KLİMASAN KLİMA SANAYİ VE
TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

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

(Convenience Translation of the Financial
Report and Statements Originally Issued in Turkish)

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CONVENIENCE TRANSLATION TO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Shareholders of Klimasan Klima Sanayi ve Ticaret Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Klimasan Klima Sanayi ve Ticaret Anonim Şirketi ("the Company")and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by 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 declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Revenue recognition

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is primarily generated from the sale of plug-in commercial refrigerator and freezers. Revenue is recognized when the Group fulfills its performance obligation by transferring the control of the products to buyers. Recognized revenue to the financial statements of the concerning period is based on how correctly the sales terms are assessed as per individual situation. Therefore, the risk of revenue recognition in the incorrect accounting period or recognition with incorrect sums, is present for products that are already produced and delivered, yet may still be returned, or those that have not been yet invoiced to buyers. Recognition of revenue is designated as one of the key audit matters, since the revenue recognized in the correct accounting period and required to be accurately determined involves significant judgments due to the nature and size of the operations of the Group.	We have performed the following audit procedures to address this area: - Evaluation of appropriateness of The Group's accounting policy in respect to TFRS15 and adequacy of the disclosures related to revenue recognition. - Evaluation of journal entries booked to revenue accounts during the period. - Evaluation of the effectiveness of design, implementation and application of key internal controls over the accounting of revenue in the consolidated financial statements. - Substantive testing of turnover premiums including the contract terms, turnover premium rates and fulfillment of contract obligations on a sample basis covering the significant portion of the premium amount recognized. - Performing tests of details by comparing actual revenue amounts with expected amounts which derived by developing a revenue expectation considering our experience in the sector in which the Company operates and the historic trends of sales and returns and questioning important deviations, - Verifying existence and accuracy of trade receivables by obtaining confirmation letters directly from customers and reconciling to the receivable amounts on a sample basis. - Testing the transfer of risk and rewards to buyers through sales documents obtained for selected transactions and evaluation of appropriateness of revenue recognition in the appropriate period. - Assessment the adequacy of the disclosures in the notes to the financial statements for revenue recognition in accordance with TFRS 15.

Recoverability of trade receivables

Refer to Note 2.5 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recoverability of trade receivables.

<table>
<tr><th><u>The key audit matter</u></th><th><u>How the matter was addressed in our audit</u></th></tr>
<tr><td>
As of 31 December 2019, trade receivables amounting to TL 263,405,275 constitute 22% portion of the total assets of the Group.
Trade receivables are measured at amortized cost if they meet the certain criterion in accordance with TFRS 9 Financial Instruments,
The Company’s management considers pledges received from customers, past collection performances, aging analysis and disputes or lawsuits regarding trade receivables when performing impairment analysis according to expected credit loss model for trade receivables.
Assumptions and estimates made by management to determine the impairment of the receivables and the amount of provisions for these receivables are quite sensitive to the future market conditions.
Recoverability of trade receivables is designated as one of the key audit matters since determining the amount of the allowance for doubtful receivables in accordance with TFRS 9 involves complex calculations which requires significant judgments.
</td><td>
We have performed the following audit procedures to address this area:

Understanding and evaluating the Company's follow up process and credit risk management policy and process for collection of trade receivables managed by sales department.
Verifying existence and accuracy of trade receivables by obtaining confirmation letters directly from customers and reconciling to the receivable accounts on a sample basis.
Analytical review of the aging of trade receivables work and comparison of the collection turnover rate with the previous year and testing the invoices subject to receivable aging analysis on a sample basis.
Assessment of the Group’s estimates regarding to recoverability of trade receivables and estimations regarding to identified doubtful receivables by investigating the trade receivable aging report in terms of due dates and pledges received, discussing these evaluations with the Group management and testing them with other supporting documents,
Investigating whether there is any dispute or litigation related to the collection and obtaining information about ongoing follow-up lawsuits from legal advisors,
Testing collections after the reporting period on sample basis,
Assessment of the appropriateness of the assumptions and accounting estimates that constitute the basis for the impairment calculations regarding to the expected credit loss model through inquiries held with the Group management,
Assessment the adequacy of the disclosures in the notes to the financial statements for impairment of trade receivables in accordance with TFRS’.

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Other Matter

The consolidated financial statements of Klimasan Klima Sanayi ve Ticaret Anonim Şirketi for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 11 March 2019.

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.

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

Responsibilities of auditors in an audit are as follows:

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 issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 27 February 2020.

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

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Gökhan Atılgan, SMMM
Partner
27 February 2020
İstanbul, Türkiye

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(All amounts expressed in Turkish Lira ("TL"))

ASSETS	Notes	Audited Current Period 31 December 2019	Audited Prior Priod 31 December 2018
Current Assets		**1,006,414,237**	**762,295,507**
Cash and Cash Equivalents	31	229,531,239	113,874,141
Financial Investments	28	121,671,518	324,713,372
Trade Receivables		263,405,275	163,004,068
Trade Receivables from Related Parties	*3,4*	*15,844,788*	*5,899,859*
Trade Receivables from Third Parties	*4*	*247,560,487*	*157,104,209*
Other Receivables		224,369,988	2,598,756
Other Receivables from Related Parties	*3,5*	*222,148,791*	*324,251*
Other Receivables from Third Parties	*5*	*2,221,197*	*2,274,505*
Inventories	6	115,926,186	124,272,866
Derivative Financial Instruments	27	-	6,968,457
Prepaid Expenses	7	33,763,110	24,033,169
Current Tax Assets	25	3,375,060	-
Other Current Assets	16	14,371,861	2,830,678
Non-Current Assets		**189,614,623**	**118,074,611**
Other Receivables		-	12,564
Other Receivables from Third Parties	*5*	-	*12,564*
Financial Investments	28	833,200	-
Property, Plant and Equipment	8	145,002,638	94,897,310
Right of Use Assets	9	7,995,251	-
Intangible Assets		28,457,299	22,854,065
Goodwill	*11*	*383,655*	*383,655*
Other Intangible Assets	*10*	*28,073,644*	*22,470,410*
Prepaid Expenses	7	230,697	179,989
Deferred Tax Assets	25	7,095,538	130,683
TOTAL ASSETS		**1,196,028,860**	**880,370,118**

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

KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(All amounts expressed in Turkish Lira (“TL”))

