods or services, c) physical transfer of the goods or services, d) customer's ownership of significant risks and rewards related to the goods or services, e) customer's acceptance of goods or services. If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

2.5 - Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. 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. Inventories have been valued with weighted average cost method.

Property, Plant and Equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

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

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

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

2.5 - Summary of Significant Accounting Policies (Continued)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Unless the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is not transferred to retained earnings. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

Estimated useful life of property, plants and equipment's are shown below:

Useful Life (Year)

Buildings	10-50
Land improvements	8-50
Machinery and equipment's	3-25
Furniture and fixtures	3-50
Motor vehicles	4-10
Leasehold improvements	3-5
Other tangible assets	10

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

2.5 - Summary of Significant Accounting Policies (Continued)

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. Estimated useful life of intangible assets are between 2 and 15 years.

Internally generated intangible assets – Research and Development

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

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

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

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

2.5 - Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Internally generated intangible assets – Research and Development (Continued)

The amount of intangible assets created within the enterprise is the total amount of expenditures incurred from the moment the intangible asset meets the above-mentioned accounting requirements. When intangible assets created within the business fail to meet the above-mentioned conditions, development expenses are recorded as expense in the period they occur.

After initial accounting, intangible assets created within the business are also shown over the amount after deducting accumulated amortization and accumulated depreciation from cost values such as separately purchased intangible assets.

Derecognition of intangible assets

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

Impairment of Assets Other Than Goodwill

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

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

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

2.5 - Summary of Significant Accounting Policies (Continued)

Impairment of Assets Other Than Goodwill (Continued)

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Assets

Classification and Measurement

The Group classifies its financial assets in three categories, as being financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets with a maturity date shorter than 12 months are classified as current assets and with a maturity date longer than 12 months are classified as non-current assets. Financial assets of the Group measured at amortized cost comprise "cash and cash equivalents", "trade receivables" and "other receivables".

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

2.5 - Summary of Significant Accounting Policies (Continued)

(a) Financial assets measured at amortized cost (Continued)

The related assets which are initially measured at their fair values are in subsequent records recognized in the income statements at their discounted values using the effective interest rate method. Gains and losses resulting from valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model". The impairment model applies for amortized financial and contractual assets.

The Group has preferred to apply "simplified approach" for the recognition of impairment losses on trade receivables, carried at amortized cost and that do not comprise of any significant finance component. In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to lifetime expected credit losses except incurred credit losses in which trade receivables are already impaired for a specific reason. In calculation of the expected credit losses, the future estimations of the Group are taken into account together with past credit loss experiences.

In all other cases of impairment on financial assets, 12-month expected credit loss calculation is applied. 12-month expected credit loss is the expected credit loss due to defaults within 12 months after the reporting period.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the provision related to impairment is released and the release of the provision is credited to profit or loss.

(b) Financial assets measured at fair value

Assets that are held by the management for the 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 Group 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:

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

ii) Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. The Group measures these assets with their fair values. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

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

2.5 - Summary of Significant Accounting Policies (Continued)

(b) Financial assets (Continued)

Trade Receivables

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

Cash and cash equivalents

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

Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities

The Group's financial liabilities and equity instruments are classified based on contractual arrangements and the definition of a financial liability and an equity instrument. A financial liability is measured at fair value during its initial recognition. During the initial recognition of financial liabilities whose fair value difference is not reflected in profit or loss, transaction costs that can be directly associated with the undertaking of the relevant financial liability are added to the fair value in question. Financial liabilities are accounted over the amortized cost value by using the effective interest method together with the interest expense calculated over the effective interest rate in the following periods.

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

2.5 - Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Fair values, as much as possible, are derived from current market prices in active markets, if not available, are determined through the appropriate way of discounted cash flows and option pricing models.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair values at each reporting periods, with any gains or losses arising on remeasurement recognized in profit or loss. Change in fair values are recognised in statement of profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, trade payables and other payables, are immediately measured at fair value at intial recognition, net of transactions costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

In the event that the Group fulfills its contractual obligations, or the obligations specified are cancelled oor expired, the Group derecognises the financial liability from its statement of financial position. The difference between the book value of the financial liability derecognised and the amount paid or the fair value of the new financial liability recognised is recognised in the statement of profit or loss.

Effect of Exchange Differences

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

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

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

2.5 - Summary of Significant Accounting Policies (Continued)

Effect of Exchange Differences (Continued)

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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

Earnings Per Share

Earnings per share disclosed in the consolidated 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. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

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

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date. The events that do not require correction after the reporting period are disclosed in the footnotes of the consolidated financial statements, in case they are the issues affecting the economic decisions of the users of the financial statements.

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

2.5 - Summary of Significant Accounting Policies (Continued)

Provisions, Contingent Assets and Liabilities

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

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

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.

Reporting of Financial Information According to Department

The Group's main operations are producing and trading frozen and canned vegetables and fruits, frozen and canned sea food, frozen pastry products, croquettes, canned tuna fish, oil and margarine. The Group management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group's management has separated its operations two segments which are canned products and margarine. Segment reporting is disclosed in Note 3.

Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position (balance sheet) and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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

2.5 - Summary of Significant Accounting Policies (Continued)

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Group accounts for such property in accordance with the policy stated under "Property, Plant and Equipment" up to the date of change in use.

Fair value of investment properties is determined by valuation companies which have enough experience in valuation of investment property and have CMB valuation certificate. Investment properties are classified in level 2 of the fair value hierarchy table.

Corporate taxes

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

Income tax expense represents the sum of the current income tax and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated 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 Group'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.

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

2.5 - Summary of Significant Accounting Policies (Continued)

Corporate taxes (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the 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 Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The management reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the management has determined that the 'sale' presumption set out in the amendments to TAS 12 is not rebutted.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

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

2.5 - Summary of Significant Accounting Policies (Continued)

Employee Benefits

Termination and retirement benefits:

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

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

Statement of Cash Flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

Cash flows from operating activities indicate cash flows due to the Group entities' operations.

Cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

Cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Share Capital and Dividends

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

2.6 - Significant Accounting Judgements, Estimates and Assumptions

During the implementation of accounting policies specified in note 2.5, the management made the following comments (except for the estimates below), which have a significant impact on the amounts recognized in the financial statements:

Provisions Related to Employee Benefits

Provisions related to defined benefit plans of the employees are determined by actuarial assumptions including discount rates, future salary increases and employee turnover rates. As these plans are long term, these assumptions contain significant uncertainties. Details on provisions for employee benefits are provided in Note 16.

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

2.6 - Significant Accounting Judgements, Estimates and Assumptions (continued)

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets recognised on tax loss carry-forwards and deductible temporary differences, all of which could be utilized in the taxable income in the future. Partial or fully recoverable amount of deferred tax assets are evaluated under current conditions. During the evaluation, future projected income, current year losses, due date of tax loss carry forwards and other deductible temporary differences and tax-planning strategies that would, if necessary, be implemented are taken into consideration.

Expected Credit Loss

The Group has preferred to apply "simplified approach" the recognition of expected credit losses on trade receivables. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the Group measures expected credit loss from these receivables by the life-time expected credit loss by using an impairment matrix. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

TFRS 5 Assessment of Assets Held for Sale and Discontinued Operations

As announced on the Public Disclosure Platform ('KAP') on 8 November 2019, ÜNLÜ Yatırım Holding A.Ş. ve Ünlü Menkul Değerler A.Ş. has been authorized to investigate the possibilities of selling the B2B business unit (out-of-home consumption unit) including Marsa Yağ Sanayi ve Tic. A.Ş., and its subsidiary Western Foods and Packaging SDN BHD and for this purpose, to negotiate with potential buyers, to provide information flow and coordination (Transaction). Also, as announced by the Group on ('KAP') on 26 December 2019, a mutual confidentiality agreement was signed and negotiations started with some strategic investors on 26 December 2019, to evaluate the opportunities for cooperation in relation to frozen food and canned food business. In addition, Morgan Stanley & Co International plc ("Morgan Stanley") has been authorized to investigate possible collaborations.

In accordance with the above explanations, the Group has assessed its assets and liabilities subject to the related transactions in accordance with TFRS 5 'Assets Held for Sale and Discontinued Operations' standard and decided that as of balance sheet date, related asset group did not meet the criteria in accorance paragraph 7, the asset is available for immediate sale and in accorance paragraph 8, the sale is highly probable. In making this assessment, the Group has considered that related assets are not being actively marketed due to the fact that their current fair value is not observable, it is unlikely that these transaction decisions will be recognized as a completed sale within one year from decision date and possibility of the approval of the sale transaction by the shareholders could not be evaluated as of the balance sheet date.

2.7 – Convenience Translation into English of Consolidated Financial Statements

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 3 – SEGMENT REPORTING

The main operations of the Group are production and distributing frozen and canned vegetables and fruits, frozen and canned sea food, frozen pastry products, croquettes, canned tuna fish and edible oil. Operating segments are determined and reported in a manner consistent with the reporting provided to the Board of Directors and their strategic decision-making processes.

The Board of Directors and top management monitor the operations of the Group on the basis of the different business units, which are "frozen and canned food" and "edible oil".

The segment information for the periods 1 January – 31 December 2019 and 2018 are as follows:

	31 December 2019			
	Frozen and Canned	**Edible Oil**	**Consolidation Adjustment**	**Total Assets / Liabilities According to Consolidated Financial Statements**
Segment assets	1.552.663.889	2.103.400.286	(932.888.979)	2.723.175.196
Segment liabilities	942.916.664	842.267.642	(28.388.979)	1.756.795.327

	31 December 2018			
	Frozen and Canned	**Edible Oil**	**Consolidation Adjustment**	**Total Assets / Liabilities According to Consolidated Financial Statements**
Segment assets	1.892.978.441	1.999.507.699	(915.113.754)	2.977.372.386
Segment liabilities	1.248.137.895	957.866.800	(10.613.754)	2.195.390.941

	31 December 2019			
	Frozen and Canned	**Edible Oil**	**Consolidation Adjustment**	**Total**
Revenue (Note 19)	732.271.575	1.760.594.184	-	2.492.865.759
Intersegment revenue	190.416	20.530.865	(20.721.281)	-
Revenue	**732.461.991**	**1.781.125.049**	**(20.721.281)**	**2.492.865.759**
Operating Profit (*)	**112.039.431**	**216.558.523**	**1.059.455**	**329.657.409**
Other income from operating activities	6.164.300	41.609.610	(1.059.455)	46.714.455
Other expenses from operating activities (-)	(15.674.132)	(48.252.190)	-	(63.926.322)
Operating Profit	**102.529.599**	**209.915.943**	**-**	**312.445.542**
Depreciation and amortization expense	26.281.219	23.407.855	-	49.689.074
EBITDA (**)	**138.320.650**	**239.966.378**	**1.059.455**	**379.346.483**
Investment	6.897.113	10.272.683	-	17.169.796

(*) Represents profit before other income / expense from operating activities.

(**) EBITDA has calculated by adding depreciation and amortization expenses to the operating profit before other income / expenses from operating activities.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 3 – SEGMENT REPORTING (Continued)

	31 December 2018			
	Frozen and Canned	**Edible Oil**	**Consolidation Adjustment**	**Total**
Revenue (Note 19)	708.234.188	1.713.800.894	-	2.422.035.082
Intersegment revenue	474.500	28.206.648	(28.681.148)	-
Revenue	**708.708.688**	**1.742.007.542**	**(28.681.148)**	**2.422.035.082**
Operating Profit (*)	**86.111.223**	**212.768.173**	**-**	**298.879.396**
Other income from operating activities	13.215.247	52.950.332	-	66.165.579
Other expenses from operating activities (-)	(13.176.061)	(101.266.024)	-	(114.442.085)
Operating Profit	**86.150.409**	**164.452.481**	**-**	**250.602.890**
Depreciation and amortization expense (Note 12)	23.619.168	21.084.762	-	44.703.930
EBITDA (**)	**109.730.391**	**233.852.935**	**-**	**343.583.326**
Investment	7.299.182	31.852.391	-	39.151.571

(*) Represents profit before other income / expense from operating activities.

(**) EBITDA has calculated by adding depreciation and amortization expenses to the operating profit before other income / expenses from operating activities.

EBITDA is not a measurement instrument that is prescribed in TAS and it cannot be comparable other entities calculations.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES

Due to related parties, due from related parties and summary of significant transactions with related parties as of 31 December 2019 and 2018 are as follows.

The related parties listed below are composed of Yıldız Holding group companies.

Trade receivables from related parties	**31 December 2019**	**31 December 2018**
Pasifik Tük.Ürün. San.ve Tic. A.Ş.	106.338.214	94.876.877
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	50.246.363	64.651.298
Horizon Hızlı Tüketim Ürünleri Paz. ve Tic. A.Ş.	37.205.473	33.502.877
G2mEksper Satış ve Dağıtım Hizmetleri A.Ş. (*)	35.196.843	23.869.436
Önem Gıda San. ve Tic. A.Ş.	15.332.731	19.990.789
Ülker Bisküvi San. A.Ş.	6.199.929	47.865.941
Bizim Toptan Satış Mağazaları A.Ş.	6.192.651	-
Biskot Bisküvi Gıda San. Tic. A.Ş.	2.866.752	33.281.340
PNS Pendik Nişasta San. A.Ş.	2.675.679	3.400.873
Ülker Çikolata San. A.Ş.	1.767.027	9.261.519
Other	5.078.004	6.985.329
	269.099.666	**337.686.279**

(*) G2m Dağıtım Paz. ve Tic. A.Ş. and Eksper Tüketim Mad. Sat. ve Paz. A.Ş. merged on 28 February 2019 and have been operating under the title of G2mEksper since 27 March 2019.

Trade payables to related parties	**31 December 2019**	**31 December 2018**
Yıldız Holding A.Ş.	38.691.398	40.424.517
Aytaç Gıda Yatırım A.Ş.	4.004.572	-
Most Teknoloji Çözümleri A.Ş.	2.908.364	-
Önem Gıda San. ve Tic. A.Ş.	213.896	2.409.791
Şok Marketler Ticaret A.Ş.	89.813	2.367.273
Other	5.044.456	1.215.520
	50.952.499	**46.417.101**

Due from related parties and due to related parties balances comprised of purchasing and selling goods and services. Supply of goods comprise of mainly purchases of raw materials. Average days of maturities is 90 days.

Other receivables from related parties	**31 December 2019**	**31 December 2018**
Yıldız Holding A.Ş. (*)	632.699.658	853.122.409
	632.699.658	**853.122.409**

(*) The relevant amount comprised of loans granted to Yıldız Holding. The average interest rate is 20,00% for TL.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Other payables to related parties	**31 December 2019**	**31 December 2018**
Yıldız Holding A.Ş. (*)	111.058.334	-
Other	22.973	2.351.507
	111.081.307	**2.351.507**

Other non-current payables to related parties	**31 December 2019**	**31 December 2018**
Yıldız Holding A.Ş. (**)	1.031.988.897	1.364.244.005
	1.031.988.897	**1.364.244.005**

(*) The related amount comprised of balances from Yıldız Holding that are received as loans.

(**) As of 12 April 2018, Yıldız Holding A.Ş and some Yıldız Holding Group entities including Group, signed a syndicated loan agreement with creditors. Thus, the Group's borrowings to banks were transferred to Yıldız Holding. TL 1.031.988.897 of the long-term payables of the Group to Yıldız Holding is composed of syndicated debts.

The amount of collateral received or given due to the transactions between the Group and related parties amounts to TL 2.195.408.179 (31 December 2018: TL 2.094.677.023).

Transactions with related parties comprised of purchasing and selling goods and services. Purchases are mainly comprised of purchases of raw materials.

Sales of goods	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Pasifik Tük. Ürün. San. ve Tic. A.Ş.	368.571.175	341.053.126
Yeni Teközel Markalı Ürünler Dağıtım Hizmetleri A.Ş.	249.597.516	221.262.581
Horizon Hızlı Tüketim Ürünleri A.Ş.	178.101.609	231.243.789
Ülker Bisküvi San. A.Ş.	173.255.479	178.415.239
G2mEksper Satış ve Dağıtım Hizmetleri A.Ş.	111.156.630	123.899.480
Biskot Bisküvi Gıda San. Tic. A.Ş.	99.847.266	103.208.906
Önem Gıda San. ve Tic. A.Ş.	63.682.102	51.897.975
Ülker Çikolata San. A.Ş.	43.219.200	31.841.791
Bizim Toptan Satış Mağazaları A.Ş.	33.012.277	26.073.848
PNS Pendik Nişasta San. A.Ş.	16.057.213	7.260.937
Other	9.109.110	11.672.132
	1.345.609.577	**1.327.829.804**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Purchase of goods and services	1 January - 31 December 2019	1 January - 31 December 2018
Yıldız Holding A.Ş.	20.795.093	3.884.856
Şok Marketler Ticaret A.Ş.	18.919.142	4.917.796
Most Teknoloji Çözümleri A.Ş	6.630.189	-
Aytaç Gıda Yatırım San. Tic. A.Ş.	5.314.467	689.265
Önem Gıda San. ve Tic. A.Ş.	3.649.741	8.433.964
Pasifik Tük. Ürün. San. ve Tic. A.Ş.	2.946.632	948.731
Sağlam İnşaat Taahhüt Tic. A.Ş.	1.654.929	-
İzsal Gayrimenkul Geliştirme A.Ş.	869.776	581.615
Bizim Toptan Satış Mağazaları A.Ş.	692.396	338.389
Other	2.091.455	1.412.461
	63.563.820	**21.207.077**

Service, rent and other income	1 January - 31 December 2019	1 January - 31 December 2018
Sağlam İnşaat Taahhüt Tic. A.Ş.	229.858	181.126
Bizim Toptan Satış Mağazaları A.Ş.	213.704	-
PNS Pendik Nişasta San. A.Ş.	170.281	130.301
Pakyağ Endüstriyel	131.543	120.581
Kellog Med Gıda Tic. Ltd. Şti.	-	644.536
Other	19.999	18.505
	765.385	**1.095.049**

Commission and financial expense	1 January - 31 December 2019	1 January - 31 December 2018
Yıldız Holding A.Ş.	195.542.668	123.907.331
Other	112.125	732.598
	195.654.793	**124.639.929**

Investment income	1 January - 31 December 2019	1 January - 31 December 2018
Yıldız Holding A.Ş. (*)	64.450.709	67.412.688
Other	468.649	141.152
	64.919.358	**67.553.840**

(*) Income from investment activities comprised of interest and exchange differences.