LIABILITIES	**Notes**	**Audited Current Period 2019**	**Audited Prior Priod 2018**
Current Liabilities		**516,740,392**	**380,112,534**
Short-Term Borrowings	28	41,701,579	16,104,395
Bank Loans		*40,843,900*	*16,104,395*
Lease Liabilities		*857,679*	-
Short-Term Portion of Long-Term Borrowings	28	227,896,994	168,307,972
Trade Payables		202,553,314	164,848,117
Trade Payables to Related Parties	*3,4*	*1,139,864*	*1,323,792*
Trade Payables to Third Parties	*4*	*201,413,450*	*163,524,325*
Payables Related to Employee Benefits	15	11,183,303	4,844,761
Other Payables		40,416	1,021,258
Other Payables to Third Parties	*5*	*40,416*	*1,021,258*
Deferred Income	7	5,791,101	5,241,237
Derivative Financial Instruments	27	7,291,415	5,847,561
Current Tax Liability	25	-	1,125,737
Short-Term Provisions		15,758,975	10,439,977
Short-Term Provisions for Employee Benefits	*15*	*3,985,695*	*3,335,564*
Other Short-Term Provisions	*13*	*11,773,280*	*7,104,413*
Other Current Liabilities	16	4,523,295	2,331,519
Non-Current Liabilities		**360,437,677**	**290,685,403**
Long-Term Borrowings	28	350,891,810	284,078,598
Bank Loans		*342,918,429*	*284,078,598*
Lease Liabilities		*7,973,381*	-
Other Payables		11,451	18,845
Other Payables to Related Parties		-	-
Other Payables to Third Parties	*5*	*11,451*	*18,845*
Long-Term Provisions		9,534,416	6,587,960
Long-Term Provisions for Employee Benefits	*15*	*9,534,416*	*6,587,960*
EQUITY		**318,850,791**	**209,572,181**
Attributable to the Parent		**318,796,233**	**209,523,491**
Share Capital	17	39,600,000	39,600,000
Adjustments to Share Capital	17	980,882	980,882
Restricted Reserves Appropriated from Profit	17	8,514,000	5,666,104
Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss	24	11,666,363	5,774,555
Currency Translation Differences		*11,666,363*	*5,774,555*
Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		(3,873,114)	(2,247,776)
Loss on Remeasurement of Defined Benefit Plans	*24*	*(3,873,114)*	*(2,247,776)*
Retained Earnings		148,981,832	99,495,139
Net Profit for the Period		112,926,270	60,254,587
Non-Controlling Interests		**54,558**	**48,690**
TOTAL LIABILITIES AND EQUITY		**1,196,028,860**	**880,370,118**

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

KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2019
Revenue	18	1,035,061,928	717,382,498
Cost of Sales (-)	18	(829,727,758)	(567,752,032)
GROSS PROFIT		**205,334,170**	**149,630,466**
General Administrative Expenses (-)	20	(30,935,723)	(21,335,829)
Marketing Expenses (-)	20	(73,592,207)	(54,969,785)
Research and Development Expenses (-)	20	(5,957,188)	(5,483,071)
Other Income from Operating Activities	21	4,685,400	15,455,296
Other Expenses from Operating Activities (-)	21	(1,090,346)	(3,652,507)
OPERATING PROFIT		**98,444,106**	**79,644,570**
Income from Investing Activities	22	73,126,625	48,236,091
Expenses from Investing Activities (-)	22	(9,814,022)	(6,888,997)
OPERATING PROFIT BEFORE FINANCE EXPENSE		**161,756,709**	**120,991,664**
Finance Income and Expenses, (net)	23	(42,061,806)	(53,689,356)
PROFIT BEFORE TAX		**119,694,903**	**67,302,308**
Tax Income/Expense		**(6,762,765)**	**(7,019,433)**
Current Tax Expense	*25*	(13,269,191)	(1,862,449)
Deferred Tax Income / (Expense)	*25*	6,506,426	(5,156,984)
PROFIT FOR THE YEAR		**112,932,138**	**60,282,875**
Profit for the Year Attributable to:			
Non - controlling interest		5,868	28,288
Owners of the Company		112,926,270	60,254,587
		112,932,138	**60,282,875**
Earnings Per Share	26	**2.8517**	**1.5216**
OTHER COMPREHENSIVE INCOME	24	**4,266,470**	**5,604,704**
Items that will not be Reclassified Subsequently to Profit or Loss		**(1,625,338)**	**673,002**
Gains on Remeasurement of Defined Benefit Plans		(2,083,767)	841,253
Deferred Tax Profit Related to Other Comprehensive Income		458,429	(168,251)
Items that will be Reclassified Subsequently to Profit or Loss		**5,891,808**	**4,931,702**
Foreign Currency Translation Differences		5,891,808	4,931,702
TOTAL COMPREHENSIVE INCOME		**117,198,608**	**65,887,579**

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

KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts expressed in Turkish Lira ("TL"))

			Accumulated Other Comprehensive Income or Expenses that will not be reclassified Subsequently to Profit or Loss	**Accumulated Other Comprehensive Income or Expenses that will be Reclassified Subsequently to Profit or Loss**		**Retained Earnings**				
	Share Capital	**Adjustments to Share Capital**	**Accumulated Gain/Loss on Remeasurement Of Defined Benefit Plans**	**Foreign Currency Translation Reserves**	**Reserves Appropriated from Profit**	**Prior Year's Profit/ Losses**	**Net Profit for the Year**	**Shareholders' Equity**	**Non-Controlling Interests**	**Total Equity**
Balances as of 1 January 2018	**33,000,000**	**980,882**	**(2,920,778)**	**842,853**	**5,666,104**	**94,442,449**	**14,696,757**	**146,708,267**	**20,402**	**146,728,669**
Transfers	--	--	--	--	--	14,696,757	(14,696,757)	--	--	--
Effect of Business Combinations Involving Entities Under Common Control	--	--	--	--	--	(2,044,067)	--	(2,044,067)	--	**(2,044,067)**
Capital Increase	6,600,000	--	--	--	--	(6,600,000)	--	--	--	--
Dividend	--	--	--	--	--	(1,000,000)	--	(1,000,000)	--	**(1,000,000)**
Total Comprehensive Income	--	--	673,002	4,931,702	--	--	60,254,587	65,859,291	28,288	**65,887,579**
Balances as of 31 December 2018	**39,600,000**	**980,882**	**(2,247,776)**	**5,774,555**	**5,666,104**	**99,495,139**	**60,254,587**	**209,523,491**	**48,690**	**209,572,181**
Balances as of 1 January 2019	**39,600,000**	**980,882**	**(2,247,776)**	**5,774,555**	**5,666,104**	**99,495,139**	**60,254,587**	**209,523,491**	**48,690**	**209,572,181**
Transfers	--	--	--	--	--	60,254,587	(60,254,587)	--	--	--
Transfers to the Legal Reserves	--	--	--	--	2,847,896	(2,847,896)	--	--	--	--
Capital Increase	--	--	--	--	--	--	--	--	--	--
Dividend	--	--	--	--	--	(7,920,000)	--	(7,920,000)	--	**(7,920,000)**
Total Comprehensive Income	--	--	(1,625,338)	5,891,808	--	--	112,926,270	117,192,740	5,868	**117,198,608**
Balances as of 31 December 2019	**39,600,000**	**980,882**	**(3,873,114)**	**11,666,363**	**8,514,000**	**148,981,831**	**112,926,270**	**318,796,232**	**54,558**	**318,850,790**

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

KLİMASAN KLİMA SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts expressed in Turkish Lira ("TL")

	Notes	Current Period 1 January- 31 December 2019	Prior Period 1 January- 31 December 2018
A. Cash Flows from Operating Activities			
Profit for the Period		112,932,138	60,282,875
Adjustments to Reconcile Profit for the Period			
Adjustments Related to Depreciation and Amortization Expenses	8,9,10	28,295,311	18,018,234
Adjustments Related to Impairment (Reversal)			
Adjustments Related to Impairment (Reversal) for Inventories	*6*	*(515,284)*	*2,014,500*
Adjustments Related to Impairment for Receivables	*4*	*1,040,705*	*1,200,105*
Adjustments Related to Provisions			
Adjustments Related to Provision for Employee Benefits	*15*	*5,653,997*	*5,372,228*
Adjustments Related to Legal Claims	*13*	*191,978*	848,888
Adjustments Related to Warranty Provisions	*13*	*2,839,545*	1,515,128
Adjustments Related to Other Provisions		*1,594,468*	(328,448)
Adjustments Related to Interest Income and Expenses			
Adjustments Related to Interest Income	*22*	*(20,787,107)*	*(19,369,582)*
Adjustments Related to Interest Expenses	*9,23,28*	*21,984,049*	*18,141,524*
Deferred Financial Expense from Terms of Purchases	*4*	*829,771*	*(452,546)*
Unearned Financial Income from Terms of Sales	*4*	*(943,386)*	*1,100,072*
Adjustments Related to Unrealized Foreign Currency Exchange Differences		58,567,418	105,762,378
Adjustments Related to Fair Value Losses / (Gains)			
Adjustments Related to Fair Value of Financial Assets Loss	*22*	*(27,277,902)*	*(19,988,247)*
Adjustments Related to Fair Value of Derivative Instrument Gain	*27*	*6,315,841*	*(43,215,013)*
Adjustments Related to Tax Income	25	6,762,765	7,019,433
Adjustment Relateds to Gain on Disposal of Property, Plant and Equipment and Intangible Assets	*8.9*	*617,420*	*(211,884)*
		85,169,589	77,426,770
Changes in Working Capital			
Adjustments Related to Increase in Inventories	6	8,861,964	(9,398,238)
Adjustments Related to (Increase) / Decrease in Trade Receivables	4	(104,057,458)	(84,123,275)
Adjustments Related to Decrease / (Increase) in Other Receivables from Operations	5,16	(220,030,660)	53,293,454
Adjustments Related to Increase in Trade Payables	4	36,875,426	23,450,189
Adjustments Related to Decrease in Prepaid Expenses	7	(9,780,649)	(7,796,748)
Adjustments Related to Decrease in Deferred Income	7	549,864	2,601,264
Adjustments Related to (Decrease) / Increase in Other Payables for Operations	5,15,25	(5,727,109)	(8,665,325)
		(293,308,622)	(30,638,679)
Cash Generated from Operations			
Payments for Employee Termination Benefits	15	4,141,177	(3,260,775)
Payments for Other Provisions	13	(60,418)	(384,758)
Tax (Payments) / Returns	25	17,769,988	(736,712)
		117,178,478	102,688,721

(All amounts expressed in Turkish Lira ("TL")

	Notes	Audited Current Period 1 January- 31 December 2019	Audited Prior Priod 1 January- 31 December 2018
B. Cash Flows from Investing Activities			
Cash Flow			
Payments for Acquisition of Subsidiary which Control is Obtained		-	(24,235,147)
Proceeds on Sale of Property, Plant and Equipment and Intangible Assets			
Proceeds on Sale of Property, Plant and Equipment and Intangible Assets	*8,10,2*	*898,884*	*384,132*
Payments for Acquisition of Property, Plant and Equipment and Intangible Assets		-	-
Payments for Acquisition of Property, Plant and Equipment	*8*	*(59,705,138)*	*(17,415,611)*
Payments for Acquisition of Intangible Assets	*10*	*(12,863,911)*	*(10,401,849)*
Cash Outflow for Aquisition of Shares in Other Entities or Shares in Funds or Debt Instruments	22,28	229,486,556	(153,578,785)
Interest Received		20,767,606	19,790,221
		178,583,997	(185,457,039)
C. Cash Flows from Financing Activities			
Proceeds from Borrowings			
Cash Inflow from Borrowings	*28*	*355,117,352*	*99,020,944*
Cash Outflow of Borrowings			
Cash Outflows on Repayment of Borrowings	*28*	*(267,158,669)*	*(105,881,297)*
Cash Outflows on Payment of Lease Liabilities		(6,404,584)	-
Cash Inflow (Outflows), Net from Derivative Instruments		2,096,469	43,183,672
Interest Payment		(16,681,313)	(13,025,756)
Interest Received		-	-
Dividend Payment		(7,920,000)	(1,000,000)
		59,049,255	22,297,563
Net (Decrease)/Increase in Cash and Cash Equivalents Before the Effect of Foreign Exchange Rate Changes (A+B+C)		**120,454,773**	**(60,470,755)**
D. Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(4,817,176)	22,993,578
NET INCREASE / (DECREASE) ON CASH AND CASH EQUIVALENTS (A+B+C+D)		**115,637,597**	**(37,477,177)**
E. Cash and Cash Equivalents at the Begining of the Period	**31**	**113,862,423**	**151,339,600**
Cash and Cash Equivalents at the End of the Period (A+B+C+D+E)	**31**	**229,500,020**	**113,862,423**

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Klimasan Klima Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (all together referred to as the "Group") operate in the production and sales of industrial type coolers and freezers both in foreign and domestic markets. The main product range items of the Group are coolers of soft drinks, beer and beverages, and fridges for frozen foods and ice cream. The Company was established on 7 1 January969 in Izmir and current headquarter is located in Manisa.

The address of its registered office is Manisa OSB 1. Kısım Keçilikoy OSB Mh. Cumhuriyet Cad. No: l 45030 Yunusemre, Manisa.

The main parent and ultimate controlling party of the Company is Metalfrio Solutions Sogutma Sanayi ve Ticaret A.Ş. The ultimate shareholder of the "Company" is Metalfrio Solutions S.A. The Company is registered to Capital Markets Board ("CMB") and its shares are traded on Borsa Istanbul A.Ş. ("Borsa Istanbul") since 1997. As of 31 December 2019, 39% portion of its shares is listed in Borsa Istanbul.

The average number of personnel of the Group is 1,869 as of 31 December 2019. (Average number of personnel in 2018: 1,653).

The Company's Subsidiaries

The Company acquired 100% of 'Metalfrio Solutions Poland Spolka z ograniczona odpowiedzialnoscia' ("Metalfrio Solutions Poland SP. Z.o.o.") as of 1 April 2016 which perform sales and marketing of Klimasan's products in Poland from its ultimate shareholder Metalfrio Solutions Sogutma Sanayi ve Ticaret A.Ş. for a consideration of EUR 176,807 (TL 567,374) considering the organizational efficiencies.

As per the board decision dated 20 February 2017, Metalfrio West Africa Ltd. was established with a capital of USD 10,000 and a participation of 97% in order to manage sales, marketing, and logistics operations in Nigeria and to improve the potential sales opportunities in West Africa. The Company stipulated NGN 3,100,000 of total NGN 3,007,000 (TL 36,107) capital of Metalfrio West Africa.

The Company's subsdiary, Metalfrio West Africa Ltd., has acquired the 90% of the shares of Sabcool Ltd., a Nigerian company, with a cost of NGN 48 million (approximately USD 145,000). The shares were acquired in exchange of trade receivables instead of cash.