Key management compensation:

Key management personnel of the Company consist of the members of Board of Directors and members of Executive Board. The compensation of key management personnel comprises salaries, bonus, health insurance and transportation. The compensation of key management during the years are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Salaries and other benefits	13.285.307	10.066.323
	13.285.307	**10.066.323**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 5 – TRADE RECEIVABLES AND PAYABLES

As of 31 December 2019 and 2018 trade receivables of the Group are as follows:

Current trade receivables	**31 December 2019**	**31 December 2018**
Trade receivables	167.487.930	178.566.631
Notes receivable	35.536.453	15.650.061
Provision for doubtful receivables (-)	(25.085.071)	(22.504.071)
Trade receivables, net	**177.939.312**	**171.712.621**
Trade receivables from related parties (Note 4) (*)	269.099.666	337.686.279
	447.038.978	**509.398.900**

(*) Trade receivables from related parties mainly comprised from sales of goods.

Movements of provision for doubtful receivables as of 1 January - 31 December 2019 and 2018 are as follows:

Movement of Provision for Doubtful Receivables	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Opening balance	(22.504.071)	(17.524.795)
Charge for the year (Note 21)	(3.544.989)	(5.148.022)
Currency translation gain/loss	-	(533.044)
Collections (Note 21)	963.989	701.790
End of the period	**(25.085.071)**	**(22.504.071)**

Short-term trade payables	**31 December 2019**	**31 December 2018**
Trade payables	334.179.848	320.826.521
Expense accruals	-	362.018
Trade payables, net	**334.179.848**	**321.188.539**
Trade payables to related parties (Note 4) (*)	50.952.499	46.417.101
	385.132.347	**367.605.640**

(*) Trade payables to related parties mainly comprised from purchases of goods and services.

(Amounts expressed in Turkish Lira (“TL” unless otherwise stated.)

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

Other Receivables

Other Current Receivables	31 December 2019	31 December 2018
Other receivables from related parties (Note 4)	632.699.658	853.122.409
Tax receivables	2.425.683	1.162.688
Export progress receivables	1.357.577	1.703.431
Receivables from personnel	112.820	206.225
Other miscellaneous receivables	1.476.025	2.119.923
	638.071.763	**858.314.676**

Other Non-Current Receivables	31 December 2019	31 December 2018
Deposits and guarantees given	1.466.589	5.487.505
	1.466.589	**5.487.505**

Other Payables

Other Current Liabilities	31 December 2019	31 December 2018
Other payables to related parties (Note 4)	111.081.307	2.351.507
Other miscellaneous liabilities	-	347.814
	111.081.307	**2.699.321**

Other Non-Current Liabilities	31 December 2019	31 December 2018
Other non-current liabilities to related parties (Note 4)	1.031.988.897	1.364.244.005
	1.031.988.897	**1.364.244.005**

NOTE 7 – INVENTORIES

	31 December 2019	31 December 2018
Raw materials	180.438.575	159.508.188
Work in process	130.445.513	103.990.332
Finished goods	82.937.793	77.426.201
Trade goods	14.475.143	13.744.374
Other inventory	9.646.710	8.823.339
Provision for impairment of inventory (-)	(416.704)	(453.818)
	417.527.030	**363.038.616**

Movements of provision for impairment of inventories as of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(453.818)	(535.739)
Charge for the year (Note 21)	(416.704)	(338.640)
Provisions no longer required (Note 21)	453.818	420.561
End of period	**(416.704)**	**(453.818)**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 8 – PREPAID EXPENSES AND DEFERRED REVENUE

Short-Term Prepaid Expenses	31 December 2019	31 December 2018
Advances given for inventory purchases	5.153.716	15.023.178
Prepaid expenses	5.579.838	5.374.241
	10.733.554	**20.397.419**

Long-Term Prepaid Expenses	31 December 2019	31 December 2018
Advances given for fixed asset purchases	7.353.776	4.129.732
Prepaid expenses	715.776	47.846
	8.069.552	**4.177.578**

Short-Term Deferred Income	31 December 2019	31 December 2018
Advances received	3.678.382	1.801.805
Deferred income	814.492	1.126.845
	4.492.874	**2.928.650**

NOTE 9 – INVESTMENT PROPERTIES

Cost Value	1 January 2019	Disposals	Change in fair value	31 December 2019
Land & building	212.107.001	-	7.735.000	219.842.001
	212.107.001	**-**	**7.735.000**	**219.842.001**

Cost Value	1 January 2018	Disposals	Change in fair value	31 December 2018
Land & building	254.103.000	(53.318.567)	11.322.568	212.107.001
	254.103.000	**(53.318.567)**	**11.322.568**	**212.107.001**

The Group has earned rent income from its investment properties amounting to TL 7.583.648 in the current period. (31 December 2018: TL 6.287.415)

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 9 – INVESTMENT PROPERTIES (Continued)

Fair value of investment properties

	31 December 2019		
	Level 1	**Level 2**	**Level 3**
Investment properties	-	219.842.001	-
Total	**-**	**219.842.001**	**-**

	31 December 2018		
	Level 1	**Level 2**	**Level 3**
Investment properties	-	212.107.001	-
Total	**-**	**212.107.001**	**-**

As of 31 December 2019, the fair value of the Group's investment properties has been determined by an independent valuation firm holding a CMB License. The change between the fair value and cost value of the investment properties at initial recognition is included under equity. Gains or losses arising from changes in fair value in subsequent measurement periods are included in the consolidated statement of profit or loss.

The table above present the fair value hierarchy of investment properties of the Group as of 31 December 2019 and 31 December 2018. The levels of hierarchies of fair values are detailed below.

Level 1: Quoted prices 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 or indirectly,
Level 3: Inputs for the asset or liability that are not based on observable market data

Valuation techniques used to derive level 2 fair values.

Level 2 fair values of investment properties have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Cost Value	**1 January 2019**	**Additions**	**Disposals**	**Transfers (**)**	**Currency translation differences**	**31 December 2019**
Land	402.506.901	-	(868)	-	9.076	402.515.109
Land Improvements	15.721.432	-	-	-	-	15.721.432
Buildings	298.615.263	120.285	(2.162.423)	-	22.693.639	319.266.764
Machinery and Equipment	469.261.123	5.347.154	(3.502.439)	475.052	4.754.033	476.334.923
Motor Vehicles	14.169.698	-	(8.757.119)	-	478.272	5.890.850
Furniture and Fixtures	44.187.328	388.953	(1.521.413)	-	5.799.623	48.854.491
Leasehold Improvements	3.781.322	-	(351.207)	-	-	3.430.115
Other tangibles (*)	40.932.626	-	(3.379.595)	-	-	37.553.031
Construction in Progress	1.307.942	8.017.513	(7.500)	(6.301.470)	-	3.016.486
	1.290.483.635	**13.873.905**	**(19.682.564)**	**(5.826.418)**	**33.734.643**	**1.312.583.201**

Accumulated Depreciation	**1 January 2019**	**Additions**	**Disposals**	**Transfers**	**Currency translation differences**	**31 December 2019**
Land Improvements	(8.152.374)	(641.972)	-	-	(783)	(8.795.129)
Buildings	(58.603.156)	(6.632.644)	52.869	-	(486.279)	(65.669.210)
Machinery and Equipment	(275.180.836)	(28.376.601)	2.311.051	-	(330.557)	(301.576.943)
Motor Vehicles	(11.977.181)	(1.319.823)	7.456.394	-	(49.937)	(5.890.547)
Furniture and Fixtures	(28.300.402)	(3.129.501)	1.357.612	-	(44.214)	(30.116.505)
Leasehold Improvements	(2.467.434)	(608.310)	280.958	-	-	(2.794.786)
Other tangibles	(31.657.629)	(4.053.389)	3.121.862	-	-	(32.589.156)
	(416.339.012)	**(44.762.240)**	**14.580.746**	**-**	**(911.770)**	**(447.432.276)**
Net Book Value	**874.144.623**					**865.150.925**

(*) Other tangibles comprised of refrigerators.