As per the board decision dated 20 October 2017, The Company acquired shares of LLC Metalfrio Solutions ("OOO Metalfrio Solutions") and LLC Estate ("OOO Estate") amounting to EUR 1,600,666 (TL 7,498,000) and EUR 4,105,053 (TL 19,229,300), respectively, of which registered offices are located in Kaliningrad, Russian Federation, from Metalfrio Solutions A/S of which registered office is located in Viborg, Denmark. Acquisition process of these companies was completed on 7 February 2018.

Dividend Payable

As of the date of this report, Group directors have not decided on the distribution of profit. Dividends is subject to approval by shareholders in annual general assembly meeting.

Approval of financial statements

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 27 February 2020. General Assembly has the authority to modify the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

Statement of Compliance with Turkish Financial Reporting Standards ("TFRS")

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communique Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No: 28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Turkish Financial Reporting Standards ("TFRS") contains the published Standards and Interpretations by Public Oversight Accounting and Auditing Standards Authority under the name of Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, Interpretations of TAS and Interpretations of TFRS.

The consolidated financial statements and disclosures have been prepared in accordance with TFRS Taxonomy which published on Official Gazette No: 30794 dated 7 June 2019 about the Illustrations of Financial Statements and Application Guidance.

The Group maintains its statutory accounts and statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts ssued by the Ministry of Finance. Subsidiaries operating in foreign countries prepare their accounting records and statutory financial statements in the currencies of the countries in which they operate and in accordance with the legislation of such countries.

The financial statements have been prepared on the historical cost basis except for financial instruments that are revalued. Historical cost is generally based on the fair value of the amount of paid for the asset.

Functional and Reporting Currency

Stand alone financial statements of each component are presented in the currency of the economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in Turkish Lira (“TL”), which is the functional currency of the Company, and the presentation currency for the financial statements.

Financial Statements of Subsidiaries Operating in Foreign Countries

The financial statements of the subsidiaries operating in foreign countries have been prepared by reflecting the necessary adjustments and classifications to make the right presentation in accordance with the TAS / TFRSs published by the POA. The assets and liabilities of the related foreign subsidiaries have been converted into TL by using the period end exchange rate, income and expenses have been converted into TL by using average exchange rateof the respective year. Foreign exchange differences arising from the period end and average exchange rates are accounted under foreign currency translation differences in equity.

Adjustment of Financial Statements in Hyperinflationary Periods

In accordance with the communique issued by CMB and published on 17 March 2005 numbered 11 /367, it has been decided that Companies operate in Turkey and prepare their financial statements in accordance with TFRSs, are not required to apply inflation accounting starting from 1 January 2005.. Accordingly. starting from 1 January 2005 TAS No: 29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

(All amounts expressed in Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of presentation *(continued)*

Comparative Informations and Correction of Previous Period Financial Statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to allow the determination of financial status and performance trends. When necessary, comparative information is reclassified and important differences are explained to ensure compliance with the presentation of the current period consolidated financial statements. The Group has not made any classification and / or adjustment in the consolidated financial statements of the previous period in the current period.

Basis of Consolidation

Details of the Group's subsidiaries as of 31 December 2019 and 31 December 2018 are as follows:

			Group Share in Capital and Voting Rights (%)	
Name of Subsidiary	Place of Incorporation and Operation	Functional Currency	31 December 2019	31 December 2018
Metalfrio Solutions Poland SP. Z.o.o.	Poland	Avro	%100	%100
Metalfrio West Africa Ltd.	Nigeria	Nigerian Naira	%97	%97
Sabcool Ltd.	Nigeria	Nigerian Naira	%87,3	%87,3
LLC Metalfrio Solutions	Russia	Ruble	%100	%100
LLC Estate	Russia	Ruble	%100	%100

The consolidated financial statements include the financial statements that are controlled by the Group and its subsidiaries. Control is achieved when the Company meet the following conditions:

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

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

In cases where the company does not have the majority voting right over the invested company / asset, it means that the relevant investment has control power over the invested company / asset if it has sufficient voting rights to manage / manage its activities on its own. The Group takes into account all relevant events and conditions in evaluating whether the majority of votes in the investment is sufficient to provide control power, including:

- Comparing the voting right of the Group with the voting right of other shareholders;
- Potential voting rights of the group and other shareholders;
- Rights arising from other contractual agreements; and

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of presentation *(continued)*

- Other events and conditions that may indicate whether the Group has current power in managing the relevant activities (including voting at previous general meetings) in cases where a decision is required.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of acquisition to the date of disposal.

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

If necessary, adjustments were made on the financial statements of the subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intercompany assets and liabilities, equity balances, income and expenses and all cash flow transactions between the related parties are eliminated in consolidation.

Changes in the Group's ownership interests in existing subsidiary

Changes in the Group's ownership interests in subsidiary that do not result in the Group losing control over the subsidiary is 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 subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

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. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRS). 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.

Combination of entities or businesses under common control

Business combinations under common control are outside the scope of TFRS 3 "Business Combinations" ("TFRS 3"). In accordance with the Board decision of the POA published in the Official Gazette on 17 October 2018, assets and liabilities subject to business combination are included in the consolidated financial statements with their book values. Profit or loss statements are consolidated from the first period when comparative financial statements are presented and prior period financial statements are restated. Goodwill or negative goodwill arising from these transactions are not recognized in the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS *(CONTINUED)*

2.1 Basis of presentation *(continued)*

Combination of Entities or Businesses under common control (continued)

The residual balance is calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity accounted for as "Effect of Business Combinations Involving Entities under Common Control" within equity.

The Company completed the acquisition for LLC Metalfrio Solutions and LLC Estate of which registered offices are located in Kaliningrad, Russia on 7 February 2018. The Company acquired shares from a group company, Metalfrio Solutions A/S of which registered office is located in Viborg, Denmark for a consideration of EUR 5,705,719 (TL 26,727,300). This acquisition is considered within the scope of business combinations involving entities under common control but since the acquired company's financial impact to the acquiree's financial statements is not significant, financial statements in the the prior period is not restated and the difference between the Company's share in the subsidiary's equity and the difference arising from offsetting of participation rate and equity shares of the company acquired amounting to TL 2,044,067 is recognized directly under equity.

2.2 Changes in Accounting Policies

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively, in accordance with the transitional provisions. Changes without any transitional provisions, optional changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are for only one period, are applied in the current period, If the changes regarding future periods, it is applied both in the period when the change is made and prospectively.

The Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of 1 January, 2019 and the first application of the "TFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard.

The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

TFRS 16 "Leases" Standard

TFRS 16 Leases

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

TFRS 16 introduced a single lease accounting model for lessee. As a result, the Group included in the consolidated financial statements the lease liabilities representing the right to use asset that represents the right to use the underlying asset and the lease payments that it is obliged to pay rent as a lessee. Accounting for the lessor is similar to previous accounting policies.

The Group applied TFRS 16 using the modified retrospective approach, resulting in the existence of the right to use assets and the lease liabilites to an equal amount. Accordingly, the comparative information presented in the scope of TAS 17 and related comments has not been rearranged for 2018. The details of the changes in accounting policies are disclosed below.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS *(CONTINUED)*

2.2 Changes in Accounting Policies (continued)

TFRS 16 "Leases" Standard (continued)

TFRS 16 Leases (continued)

Definition of lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under TFRS Interpretation 4 "*Determining whether an Arrangement contains a Lease*". The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. According to TFRS 16, in the event that the right to control the use of the asset defined in accordance with a contract is transferred for a certain period of time, this contract is a leasing contract or includes a leasing transaction.