(**) Transfers are comprised of transfers made to intangible assets.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost Value	1 January 2018	Additions	Disposals	Transfers (**)	Changes in fair value	Currency translation differences	31 December 2018
Land	395.458.720	58.807	-	-	6.984.612	4.762	402.506.901
Land Improvements	15.475.128	-	-	246.304	-	-	15.721.432
Buildings	226.548.756	14.691.757	-	15.202.168	3.834.246	38.338.335	298.615.263
Machinery and Equipment	433.418.714	927.067	(238.150)	25.124.958	-	10.028.533	469.261.123
Motor Vehicles	13.703.846	279.310	(54.592)	164.076	-	77.058	14.169.698
Furniture and Fixtures	38.851.505	3.244.826	(440.149)	2.232.438	-	298.708	44.187.328
Leasehold Improvements	4.566.176	36.282	(1.229.946)	408.810	-	-	3.781.322
Other Tangible Fixed Assets (*)	44.831.308	59.400	(3.958.082)	-	-	-	40.932.626
Construction in Progress	24.782.668	17.095.786	-	(48.657.255)	-	8.086.744	1.307.942
	1.197.636.821	**36.393.235**	**(5.920.919)**	**(5.278.501)**	**10.818.858**	**56.834.140**	**1.290.483.635**

Accumulated Depreciation	1 January 2018	Additions	Disposals	Transfers	Changes in fair value	Currency translation differences	31 December 2018
Land Improvements	(7.988.129)	(163.954)	-	-	-	(291)	(8.152.374)
Buildings	(51.209.672)	(5.790.972)	-	-	(1.304.280)	(298.232)	(58.603.156)
Machinery and Equipment	(248.851.909)	(26.198.455)	116.986	-	-	(247.458)	(275.180.836)
Motor Vehicles	(10.439.373)	(1.488.300)	32.983	-	-	(82.491)	(11.977.181)
Furniture and Fixtures	(25.771.869)	(2.898.523)	409.777	-	-	(39.787)	(28.300.402)
Leasehold Improvements	(3.083.690)	(613.690)	1.229.946	-	-	-	(2.467.434)
Other Tangible Fixed Assets	(31.139.132)	(4.368.310)	3.849.813	-	-	-	(31.657.629)
	(378.483.774)	**(41.522.204)**	**5.639.505**	**-**	**(1.304.280)**	**(668.259)**	**(416.339.012)**
Net Book Value	**819.153.047**						**874.144.623**

(*) Other tangible assets consist of refrigerated cabinets.

(**) Transfers to intangible assets.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group decided to apply "Fair Value Model" to land, land improvements and buildings in accordance with "TAS 16 Property, Plant and Equipment", and performed revaluation through obtaining a valuation report from a CMB licenced valuation firm as of 31 December 2018.

The determined fair values of land, land improvements and buildings were based on market comparable approach and cost approach.

Gains on revaluation of plant, property and equipment after deferred tax amounting to TL314.411.591 is recognised under equity as of 31 December 2019 (31 December 2018: TL314.411.591).

The fair values of land, land improvements and buldings of the Group as of 31 December 2019 and 2018 are provided below. The levels of hierarchies of fair values are detailed below:

Level 1: Quoted prices 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 or indirectly,
Level 3: Inputs for the asset or liability that are not based on observable market data.

Valuation techniques used to derive level 2 fair values

Level 2 fair values of investment properties have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

		31 December 2019	
	Level 1	**Level 2**	**Level 3**
Land	-	402.515.109	-
Land improvement	-	6.926.303	-
Buildings	-	253.597.554	-
Total	**-**	**663.038.966**	**-**
		31 December 2018	
	Level 1	**Level 2**	**Level 3**
Land	-	402.506.901	-
Land improvement	-	7.569.058	-
Buildings	-	240.012.107	-
Total	**-**	**650.088.066**	**-**

The total mortgage and pledge on the property, plant and equipments is TL 573.420.000 (31 December 2018: TL 643.433.495).

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 11 – RIGHT OF USE ASSETS

Cost Value- Effect of IFRS 16	1 January 2019	Effect of Change in Accounting Policy (Note 2.4)	Additions	Disposals	Current Year Depreciation	31 December 2019
Buildings	-	3.673.285	-		(430.259)	3.243.026
Motor Vehicles	-	2.624.996	-		(1.622.570)	1.002.426
	-	**6.298.281**	**-**		**(2.052.829)**	**4.245.452**

Interest expenses on lease liabilities are TL 588.967 (31 December 2018: None).

The effective interest rate and foreign currency position of lease liabilities arising from the lease transactions within the scope of the right of use assets are presented in Note 27.

NOTE 12 – INTANGIBLE ASSETS

Cost Value	1 January 2019	Additions	Disposals	Transfers(*)	Currency translation differences	31 December 2019
Rights	12.123.329	146.573	(458.678)	-	484.775	12.295.999
Development expenses	10.887.057	3.149.318	(2.404.776)	5.826.418	-	17.458.017
Other intangible assets	694.962	-	-	-	-	694.962
	23.705.348	**3.295.891**	**(2.863.454)**	**5.826.418**	**484.775**	**30.448.978**

Accumulated Amortization	1 January 2019	Additions	Disposals	Transfers	Currency translation differences	31 December 2019
Rights	(10.603.310)	(819.331)	-	-	8.838	(11.413.803)
Development expenses	(1.425.880)	(1.881.758)	-	-	-	(3.307.638)
Other intangible assets	(508.834)	(172.916)	-	-	-	(681.750)
	(12.538.024)	**(2.874.005)**	**-**	**-**	**8.838**	**(15.403.191)**
Net Book Value	**11.167.324**					**15.045.787**

(*) Transfers comprised of transfers from property, plant and equipment

Cost Value	1 January 2018	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2018
Rights	11.537.077	462.163	-	86.972	37.117	12.123.329
Development expenses	3.399.355	2.296.173	-	5.191.529	-	10.887.057
Other intangible assets	743.284	-	(48.322)	-	-	694.962
	15.679.716	**2.758.336**	**(48.322)**	**5.278.501**	**37.117**	**23.705.348**

Accumulated Amortization	1 January 2018	Additions	Disposals	Transfers	Currency translation differences	31 December 2018
Rights	(8.956.709)	(1.645.366)	-	-	(1.235)	(10.603.310)
Development expenses	(85.865)	(1.340.015)	-	-	-	(1.425.880)
Other intangible assets	(360.811)	(196.345)	48.322	-	-	(508.834)
	(9.403.385)	**(3.181.726)**	**48.322**	**-**	**(1.235)**	**(12.538.024)**
Net Book Value	**6.276.331**					**11.167.324**

(*) Transfers comprised of transfers from property, plant and equipment

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 12 – INTANGIBLE ASSETS (Continued)

Allocation of depreciation and amortization expenses as of 1 January - 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	**1January-31 December 2018**
Cost of sales (Note 19)	(37.063.586)	(34.412.784)
Marketing expense (Note 20)	(8.583.171)	(6.700.079)
General administration expenses (Note 20)	(2.029.277)	(1.901.430)
Research and development expenses (Note 20)	(2.013.040)	(1.689.637)
	(49.689.074)	**(44.703.930)**

NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES

On 31 August 2016, the Company received Investment Incentive Certificate no. 125488 from the General Directorate of Incentives and Foreign Investment. The certificate is valid for a three years period until 26 December 2020. The support elements stipulated by the Investment Incentive Certificate were as follows: 100% customs exemption, value added tax exemption, 7 years support of employer's share of social security premium, 80% Investment Contribution Rate and 40% tax deduction. The total amount of investment stipulated in the Investment Incentive Certificate was TL 15.600.000. As of 31 December 2019, the investment amount realized under the incentive certificate was TL 5.793.736. (31 December 2018: TL 5.043.736)

On 1 November 2017, the Company received Investment Incentive Certificate no. 133479 from General Directorate of Incentive Implementation and Foreign Investments. The certificate is valid for a three years period until 21 July 2020. The support elements stipulated by the Investment Incentive Certificate were as follows: 100% customs exemption, value added tax exemption, 2 years support of employer's share of social security premium, 50% tax deduction. The total amount of investment stipulated in the Investment Incentive Certificate was TL 10.500.000. As of 31 December 2019, the investment amount realized under the incentive certificate was TL 3.944.563. (31 December 2018: TL 3.592.108)

The rights that the Group has available to all companies meeting the criteria required by the legislation without sector separation: Incentives covered by the research and development law (100% corporate tax exemption etc.), inward processing permit documents, social security institution incentives and insurance premium employer's share support.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Contingent Assets and Liabilities

Contingent assets and liabilities as of 31 December 2019 and 2018 are as follows:

Contingent assets	31 December 2019	31 December 2018
Letters of guarantees received	155.800.917	140.063.027
Pledges and mortgages received	8.558.670	6.875.670
	164.359.587	**146.938.697**

Letter of guarantees received and pledged and mortgages received are comprised of the guarantees received from customers within the scope of credit risk.

Contingent liabilities	31 December 2019	31 December 2018
Guarantees given	1.621.988.179	1.553.603.663
Mortgages given	573.420.000	643.433.495
Letters of guarantees given	92.350.801	100.627.377
	2.287.758.980	**2.297.664.535**

Mortgages and guarantees given are given as Yıldız Holding syndication loan guarantees. Letter of guarantees given comprised of guarantees given to public institutions for various reasons.