On transition to TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRS Interpretation 4 were not reassessed for whether there is a lease under TFRS 16. Therefore, the definition of a lease under TFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

As a lessee

As a lessee, the Group leases many assets including warehouses, vehicles and equipments.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

(All amounts expressed in Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.2 Changes in Accounting Policies (continued)

TFRS 16 "Leases" Standard (continued)

TFRS 16 Leases (continued)

The Group has presented its right of use assets in a separate line in the consolidated statement of financial position under the name of "right of use assets". The book values of the right of use assets are as follows:

	Vehicle	**Land, Warehouse**	**Machinery Equipment**	**Total**
Balance as of 1 1 January2019	2,423,302	6,757,163	3,304,500	**12,484,965**
Balance as of December 31, 2019	2,073,115	4,033,850	1,888,286	**7,995,251**

The lease obligations are presented in the consolidated financial statements, in the "Borrowings". The carrying values of the lease obligations are as follows:

	Klimasan Klima San ve Tic A.Ş.	**LLC Metalfrio Solutions**	**Total**
Balance as of 1 January, 2019	11,688,035	757,883	**12,445,918**
Balance as of December 31, 2019	8,013,410	817,650	**8,831,060**

Impact on consolidated financial statements

Impact of transition

As of 31 December 2018, when the current conditions and conditions of the Group's current lease agreements are analyzed, the Group management has evaluated that this change will not have a significant impact on the financial statements of the Group and has not made any changes or amendments in the previous period's financial statements.

Impact of current year

As of 31 December 2019, the Group has recognized a total of TL 8,831,060 of lease liabilities, of which TL 7,973,381 is long-term and TL 857,679 is short-term and the Group has recognized TL 7,973,381 of right of use assets.

In addition, regarding the lease contracts within the scope of TFRS 16, depreciation and interest expenses were recognized. During the twelve months period ended on December 31, 2019, the Group has recognized TL 5,983,295 depreciation expense and TL 241,199 interest expense.

While measuring the lease debts, the Group discounted the lease payments using the EUR borrowing rate of 1 January 2019. The applied weighted average rate is 3,25%.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current period, there are not any material errors and changes in accounting estimate methods of the Group. Identified significant accounting errors are applied retrospectively and the prior year's financial statements are restated accordingly.

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted as of 31 December 2019

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

The revised Conceptual Framework (Version 2018)

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TAS 1 and TAS 8 - Definition of Material

Public Oversight Accounting and Auditing Standards Authority "POA" issued Definition of Material (Amendments to TAS 1 and TAS 8) on 7 June 2019. The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in TFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards

Standards issued but not yet effective and not early adopted as of 31 December 2019 (continued)

Standards issued but not yet effective and not early adopted (continued)

Amendments to TAS 1 and TAS 8 - Definition of Material

The Group does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its consolidated financial statements.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before 1 January, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Group does not expect that application of these amendments to TAS 4 will have significant impact on its consolidated financial statements.

TFRS 17 Insurance Contracts

Public Oversight Accounting and Auditing Standards Authority "POA" issued TFRS 17 Insurance Contracts on 16 February 2019. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitabilityand financial position. TFRS 17 replaces TFRS 4. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Group does not expect that application of these amendments to TFRS 17 will have significant impact on its consolidated financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised Turkish Accounting Standards (continued)

Standards issued but not yet effective and not early adopted as of 31 December 2019 (continued)

Standards issued but not yet effective and not early adopted (continued)

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

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019, added Section 6.8 and amended paragraph 7.2.26. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

(a) The highly probable requirement;
(b) Prospective assessments;
(c) TAS 39 retrospective assessment; and
(d) Separately identifiable risk components..

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies

Significant accounting policies applied in the preparation of consolidated financial statements are summarized below:

Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Vacation Liability

In accordance with the existing Labor Law in Turkey, the Group is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Vacation pay liability is the total undiscounted liability of the deserved and unused vacation days of all employees.Liabilities occured due to unused vacation are accrued in the periods they are entitled.

Other long-term employee benefits

In accordance with the existing Labor Law in Turkey, the Group is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause, or due to retirement, military service or death. It is calculated with respect to 30 day gross wages and recognized in the consolidated financial statements as the present value of the estimated total reserve of the future probable obligation of the Group. It is calculated as if all employees are subject to that payment and recognized in the financial statements on accrual basis. The computation of the liabilities is based upon the retirement pay ceiling announced by the government. As at 31 December 2019, the ceiling amount is TL 6,379 (31 December 2018: TL 5,434) As explained in Note 15, the Group management used some assumptions in the calculation employee benefits.

All actuarial gains or losses are recognized in other comprehensive income.

Revenue

General Model for Recognising Revenue

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

Step 1: Identifying the contract

A contract which within the scope of TFRS 15, exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Revenue (continued)

General Model for Recognising Revenue (continued)

Step 1: Identifying the contract (continued)

If either contract were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

Step 2: Identifying the performance obligations

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation one of below;

(a) a good or service that is distinct or
(b) a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

The Group defines good or service is distinct if it is both (i) can define separately from other commitments in the contract, and (ii) the good/service can be used on its own, or can be used in conjunction with an asset that is either already obtained by the customer or is readily obtainable. A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

The Group evaluates how much it expects to obtain after fulfilling its contractual obligation to determine the transaction price. When making this determination, the Group considers variable elements of contract, as well as the existence of a significant financing component

Significant financing component

If a contract contains an important financing component; In order to estimate the transaction price in the contract, the Group adjusts according to the effect of the time value of money on the promised price. If the timing of the payments (explicitly or implicitly) agreed by the parties to the contract provides a substantial benefit to the customer or the Group, in the form of financing the transfer of goods or services to the customer, this contract has an important financing component. The Group does not have a sales transaction that includes an important financing component

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Revenue (continued)

General Model for Recognising Revenue (continued)

Step 5: Recognition of revenue

The Group recognises revenue over-time if any of the following conditions is met:

- The customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs, or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created; or

the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Company uses a method that measures the work performed reliably. The Company uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used.

If a performance obligation is not satisfied over time, then the Company recognise revenue at the point in time at which it transfers control of the good or service to the customer

Revenue is recognised when the control of the products is transferred to the customer in accordance with the delivery terms agreed with the customer.

The Company recognises a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

Contract modifications

If the Group makes a commitment to provide additional goods or services, accepts the contract change as a separate contract. If the existing contract is terminated and a new contract is created, if the goods or services offered are different, the relevant changes are recognized. If the amendment to the contract does not create separate goods or services, the Group recognize for additional goods or services by combining them together with the first contract as if it were component of the first contract.

The details of important accounting policies regarding the various goods and services of the Group and revenue recognition methods are given below.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Revenue (continued)

The Group includes the proceeds from the following main activities in its consolidated financial statements:

- Industrial type cooler and freezer sales
- Guarantees and after sales services for the products sold
- Other material, spare parts and merchandise sales

Finance income and finance expenses

Finance income is comprised of bank deposit interest income which is a part of the cycle used for financing purposes, interest income from funds made, and foreign exchange gains on financial assets and liabilities (except for trade receivables and payables).