Other short-term provisions	31 December 2019	31 December 2018
Provisions for lawsuits	3.556.885	1.186.233
Other provisions	12.309	57.572
	3.569.194	**1.243.805**

The movements of provisions for lawsuits as of 1 January - 31 December 2019 and 2018 are as follows:

Movement of provision for lawsuits	1 January - 31 December 2019	1 January - 31 December 2018
Opening	1.186.233	1.133.497
Charge for the period (Note 21)	2.370.652	52.736
End of the period	**3.556.885**	**1.186.233**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Guarantee, pledge and mortgages given by the Group

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realized in the ordinary course of business given for the years ended 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019			31 December 2018		
	Original Currency	**Amount**	**TL Equivalent**	**Original Currency**	**Amount**	**TL equivalent**
A. CPMs given for Company's own legal personality (*)	TL	1.589.591.598	1.589.591.598	TL	1.620.995.223	1.620.995.223
	US Dollar	117.532.639	698.167.382	US Dollar	128.582.203	676.458.112
B. CPMs given on behalf of fully consolidated companies	TL	-	-	TL	211.200	211.200
C. CPMs given in the normal course of business activities on behalf of third parties		-	-	-	-	-
D. Total amount of other CPMs		-	-	-	-	-
i. Total amount of CPMs given on behalf of the parent		-	-	-	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-	-	-	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-	-	-	-	-
			2.287.758.980			**2.297.664.535**

As of 31 December 2019, the Group has export commitments of USD 950.000 and EUR 9.685.820 (31 December 2018: USD: 56.282.289 EUR 3.500.000). The fulfillment period of export commitments is two years.

(*) On February 2018, Yıldız Holding A.Ş. started negotiations with the creditors in order to refinance the loan payables for which no guarantee was provided and the balances which are used by the itself and by various Yıldız Holding group entities in connection with the miscellaneous loan agreements the Holding company entered into with Turkish banks. The purpose of these negotiations is to move all loan payable balances to the level of Yıldız Holding A.Ş. within the framework of a single maturity, interest rate and payment plan.

The bank loans of the Company and it's subsidiaries which in total TL 745 million in cash and TL 202 million non-cash contingencies were moved to the level of Yıldız Holding A.Ş. through syndication. The Company's total debt has not increased as a result of the syndicated loan but cash and non-cash loans are moved to Yıldız Holding A.Ş. level. In addition the Group provided guarantee to Yıldız Holding A.Ş. within the scope and limited to cash and non-cash loans belonging to the Group that are moved to Yıldız Holding A.Ş. level. Some real estates of the Group which have a market value of 573.4 million TL have been provided as a mortgage and financial investments with a fair value of TL 2.7 million were pledged to banks.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 16 – PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables related to employee benefits	**31 December 2019**	**31 December 2018**
Due to personnel	8.670.608	8.320.214
Social security premiums payable	3.349.522	3.239.555
	12.020.130	**11.559.769**

Short-term provisions for employee benefits	**31 December 2019**	**31 December 2018**
Provisions for performance premium	6.973.630	6.278.726
Provisions for unused vacations	4.485.132	3.832.751
	11.458.762	**10.111.477**

The movements of provisions for performance premium as of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Opening balance	6.278.726	6.664.769
Charge for the year	6.973.630	6.278.726
Cash payments during the year	(6.278.726)	(6.664.769)
End of the period	**6.973.630**	**6.278.726**

The movement of provisions for unused vacations as of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Opening balance	3.832.751	4.649.817
Charge for the year	2.213.823	1.722.745
Used	(1.561.442)	(2.539.811)
End of the period	**4.485.132**	**3.832.751**

Non-current provisions for employee benefits	**31 December 2019**	**31 December 2018**
Provisions for employee termination benefits	33.225.074	30.305.487
	33.225.074	**30.305.487**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 16 – PAYABLES RELATED TO EMPLOYEE BENEFITS (Continued)

Provision for Employee Termination Benefit

In accordance with the existing labour law in Turkey, the Group is required to make up lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die.

Such payments are calculated on the basis of 30 days' pay maximum TL 6,379,86 as at 31 December 2019 (31 December 2018: TL 5.434,42) per year of employment at the of pay applicable at the date of retirement or termination.

Employee termination benefit is not funded and does not require any legal funding requimrent. The reserve employee termination benefit has been calculated by estimating the present value of future probable obligation of Group from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2019 has been calculated assuming an annual inflation rate of 7,56% and a discount rate of 11,86% resulting in a real discount rate of approximately 4,00% (31 December 2018: 4,67%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 5,24% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6.730,15 which is in effect since 1 January 2020 is used in the calculation of Groups' provision for retirement pay liability (1 January 2019: TL 6.017,60).

The movement of provisions of employee termination benefit as of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Opening balance	30.305.487	25.473.247
Service cost	13.320.632	8.510.885
Interest cost	1.211.544	935.958
Actuarial loss	724.331	1.330.973
Payments during the year	(12.336.920)	(5.945.576)
End of the period	**33.225.074**	**30.305.487**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 17 – OTHER ASSETS AND LIABILITIES

Other Current Assets	**31 December 2019**	**31 December 2018**
Deferred VAT	6.296.097	19.841.830
Other VAT	229.700	216.463
	6.525.797	**20.058.293**

Other Non-Current Assets	**31 December 2019**	**31 December 2018**
Deferred VAT	-	13.393.111
	-	**13.393.111**

Other Current Liabilities	**31 December 2019**	**31 December 2018**
Other current liabilities	3.075.555	50.636
Taxes and funds payables	1.918.259	7.144.976
	4.993.814	**7.195.612**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 18 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

As of 31 December 2019, the Company's capital was issued and consisted of 66.200.000.000 shares, each with a nominal value of TL 0.01. (31 December 2018: TL 66.200.000.000).

The Group's shareholders and their share in the capital as of 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Yıldız Holding A.Ş.	54,27	359.245.941	46,14	305.450.547
Ufuk Yatırım Yönetim ve Gayr. A.Ş.	10,34	68.429.804	10,34	68.429.804
Murat Ülker	9,98	66.079.898	9,98	66.079.898
Ahsen Özokur (*)	-	-	8,13	53.795.394
Trade Türk Gıda Yatırım A.Ş.	5,42	35.845.529	7,23	47.834.418
Other	20,00	132.398.828	18,19	120.409.939
Total	**100**	**662.000.000**	**100**	**662.000.000**

(*) On 9 April 2019, Ashen Özokur, one of the shareholders of the Company, sold a shares with nominal amount of TL 53.795.394 at a price of TL 2,67 to Yıldız Holding A.Ş.

As a result of this transaction, Ahsen Özokur has no shares in the Company's capital, and the share ratio of Yıldız Holding A.Ş. increased to 54.27%.

Restricted Reserves and Retained Earnings

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserves is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserves is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash dividend distributions. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

As of 31 December 2019, restricted reverses are amounting to TL 36.192.002 (31 December 2018: TL 36.192.002). There are no remaining period profit and other sources subject to profit distribution after deducting previous year's losses recorded in statutory records of the Company.

Restricted reserves	**31 December 2019**	**31 December 2018**
Legal reserves	36.192.002	36.192.002
	36.192.002	**36.192.002**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 19 – REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	2.582.722.172	2.418.693.782
Export sales	353.104.091	386.994.158
Other income	(1.246.512)	13.875.352
Gross sales	**2.934.579.751**	**2.819.563.292**
Sales returns and discounts (-)	(441.713.992)	(397.528.210)
Net sales	**2.492.865.759**	**2.422.035.082**
Cost of sales (-)		
- Raw materials	(1.379.854.706)	(1.507.010.276)
- Labour costs	(81.182.263)	(73.600.279)
- Depreciation and Amortization Expense (Note 10-11-12)	(37.063.586)	(34.412.784)
- Manufacturing overhead costs	(381.335.318)	(244.065.963)
Cost of sales (-)	**(1.879.435.873)**	**(1.859.089.302)**
Gross profit	**613.429.886**	**562.945.780**

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

Selling and marketing expenses	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expenses	(63.975.534)	(49.787.626)
Transportation expenses	(57.782.929)	(59.376.787)
Advertisement expenses	(35.030.693)	(37.136.466)
Outsourced benefits and services expenses	(13.234.041)	(17.198.170)
Energy expenses	(11.757.806)	(9.591.568)
Rent expenses	(10.121.615)	(9.838.857)
Depreciation and amortization expense (Note 10-11-12)	(8.583.171)	(6.700.079)
Maintenance and repair expenses	(4.447.614)	(3.852.905)
Export expenses	(2.387.575)	(2.221.550)
Consultancy expenses	(1.116.093)	(536.301)
Other	(12.109.363)	(11.884.182)
	(220.546.434)	**(208.124.491)**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 20 – GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