Financial expenses include interest expenses on bank loans, commissions on credit card receivables and letters of guarantees, foreign exchange losses on financial assets and liabilities (other than trade receivables and payables) and net of income or loss generated from derivatives . Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset are recognized in the statement of profit or loss using the effective interest rate.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Finance income and finance expenses (continued)

Foreign exchange gains and losses on the financial assets and liabilities (other than trade receivables and payables) are reported in financial income or financial expenses in accordance with the position of foreign exchange movements on net basis. Exchange differences and rediscount income on trade receivables and payables are recognized as other operating income in the statement of income.

Interest income is calculated using the effective interest method.

a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.

b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

An entity that calculates interest income by applying the effective interest method to the amortized cost of the financial asset in a reporting period, if the credit risk in the financial instrument improves in a way that the financial asset is no longer deemed to be credit-impaired, and the interest in the subsequent reporting periods can be attributed to an event that occurred objectively (like an increase in the credit rating of the borrower) , calculates its income by applying the effective interest rate to the gross book value.

Dividend income is recognized in profit or loss on the date the Group is entitled to receive payment.

Inventories

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipments are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost amounts of tangible assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes occurring in the estimates and are accounted for prospectively if there is a change in estimates. The estimated useful lives of these assets are stated below.

	Useful Life
Land Improvements	15 years
Buildings	40-50 years
Machinery and equipment	3-20 years
Vehicles	5 years
Furniture and Fixtures	2-15 years
Other tangible Assets	4-15 years
Leasehold Improvements	3 years

Borrowing costs are capitalized for assets that need substantial time to prepare the asset for its intended use or sale. Legal fees are also included in cost. When these assets are constructed and ready for use they are classified into the relevant tangible assets. As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Regular maintenance and repair expenses on tangible assets are recognized as expense. Investment expenditures that increase the future benefit of the tangible asset by increasing its capacity are added to the cost of the tangible asset. Extensive maintenance and repair expenses, including spare parts replacement and labor costs, are activated and depreciated within their average lifetime during the next major maintenance.

When a tangible asset is disposed of or if no future economic benefits are expected from its use or sale, it is derecognised. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets acquired separately

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Intangible Assets (continued)

The estimated useful lives of these assets are given below.

	Useful Life
Capitalized development cost	5 years
Rights	3 – 15 years

Intangible assets created within the business - research and development expenses

Research costs are recorded in the profit or loss statement during the period they occur.

Intangible assets created within the company resulting from development activities (or the development phase of an in-group project) are recorded only when all of the following conditions are met:

- It is technically possible to complete the intangible asset in order to be ready for use or ready for sale,
- Intention to complete, use or sell the intangible asset,
- the intangible asset can be used or sold
- it is clear how the asset will provide a prospective economic benefit
- There are appropriate technical, financial and other resources to complete the development of the intangible asset, to use or sell it, and.
- the development cost of the asset can be reliably measured in the development process.

Computer software

The computer software purchased is activated over the costs incurred during the purchase and from the purchase until it is ready for use. These costs are amortized according to their useful lives.

Costs associated with developing and maintaining computer software are recorded in the statement of profit or loss in the period they occur.

Computer software development costs, which are considered as fixed assets, are amortized over their useful lives.

Derecognition of Intangible Assets

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Intangible Assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of Tangible and Intangible Assets

At each balance sheet date, the Group assesses whether there is any indication of impairment on the carrying value of tangible and intangible assets which is computed by deducting accumulated depreciation from their cost value. If there is such an indicator, the recoverable amount of the asset is estimated to determine the amount of the impairment. Where it is not possible to calculate the recoverable amount of the asset alone, the recoverable amount of the cash-generating unit to which the asset belongs is calculated. 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.

If the recoverable amount of an asset (or cash-generating unit) is 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.

Leases

The Group has applied TFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under TAS 17 and TFRS Interpretation 4. The details of accounting policies under TAS 17 and TFRS Interpretation 4 are disclosed separately.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Leases(continued)

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in TFRS 16. This policy was applied only to contracts entered into or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates to each lease component by considiration of the relative stand-alone prices of each lease component and total amount of stand-alone prices of non-lease component.

Group has elected not to separate non-lease components from lease components. Instead of that, the Group account for the lease and non-lease components as a single lease component.

The Group does not separate the non-lease components from the lease components, Instead of this , it has chosen to recognise for each leasing component and its associated non-leasing components as a single leasing component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Leases (continued)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period 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 not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment of the right-of-use asset is made according to new leases amount and it reflected to the financial statements. However, corresponding amount reflected in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero or remained amount reflected only if more decreasing than remeasured lease liability amount is exist.

Short term leases and low-value leases

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value include short-term (up to 12 months) machine leases and information technology equipments leases assets. The Group has reflected the lease payments related with these leases in the consolidated financial statements as linear expenses during the lease period.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Short term leases and low-value leases *(continued)*

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:
– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

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.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. General borrowings of the Group are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Financial Instruments

Recognition and initial measurement

The Group issued trade receivables and debt securities initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as; amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Classification and subsequent measurement (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial liability, is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective are to hold assets to collect contractual cash flows and to sell financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These includes whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets – Business model assessment (continued)

- How the performance of the financial assets held within that business model and its is reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected) and
- volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets are classified as at FVTPL if it is held-for-trading or managed based on fair value and evaluated on this basis.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers followings:

- Contingent events that would change the amount or timing of cash flows ;(in other words trigger events);

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension feature and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, it is considered to comply with the criteria if, (i) financial asset acquired at a discount or premium to its contractual par amount, (ii) a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) (iii) if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.. Other financial liabilities are subsequently measured at amortised cost of future principal and interest cash flows using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial Assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group continues to retain substantial risks and benefits arising from the ownership of a financial asset, continue to record the relevant financial asset in the statement of financial position.

Financial Liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Instead, it requires the recognise of a new financial liability at its fair value, based on the modified conditions. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The Group uses derivative financial insturements for the purpose of hedging foreign currency and interest risk rate. Embedded derivative instruments are separated from the main contract and recognized separately when the underlying contract is not a financial asset and mets certain criteria. Derivatives are initially recognized at fair value.
Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

During the sale of the relevant cash generating unit, the amount determined for goodwill is included in the calculation of profit / loss in the sale transaction. The Group's policy for goodwill arising on the acquisition of an associate is described under Note 11.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortised cost and,
- debt investments measured at FVOCI and,
- contract assets.