General administrative expense	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Personnel expenses	(23.185.468)	(21.772.999)
Outsourced benefits and services expenses	(14.965.395)	(13.850.064)
Consultancy expenses	(6.607.376)	(7.813.607)
Depreciation and amortization expense (Note 10-11-12)	(2.029.277)	(1.901.430)
Rent expenses	(1.646.794)	(1.688.372)
Communication expenses	(590.631)	(642.039)
Energy expenses	(435.357)	(1.894.510)
Other	(9.835.505)	(3.241.330)
	(59.295.803)	**(52.804.351)**

Research and development expenses	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Depreciation and amortization expense (Note 10-11-12)	(2.013.040)	(1.689.637)
Personnel expenses	(1.699.483)	(1.211.457)
Outsourced benefits and services expenses	(57.627)	(40.874)
Materials and consultancy expenses	(28.801)	(117.447)
Analysis expenses	(1.225)	(13.326)
Other	(130.064)	(64.801)
	(3.930.240)	**(3.137.542)**

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Other Income from Operating Activities	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Foreign exchange gains from operating activities	14.275.211	54.647.475
Commission income	9.452.180	-
Service income	11.001.625	2.688.542
Provisions no longer required of doubtful receivables (Note 5)	963.989	701.790
Provisions no longer required for impairment of inventory (Note 7)	453.818	420.561
Other	10.567.632	7.707.211
	46.714.455	**66.165.579**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 21 – OTHER INCOME AND EXPENSE FROM OPERATING ACTIVITIES (Continued)

Other Expense from Operating Activities	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange losses from operating activities	(30.219.269)	(84.169.183)
Restructuring and one-off expenses	(8.006.104)	-
Finance charges on term sales	(5.244.769)	(4.786.348)
Provision expenses of lawsuits (Note 14)	(2.370.652)	(52.736)
Provision expenses for doubtful receivables (Note 5)	(3.544.989)	(5.148.022)
Provision expenses for impairment of inventories (Note 7)	(416.704)	(338.640)
Official board fees for capital increase	-	(3.547.902)
Other	(14.123.835)	(16.399.254)
	(63.926.322)	**(114.442.085)**

NOTE 22 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from Investment Activities	1 January - 31 December 2019	1 January - 31 December 2018
Interest income	110.104.833	79.533.082
Gain on fair value of investment property (Note 9)	7.735.000	11.322.568
Rent income	7.583.648	6.287.415
Gain on sale of fixed assets	5.402.118	220.936
	130.825.599	**97.364.001**

Expense from Investment Activities	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange loss on investing activities	(13.232.532)	(19.227.320)
Losses on sale of fixed assets	(267.292)	(5.835.853)
	(13.499.824)	**(25.063.173)**

NOTE 23 – FINANCIAL INCOME AND EXPENSES

Financial expense	1 January - 31 December 2019	1 January - 31 December 2018
Interest expense	(142.925.349)	(141.876.391)
Commission expenses	(62.078.134)	(56.327.076)
Foreign exchange losses	(18.039.315)	(166.500.016)
Financial expense on employee termination benefit	(1.211.544)	(212.187)
	(224.254.342)	**(364.915.670)**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Currrent income tax liabilities	31 December 2019	31 December 2018
Current income tax expense	57.388.020	14.384.165
Less: prepaid taxes	(40.942.695)	(4.867.349)
	16.445.325	**9.516.816**

As of 31 December 2019 and 2018, the breakdown of the accumulated temporary differences related to the Group and the deferred tax assets and liabilities using the applicable tax rates are as follows:

	Total temporary differences		Deferred tax assets / (liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Provisions for employee termination benefits	33.225.074	30.305.487	6.849.485	6.061.098
Provisions for doubtful receivables	9.958.309	8.557.408	2.190.828	1.882.630
Provisions for lawsuits	3.556.885	1.186.233	782.515	260.971
Provision for unused vacations	4.485.132	3.832.751	963.678	806.922
Provision for ımpairment on inventories	416.704	453.818	91.675	90.763
Carry-forward tax losses (*)	315.971.611	248.462.700	63.012.505	50.518.674
Deferred income	-	1.126.845	-	247.906
Provision of performance premium	6.973.630	6.278.726	1.534.199	1.381.319
Foundation and organization expenses	927.144	927.144	185.429	185.429
Net differences between the carrying values and tax bases of investment properties	(200.760.120)	(172.049.654)	(17.462.658)	(15.043.714)
Revaluation differences on property, plant and equipment	(455.777.944)	(462.560.453)	(48.575.679)	(52.845.239)
Other	(14.819.872)	6.389.390	(2.873.366)	1.276.229
Deferred tax assets, net	**(295.843.447)**	**(327.089.605)**	**6.698.611**	**(5.177.012)**

(*) As of 31 December 2019, based on the projections and future estimations, deferred tax asset is not recognized on unused carry-forward tax losses amounting to TL 73.496.855. (31 December 2018: TL 85.132.753). TL 60.752.097 of the amount on which deferred tax asset is not calculated, belongs to 2015 and the term of use is 2020.

Details of carry-forward tax losses are as below:

	31 December 2019	31 December 2018
2020	20.554.830	20.554.830
2021	72.117.625	72.117.625
2022	74.179.085	74.179.085
2023	73.812.657	73.812.657
2024	43.578.317	7.798.503
2025	31.729.097	-
	315.971.611	**248.462.700**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Movements in deferred tax assets as of 1 January - 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	**1 January - 31 December 2018**
Opening	(5.177.012)	(27.380.221)
Charged to profit or loss	10.794.063	22.904.960
Actuarial gain charged to equity	162.344	266.195
Revaluation differences charged to equity	-	(1.204.457)
Currency translation differences	919.216	236.511
End of the period	**6.698.611**	**(5.177.012)**

Income tax expense for the years ended 31 December 2019 and 31 December 2018 comprised of the following items:

	31 December 2019	**31 December 2018**
Current income tax expense	(57.388.020)	(14.384.165)
Deferred tax income	10.794.063	22.904.960
Total tax income	**(46.593.957)**	**8.520.795**

The reconciliation of the current tax income and current profit before tax are as follows:

Total charge for the year can be reconciled to the accounting profit as follows:	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Profit / (loss) from before tax	205.516.975	(42.011.952)
Domestic income tax rate	22%	22%
Tax income / (expense) at the domestic income tax rate	(45.213.735)	9.242.629
Expenses that are not deductible in determining taxable profit	(2.636.384)	(7.331.443)
Deferred tax provision	-	3.015.759
Revenue that is exempt from taxation	2.134.966	2.755.970
Other tax expenses	(878.804)	837.880
Income tax expense recognised in profit or loss	**(46.593.957)**	**8.520.795**

NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporate Tax

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

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

Corporate tax rate in Turkey is 20%. The Corporate tax rate is applied to the corporate income of the corporations, which is the result of the addition of expenses that are not allowed to be deducted in accordance with the tax laws and the exemptions and discounts included in the tax laws. The 7061 numbered law on the Amendment of Some Tax Laws was approved by the Turkish Grand National Assembly on 28 November 2017 and entered into force by being published in the Official Gazette dated 5 December 2017. In accordance with the article 91 of the mentioned Law and the provisional article 10 added to the Corporate Tax Law, the corporate tax rate was increased from 20% to 22% for 2018, 2019 and 2020. Unless there is a new regulation as from 2021, it is foreseen that the corporate tax rate will continue to be applied as 20%.

The 7061 numbered law on the Amendment of Some Tax Laws was entered into force by being published in the Official Gazette dated 5 December 2017 and numbered 30261. With the 89th article of this Law, amendments are made in the 5th article titled "Exceptions" of the Corporate Tax Law. The first paragraph of the article; With paragraph (a), the 75% exemption applied to the earnings arising from the sale of real estates which were stated in the assets of the institutions for two full years has been reduced to 50%. This amendment was entered into force on 5 December 2017.

Deferred Tax

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

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 (2018: 22%).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 25 – EARNING PER SHARE / (LOSS)

	1 January - 31 December 2019	1 January - 31 December 2018
Net gain / (loss) for the year attributable to equity holders of the parent	137.831.653	(34.570.109)
Weighted average number of shares	662.000.000	638.765.556
Earning per share / (loss)	**0,21**	**(0,05)**

NOTE 26 – FINANCIAL INVESTMENTS

	31 December 2019	31 December 2018
Associates	4.460.594	4.460.594
Impairment on associate shares (-)	(3.065.661)	(3.040.000)
	1.394.933	**1.420.594**

The Group has been accounting financial investments of Pakyağ Endüstriyel Ürünler Sanayi ve Ticaret A.Ş., PNS Pendik Nişasta Sanayi A.Ş. and Baytom Makine Sanayi ve Ticaret A.Ş. with their cost values less impairment. The Group is in the opinion that the fair values of the shares converge to the cost less impairment values.

As of 1 January - 31 December 2019 and 31 December 2018 movements of provisions for impairment of financial investment are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(3.040.000)	(2.500.000)
Addition	(25.661)	(3.040.000)
Reversals	-	2.500.000
End of the period	**(3.065.661)**	**(3.040.000)**

NOTE – 27 BORROWINGS

Short term borrowings	31 December 2019	31 December 2018
Short term foreign currency loans	70.057.502	317.825.705
Short term ("TL") loans	-	159.169
Short term lease labilities	1.295.669	-
	71.353.171	**317.984.874**

Long term borrowings	31 December 2019	31 December 2018
Long term lease labilities	2.878.423	-
	2.878.423	**-**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 27 – BORROWINGS (Continued)

As of 31 December 2019 and 2018 details of short-term borrowings are as follows:

		31 December 2019		
Original Currency	**Maturity**	**(%)**	**Original Amount**	**TL Equivalent**
EUR	September 2020	1,50 – 2,00	9.685.820	64.416.514
USD	September 2020	1,50 – 2,00	949.629	5.640.988
				70.057.502

		31 December 2018		
Original Currency	**Maturity**	**(%)**	**Original Amount**	**TL Equivalent**
EUR	January 2019	3,75	3.602.261	296.111.277
USD	January 20019- October 2019	3,17	56.285.289	21.714.428
TL	January 2019	19,01	57.002	159.169
				317.984.874

Re-payment schedule of short term and long-term loans payment schedule are as follows:

	31 December 2019	**31 December 2018**
2019	-	317.984.874
2020	70.057.502	-
	70.057.502	**317.984.874**

Movement of borrowings	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Opening	317.984.874	1.393.314.745
Foreign exchange differences	12.805.793	166.500.016
Increase in interest accrual	-	(160.766.222)
Borrowing received in current year	178.554.522	423.567.788
Payments in current year	(439.287.687)	(1.504.631.453)
End of the period	**70.057.502**	**317.984.874**

Re-payment schedule of short term and long term lease liabilities are as follows:

		31 December 2019		
Currency	**Maturity**	**(%)**	**Amount**	**TL**
TL	June 2024	19,00	3.938.779	3.938.779
EUR	June 2021	4,00	35.382	235.313
				4.174.092

Lease liability	**1 January – 31 December 2019**
Balances as of 1 January 2019	-
Transition ot IFRS 16 (Note 2)	6.298.281
Effect of cash flows	(2.770.110)
Accrual of interest	588.965
Foreign exchange differences	56.956
Balances as of 31 December 2019	**4.174.092**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

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

The Group monitors capital using net financial debt / capital ratio, which calculated by dividing net debt to total capital. Net debt is calculated by deducting cash and cash equivalents and other receivables from related parties from total financial liabilities which is calculated by summing total short-term and total long-term liabilities, total short-term and total long-term other payables to related parties. Total capital (in other words total equity) is the difference between total assets and total liabilities.

Net financial debt / total capital ratios as of 31 December 2019 and 2018, are as follows:

	31 December 2019	**31 December 2018**
Total financial liabilities	1.217.301.798	1.684.580.386
Other receivables from related parties	632.699.658	853.122.409
Less: Cash and cash equivalents (Note 29)	13.208.215	19.448.273
Net financial debt	571.393.925	812.009.704
Total equity	966.379.869	781.981.445
Total capital	**1.537.773.794**	**1.593.991.149**
Net debt / total capital ratio	**0,37**	**0,51**

b) Financial Risk Factors

The Group has exposure to the market risk, credit risk, liquidity risk arising from its operations. Risk management activities of the Group are focused minimizing the negative effects of uncertainities in market conditions on the Group's financial performance.

Risk management is conducted by a centralized finance department in accordance with the policies approved by Board of Directors. The risks are identified, evaulated by the finance department of the Group and instruments to reduce the impacts of the risk are utilized with the cooperation with operation units of the Group.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.1) Credit Risk

Credit Risks Exposed According to Types of Financial Instruments

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2019	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Deposits at Banks**
Maximum credit risk exposed as of balance sheet date (*)	269.099.666	177.939.312	632.699.658	6.838.694	13.206.731
- Secured portion of the maximum credit risk by guarantees (**)	-	24.069.090	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	252.189.237	165.883.794	632.699.658	6.838.694	13.206.731
B. Net book value of financial assets that are past due but not impaired	16.910.429	12.055.518	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	21.072.903	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	25.085.071	-	-	-
- Impairment	-	(25.085.071)	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(*) On the deterimination of the amount, factors that increase credit reliability, such as collaterals received, are not considered.
(**) Guarantees are comprised of *letter of guarantees, mortgages and cheques of cheques received from customers.*

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.1) Credit Risk (Continued)

	Receivables				
	Trade Receivables		**Other Receivables**		
31 December 2018	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Deposits at Banks**
Maximum credit risk exposed as of balance sheet date (*)	337.686.279	171.712.621	853.122.409	10.679.772	19.372.795
- Secured portion of the maximum credit risk by guarantees (**)	-	79.977.636	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	329.536.958	155.913.189	853.122.409	10.679.772	19.372.795
B. Net book value of financial assets that are past due but not impaired	8.149.321	15.799.432	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	6.932.658	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	22.504.071	-	-	-
- Impairment	-	(22.504.071)	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- Secured portion of the net book value by guarantees	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(*) On the deterimination of the amount, factors that increase credit reliability, such as collaterals received, are not considered.
(**) Guarantees are comprised of *letter of guarantees, mortgages and cheques of cheques received from customers.*

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.1) Credit Risk (Continued)

As of 31 December 2019 and 2018, the aging of trade receivables that are past due but not impaired are as below:

	31 December 2019	31 December 2018
Past due up to 30 days	23.468.097	19.517.390
Past due 1 - 3 months	4.150.103	2.498.276
Past due 3 - 12 months	1.332.340	1.912.715
Past due 1 - 5 year	15.407	20.372
Total past due receivables	**28.965.947**	**23.948.753**
Secured portion of receivables by guarantees	**21.072.903**	**6.932.658**

b.2) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Funding risk of current and future requirement of liquidity is managed by maintaining adequate reserves, banking facilities and reserve borrowing facilities.

The followings presents, contractual maturities of non-derivative financial liabilities of the Group.

Contractual Maturities

	Non-Derivative Financial Liabilities				
31 December 2019	**Carrying value**	**Total Contractual Cash Outflows (I+II+III)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**
Borrowings	70.057.502	70.057.502	-	70.057.502	-
Lease Liabilities	4.174.092	4.174.092	323.917	971.752	2.878.423
Trade payables to third parties	334.179.848	334.179.848	326.337.875	7.841.973	-
Trade payables to related parties	50.952.499	50.952.499	50.952.499	-	-
Other payables to related parties	1.143.070.204	1.143.070.204	111.081.307	-	1.031.988.897
Payables to employees	12.020.130	12.020.130	12.020.130	-	-
	1.614.454.275	**1.614.454.275**	**500.715.728**	**78.871.227**	**1.034.867.320**

The maturities that the Group estimated is the same with the contractual maturities.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.2) Liquidity Risk (Continued)

Contractual Maturities

	Non-Derivative Financial Liabilities				
31 December 2018	**Carrying value**	**Total Contractual Cash Outflows (I+II+III)**	**Less than 3 months (I)**	**3 to 12 months (II)**	**1 to 5 years (III)**
Borrowings	317.984.874	317.984.874	184.757.548	133.227.326	-
Trade payables to third parties	321.188.539	321.188.539	270.994.858	50.193.681	-
Trade payables to related parties	46.417.101	46.417.101	46.417.101	-	-
Other payables to third parties	347.814	347.814	347.814	-	-
Other payables to related parties	1.366.595.512	1.366.595.512	2.351.507	-	1.364.244.005
Payables to employees	11.559.769	11.559.769	11.559.769	-	-
	2.064.093.609	**2.064.093.609**	**516.428.597**	**183.421.007**	**1.364.244.005**

The maturities that the Group estimated is the same with the contractual maturities.

b.3) Market Risk Management

Due to its operations, the Group exposed to financial risks related to changes in foreign exchange rates and interest rates

The Group evaluates market risk with sensitivity analysis.

The Group's market risk management policies have not changed during the period compared to previous period.

b.3.1) Currency Risk Management

The Group is exposed to currency risk on its operations that are denominated in other currencies.