The Group measures loss allowances below, at an amount equal to lifetime ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group applied lifetime ECLs for calculation of loss allowances for trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when;

- The borrower is unlikely to pay its credit obligations to the Group in full, without using of colleteral by the Group (if any is held); or
- 180 days past due for the financial instrument.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. As credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty if the borrower or issuer;
- a breach of contract such as a default of debtor or being more than 180 days past due of financial instrument
- the restructuring of a loan or advance by the Group on terms that the Company would not consider
- Probablity of the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Write Off

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event

Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill which occured from business combination is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Effect of Exchange Differences

Foreign Currency Transactions and Balances

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). Metalfrio Solutions Poland SP. Z.o.o. uses Euro, Metalfrio West Africa Ltd. and Sabcool Ltd. uses Nigerian Naira, while LLC Estate and LLC Metalfrio Russia use the Ruble as their functional currency. The results and financial position of each entity are expressed in TL, which is the functional currency of the Group, 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 tenns of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except fort the situation stated below:

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

Financial Statements o Subsidiaries Operating in Abroad

The assets and liabilities of foreign operations, including fair value adjustments and goodwill arising from the acquisition, are translated into TL using exchange rates prevailing at the end of each reporting period. All income and expense items arising from foreign operations are translated into TL using exchange rates prevailing on the date of the transaction.

Foreign currency translation differences are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(All amounts expressed in Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

As of 31 December 2019 and 2018, Euro / TL, US Dollar / TL, RUB / TL, PLN / TL and NGN / TL exchange rates are as follows:

	Period end FX Rates		Average annual FX Rate	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Euro/TL	6.6506	6.0280	6.3492	5.6789
US Dollar/TL	5.9402	5.2609	5.6728	4.8301
RUB/TL	0.0959	0.0759	0.0878	0.0766
PLN/TL	1.5617	1.4019	1.4762	1.3325
NGN/TL	0.0194	0.0172	0.0185	0.0185

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

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

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

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment defined 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). The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The transaction with the related party is the transfer of resources, services or liabilities between the related parties, regardless of whether the price is requested.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Government Grants

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. Government incentives, a financing instrument, are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets instead of being recognized in profit or loss in order to offsetting the expense item they finance.

Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

Warranties

At the date of sale, provisions related to Group's warranty costs are recognized according to the estimates of the management about the expenses to be incurred.

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.

Direct costs related to the issue of new shares are recognized in equity by deducting the tax effect from the amount collected.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Taxes

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Income tax expense comprise of the current tax and deferred tax expenses.

Current Tax

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

Deferred Tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, 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 foreseable 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 foreseable 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 to recover or settle the carrying amount of its assets and liabilities at the reporting date.

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.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of significant accounting policies (continued)

Taxes (continued)

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 equity, in which case, the current and deferred tax are also recognized directly in equity respectively.

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.

Cash Flow Statement

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

Cash flows arising from operating activities represent the cash flows generated from the Group's core operating activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets investments)

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

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 reporting date.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.6 Key estimates, assumptions and judgments

Critical decisions made by the Group in applying its accounting policies:

In the preparation of consolidated financial statements in accordance with TFRS, the Group management is required to make assumptions and estimates that will affect the reported assets and liabilities and determine the liabilities and commitments likely to occur as of the balance sheet date and the income and expense amounts as of the reporting period. Although these estimates and assumptions are based on the best information of the Group management regarding current events and transactions, they may differ from the results of the assumptions. Estimations are regularly reviewed; necessary adjustments are made and reflected in the profit or loss statement of the period they occur. Accounting estimates and assumptions which might cause material adjustments on the book values of assets and liabilities in future financial reporting period are given below:

Useful lives of tangible and intangible assets

In the process of applying the entity's accounting policies, which are described in Note 2.5, Tangible and Intangible Assets are shown with their net value after deducting accumulated depreciation and, if any, impairment from the cost of acquisition. Depreciation is calculated by using the straight-line method based on the useful lives of tangible assets. Useful lifetimes are based on management's best estimates, are reviewed at each balance sheet date and adjusts if necessary.

Net realizable value

In the process of applying the entity's accounting policies, which are described in Note 2.5, Inventories are valued at the lower of cost or net realizable value. Net realizable value is the amount obtained by deducting the estimated completion cost from the estimated sales price and the estimated sales cost required to realize the sale in the ordinary commercial activity.

Provisions

In the process of applying the entity's accounting policies, which are described in Note 2.5, Provisions are made in cases where the Group has a legal or enforcing obligation as a result of past events and that a future outflow is probable in order to fulfill this obligation and the amount to be paid can be estimated reliably.

Deferred Tax

Partially or fully recoverable amount of deferred tax assets are estimated under current conditions. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include potential future earnings; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (CONTINUED)

2.6 Key estimates, assumptions and judgments (continued)

Recoverability of internally generated intangible assets

Development expenses (or from the development phase of an internal project) shall be recognised as asset if, and only if, an entity can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale. (b) its intention to complete the intangible asset and use or sell it. (c) its ability to use or sell the intangible asset. (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset. (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

When intangible assets created within the business are not recorded, they are recorded as expense in the period they occur as development expenses. During the period, the Group management re-examined the existence of possible economic benefits of intangible assets created within the company. The group management believes that the projects will continue as expected and predicts that the projects will generate similar economic benefits upon the analysis. Management is confident that even if the economic benefit is reduced, it is possible to recover the book values of the assets. This situation is closely monitored by the Group management and the management will make these adjustments in cases where future market activities require correction.

3. RELATED PARTY DISCLOSURES

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated during consolidation and are not disclosed in this note.

Trade receivables from related parties are mainly due from sale of goods and materials made in US Dollar and Euro and maturities are approximate 3-6 months. Both trade and non-trade transactions with related parties are secured and guaranteed by the main Shareholder of the group, Metalfrio Solutions SA.

Trade payables to related parties are mainly due to purchases of goods and services and maturities are approximately 1-3 months.

As of December 31 2019 and 2018, balances between related parties are as follows:

	31 December 2019			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
P.T. Metalfrio Solutions Indonesia	4,137,599	--	--	--
Marsel Soğutma A.S.	10,477,647	--	--	--
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	1,050,324	222,148,791	77,747	--
Metalfrio Solutions Mexico S.A.Dec.V.	179,218	--	13,388	--
Metalfrio Solutions A/S Denmark	--	--	244,332	--
Rome Investment Management LTD.	--	--	804,397	--
	15,844,788	222,148,791	1,139,864	--

	31 December 2018			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
P.T. Metalfrio Solutions Indonesia	4,941,140	324,251	--	--
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	157,823	--	--	--
Metalfrio Solutions A/S Denmark	10,400	--	607,320	--
Metalfrio Solutions Mexico S.A.Dec.V.	790,496	--	8,854	--
Rome Investment Management LTD.	--	--	707,618	--
	5,899,859	324,251	1,323,792	--

(All amounts expressed in Turkish Lira ("TL"))

3. RELATED PARTY DISCLOSURES (continued)

	1 January - 31 December 2019						
Transactions with related parties	Purchases	Sales	Interest Income	Rent Income	Comission/Rotalty	Consultancy Expenses	Other
Pt. Metalfrio Solutions Indonesia	-	7,438,948	63,357	-	-	-	-
Metalfrio Solutions Mexico S.A.Dec.V.	-	1,018,445	-	-	-	-	-
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	-	-	4,928,869	7,938	-	227,308	-
Rome Investment Management LTD.	-	-	-	-	2,686,544	-	-
Marsel Soğutma A.Ş.	-	25,206,631	-	-	-	-	927,009
	-	33,664,024	4,992,226	7,938	2,686,544	227,308	927,009

	1 January - 31 December 2018						
Transactions with related parties	Purchases	Sales	Interest Income	Rent Income	Comission/Rotalty	Consultancy Expenses	Other
P.T. Metalfrio Solutions Indonesia	-	5,719,464	47,192	-	-	-	-
Metalfrio Solutions Mexico S.A.Dec.V.	-	1,565,893	-	-	-	-	-
Metalfrio Solutions A/S Denmark	7,775	-	-	-	143,895	-	-
Metalfrio Solutions Soğutma Sanayi ve Ticaret A.Ş.	-	-	647,147	7,938	-	160,008	-
Metalfrio Solutions Brazil	-	96,747	-	-	-	-	-
Rome Investment Management LTD.	-	-	-	-	1,402,155	-	-
	7,775	7,382,104	694,339	7,938	1,546,050	160,008	-

(All amounts expressed in Turkish Lira ("TL"))

3. RELATED PARTY DISCLOSURES (continued)

Other transactions:

Other receivables from related parties arise from financial transactions for non-trade receivables from related parties effective market interest rate is used. The interest rate applied in 2019 is 4.50-5.50% (2018: 5%-5.50%).