The distribution of the Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of the balance sheet date is as follows:

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3) Market Risk (Continued)

31 December 2019	**TL Amount**	**US Dollar**	**Euro**	**Other**
1. Trade Receivables	46.080.327	5.287.553	2.120.167	73.403
2a. Monetary Financial Assets	4.814.838	738.418	62.024	2.110
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	1.340.486	82.805	127.637	-
4.CURRENT ASSETS (1+2+3)	**52.235.651**	**6.108.776**	**2.309.828**	**75.513**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	4.166.709	-	626.516	-
8. NON-CURRENT ASSETS (5+6+7)	**4.166.709**	**-**	**626.516**	**-**
9. TOTAL ASSETS (4+8)	**56.402.360**	**6.108.776**	**2.936.344**	**75.513**
10. Trade Payable	135.962.717	2.931.841	17.697.280	126.662
11. Financial Liabilities	70.057.502	949.629	9.685.821	-
12a. Monetary Other Liabilities	391.360	-	58.846	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	**206.411.579**	**3.881.470**	**27.441.947**	**126.662**
14. Trade Payable	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	166.457.472	28.022.200	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	**166.457.472**	**28.022.200**	**-**	**-**
18. TOTAL LIABILITIES (13+17)	**372.869.051**	**31.903.670**	**27.441.947**	**126.662**
19 Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a - 19b)	-	-	-	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	-	-	-	-
20.Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(316.466.691)**	**(25.794.894)**	**(24.505.603)**	**(51.149)**
21.Monetary Items Net Foreign Currency Assets / (Liabilities)(1+2a+3+5+6a-10-11-12a-14-15-16a)	**(316.466.691)**	**(25.794.894)**	**(24.505.603)**	**(51.149)**
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Export	320.206.484	47.795.053	7.380.683	318.010
24. Import	524.612.156	66.763.528	22.966.948	32.736

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3) Market Risk (Continued)

31 December 2018	**TL Amount**	**US Dollar**	**Euro**	**Other**
1. Trade Receivables	70.840.960	10.637.608	2.392.750	68.309
2a. Monetary Financial Assets	11.607.897	2.020.094	162.264	420
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	16.507.576	2.762.519	306.207	24.071
4.CURRENT ASSETS (1+2+3)	**98.956.433**	**15.420.221**	**2.861.221**	**92.800**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS (5+6+7)	-	-	-	-
9. TOTAL ASSETS (4+8)	**98.956.433**	**15.420.221**	**2.861.221**	**92.800**
10. Trade Payable	290.077.586	35.616.281	16.859.559	171.808
11. Financial Liabilities	317.849.858	56.285.289	3.606.269	-
12a. Monetary Other Liabilities	170.592	30.286	1.868	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES (10+11+12)	608.098.036	91.931.856	20.467.696	171.808
14. Trade Payable	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES (14+15+16)	-	-	-	-
18. TOTAL LIABILITIES (13+17)	**608.098.036**	**91.931.856**	**20.467.696**	**171.808**
19 Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a - 19b)	-	-	-	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	-	-	-	-
20.Net Foreign Currency Assets/(Liabilities) Position (9-18+19)	**(509.141.603)**	**(76.511.635)**	**(17.606.475)**	**(79.008)**
21.Monetary Items Net Foreign Currency Assets / (Liabilities)(1+2a+3+5+6a-10-11-12a-14-15-16a)	**(509.141.603)**	**(76.511.635)**	**(17.606.475)**	**(79.008)**
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Export	358.094.717	72.029.557	5.870.123	151.012
24. Import	522.898.402	77.471.656	18.869.472	296.633

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis to Currency Risk

The Group is mainly exposed to foreign currency risks in US Dollars and Euro. The following table shows the Group's sensitivity to a 10% increase and decrease in USD and Euro. 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 only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis comprises the borrowings used for foreign operations within the Group outside the functional currency. A positive number indicates an increase in profit / loss and other equity.

	Profit/Loss	
31 December 2019	**Appreciation foreign currency**	**Depreciation foreign currency**
In case of US Dolar increases in 10% against TL		
1- US Dollar net asset/liability	(15.322.683)	15.322.683
2- US Dollar hedged portion (-)	-	-
3- Net effect of US Dollar (1 +2)	(15.322.683)	15.322.683
In case of Euro increases in 10% against TL		
4- Euro net asset/liability	(16.297.696)	16.297.696
5- Euro hedged portion (-)	-	-
6- Net effect of Euro (4+5)	(16.297.696)	16.297.696
TOTAL (3+6)	**(31.620.379)**	**31.620.379**

	Profit/Loss	
31 December 2018	**Appreciation foreign currency**	**Depreciation foreign currency**
In case of US Dollar increases in 10% against TL		
1- US Dollar net asset/liability	(40.252.006)	40.252.006
2- US Dollar hedged portion (-)	-	-
3- Net effect of US Dollar (1 +2)	(40.252.006)	40.252.006
In case of Euro increases in 10% against TL		
4- Euro net asset/liability	(10.613.183)	10.613.183
5- Euro hedged portion (-)	-	-
6- Net effect of Euro (4+5)	(10.613.183)	10.613.183
TOTAL (3+6)	**(50.865.189)**	**50.865.189**

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.3.1) Interest Rate Risk Management

The Group's borrowings with fixed and variable interest rates exposes the Group to interest rate risk.

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments are as follows:

Interest Position	31 December 2019	31 December 2018
Fixed interest rate instruments		
Borrowings	74.231.594	317.984.874
Cash and cash equivalents	5.025.617	4.208.720
Trade receivables	447.038.978	509.398.900
Other receivables	638.071.763	858.314.676
Trade payables	385.132.347	367.605.640
Other payables	111.081.307	2.699.321
Lease liabilities	4.174.092	-

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, there would be no impact on Group's net profit for the year ended 31 December 2019 (31 December 2018: None).

b.4) Categories of financial instruments and fair values

31 December 2019	Financial liabilities at amortized cost	Carrying value	Fair value	Note
Financial assets				
Cash and cash equivalents	13.208.215	13.208.215	13.208.215	29
Trade receivables from third parties	177.939.312	177.939.312	177.939.312	5
Trade receivables from related parties	269.099.666	269.099.666	269.099.666	4
Other receivables from third parties	6.838.694	6.838.694	6.838.694	6
Other receivables from related parties	632.699.658	632.699.658	632.699.658	4
Other financial assets	1.394.933	1.394.933	1.394.933	26
Financial liabilities				
Borrowings	74.231.594	74.231.594	74.231.594	27
Trade payables to third parties	334.179.848	334.179.848	334.179.848	5
Trade payables to related parties	50.952.499	50.952.499	50.952.499	4
Trade payables to third parties	1.143.070.204	1.143.070.204	1.143.070.204	4

The Group management is in the opinion that, carrying values of financial assets reflects their fair values.

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 28 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

b.4) Categories of financial instruments and fair values (Continued)

31 December 2018	**Financial liabilities at amortized cost**	**Carrying value**	**Fair value**	**Note**
Financial assets				
Cash and cash equivalents	19.448.273	19.448.273	19.448.273	29
Trade receivables from third parties	171.712.621	171.712.621	171.712.621	5
Trade receivables from related parties	337.686.279	337.686.279	337.686.279	4
Other receivables from third parties	10.679.772	10.679.772	10.679.772	6
Other receivables from related parties	853.122.409	853.122.409	853.122.409	4
Other financial assets	1.420.594	1.420.594	1.420.594	2
Financial liabilities				
Borrowings	317.984.874	317.984.874	317.984.874	27
Trade payables to third parties	321.188.539	321.188.539	321.188.539	5
Trade payables to related parties	46.417.101	46.417.101	46.417.101	4
Other payables to third parties	347.814	347.814	347.814	6
Other payables to related parties	1.366.595.512	1.366.595.512	1.366.595.512	4

The Group management is in the opinion that, carrying values of financial assets reflects their fair values.

NOTE 29 – CASH AND CASH EQUIVALENTS

	31 December 2019	**31 December 2018**
Cash on hand	1.484	75.478
Cash at banks	**10.637.633**	**17.701.180**
- Demand deposits	5.612.016	13.492.460
- Time deposits (*)	5.025.617	4.208.720
Other cash equivalents	2.569.098	1.671.615
	13.208.215	**19.448.273**

The maturity of time deposit balances at banks is 1 January 2020 and the average interest rates are 1,10% for USD and 0,05% for EUR time deposits (31 December 2018: 3,10% for USD).

(Amounts expressed in Turkish Lira ("TL" unless otherwise stated.)

NOTE 30 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Condensed financial information of the subsidiaries that the Company does not has significant effective interest rate as of 31 December 2019 and 2018 are as follows:

Marsa Yağ Sanayi ve Tic. A.Ş.	**31 December 2019**	**31 December 2018**
Total assets	956.317.858	1.144.793.602
Total liabilities	257.180.287	541.085.370
Net assets	**699.137.571**	**603.708.232**

	1 January - 31 December 2019	**1 January - 31 December 2018**
Revenue	820.091.274	851.819.793
Profit for the year	69.753.623	3.730.444
Cash flows from operating activities	127.011.908	18.666.667
Cash flows from investing activities	2.582.513	(18.770.229)
Cash flows from financing activities	(128.143.886)	13.074.927
Effects of foreign currency translation	(6.686.520)	(2.375.855)

31 December 2019

	Non-controlling share	**Non-controlling income / (expense)**	**Accumulated non-controlling interest**
Marsa Yağ Sanayi ve Tic. A.Ş.	30,00%	28.146.002	209.606.946

31 December 2018

	Non-controlling share	**Non-controlling income / (expense)**	**Accumulated non-controlling interest**
Marsa Yağ Sanayi ve Tic. A.Ş.	30,00%	8.119.991	181.109.294

NOTE 31 – SUBSEQUENT EVENTS

Registeration and establishment procedures of Kerpe Gıda San. A.Ş., with a capital of TL 50.000, which will be engaged in the production, trading, marketing and export activities of all kinds of agricultural and animal products, and that is wholly owned by Kerevitaş Gıda Sanayi ve Ticaret A.Ş, is completed on 5 February 2020.