Details of loans to related parties as at 31 December 2019 and 31 December 2018 are disclosed below:

31 December 2019				
Loans provided to related parties	Original Currency	Maturity	Interest Rate	Total
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	29 June 2020	5.30%	10,000,000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	30 June 2020	4.50%	10,000,000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	16 September 2020	4.50%	5,000,000
Metalfrio Solutions Soğutma ve Ticaret A.Ş.	Euro	30 June 2020	4.50%	8,000,000
Total				**33,000,000**

31 December 2018				
Loans provided to related parties	Original Currency	Maturity	Interest Rate	Total
P.T. Metalfrio Solutions Indonesia	US Dollar	14 January 2019	%5,5	13,000
P.T. Metalfrio Solutions Indonesia	US Dollar	15 February 2019	%5,5	10,000
P.T. Metalfrio Solutions Indonesia	US Dollar	17 March 2019	%5,5	11,500
P.T. Metalfrio Solutions Indonesia	US Dollar	29 March 2019	%5,5	17,600
Total				**52,100**

Compensation of key management personnel:

Key management personnel consists of members of Board of Directors and members of Executive Board. Compensation to key management include benefits such as salaries, bonus, health insurance and transportation. Compensation to key management personnel during the period is disclosed below:

	31 December 2019	31 December 2018
Salaries and short-term benefits	10,543,452	7,376,605
	10,543,452	7,376,605

(All amounts expressed in Turkish Lira ("TL"))

4. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

The details of the Group's short-term trade receivables as of 31 December 2019 and 31 December 2018 are as follows:

Short term trade receivables	31 December 2019	31 December 2018
Trade receivables	246,270,575	163,601,667
Trade receivables from related parties (Note 3)	15,844,788	5,899,859
Notes receivable	21,247,586	14,692,781
Allowance for doubtful trade receivables (-)	(18,264,319)	(18,574,339)
Expected credit loss (-)	(301,967)	(281,126)
Unaccrued finance expense on trade receivables (-)	(1,034,967)	(1,582,868)
Unaccrued finance expense on notes receivable (-)	(356,421)	(751,906)
	263,405,275	163,004,068

Trade receivables are amounts due from customers for services or goods sold in normal course of business. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. As of 31 December 2019, the Group has recognized the expected credit loss provision in the consolidated financial statements amounting to TL 301.967.

There has been no significant change in the estimation techniques or assumptions in the current period.

As of 31 December 2019 and 2018, the Group does not have long term trade receivables.

The average collection period of trade receivables is 74 days in 2019. (2018: 60 days)

Composition and degree of the Group's trade receivable risks are explained in Note 29.

Movements on the Group's provision for allowance for doubtful receivables as of 31 December 2019 and 2018 are as follows:

Movement of allowance for doubtful trade receivables	2019	2018
Balance at 1 January	(18,855,465)	(13,478,602)
Charge for the period (Note 21)	(1,040,705)	(1,200,105)
Foreign currency exchange differences	647,039	(4,417,563)
Effect of acquisition	-	(143,067)
Collections (Note 21)	682,845	72,479
Written off receivables	-	311,393
Balance at 31 December	(18,566,286)	(18,855,465)

4. TRADE RECEIVABLES AND PAYABLES (continued)

b) Trade Payables

The details of the Group's trade payables as of 31 December 2019 and 31 December 2018 are as follows:

Short-term Trade Payables	31 December 2019	31 December 2018
Trade payables	201,826,388	164,767,034
Trade payables to related parties (Note 3)	1,139,864	1,323,792
Unaccrued finance income for trade payables (-)	(412,938)	(1,242,709)
	202,553,314	164,848,117

Explanations on exchange rate risk to which the Group is exposed to trade payables are disclosed in Note 29.

As of 31 December 2019 and 2018, the Group does not have long term trade payables.

Trade payables pricipally consist the outstanding obligations from trading purchases and ongoing expenses.

The average maturity term of trade payables is 37 days. (31 December 2018: 39 days).

As of 31 December 2019, the rates used in the discount of trade payables: in Turkish Lira, Euro and US Dollar, As of 31 December 2019, respectively average annual, %11,14, %0, %1,78 (31 December 2018: Annual %26,13, %0 ve %3,78).

5. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

The details of the Group's other short and long-term receivables as of 31 December 2019 and 31 December 2018 are as follows:

Other Short-Term Receivables	31 December 2019	31 December 2018
Receivables from related parties (Note 3)	222,148,791	324,251
Receivables from customs	1,661,207	1,437,927
Receivables from personnel	214,416	417,978
Other receivables	345,574	418,600
	224,369,988	2,598,756

(All amounts expressed in Turkish Lira ("TL"))

5. OTHER RECEIVABLES AND PAYABLES (continued)

a) Other Receivables (continued)

Other Long-term Receivables	31 December 2019	31 December 2018
Guarantee and deposits given	-	12,564
	-	12,564

The explanations regarding the nature and level of risks in other receivables of the Group are included in Note 29.

b) Other Payables

The details of the Group's other short-term payables as of 31 December 2019 and 2018 are as follows:

Other Short-term Payables	31 December 2019	31 December 2018
Other liabilities	40,416	1,021,258
	40,416	1,021,258

Other Long-term Payables	31 December 2019	31 December 2018
Guarantee and deposits received	11,451	18,845
	11,451	18,845

(All amounts expressed in Turkish Lira ("TL"))

6. INVENTORIES

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

	31 December 2019	31 December 2018
Raw materials	87,752,145	78,994,016
Finished goods	20,756,046	40,796,037
Work in progress	8,387,315	6,086,857
Other inventories	2,856,815	1,767,533
Trade goods	425,973	716,271
Allowance for impairment on inventory (-)	(4,252,108)	(4,087,848)
	115,926,186	124,272,866

The cost of inventories recognized as expense and included in cost of sales amounted to TL 626,718,101 (31 December 2018: TL 434,239,738).

The insurance amount on inventories as of 31 December 2019 is TL 172,915,600. (31 December 2018: TL 156,728,000).

As of 31 December 2019 and 2018, there is no mortgage or pledge on inventories. (31 December 2018: None.).

The allowance for impairment on inventories of the Group is regarding to obsolete, scraped or slow-moving items. The allowence for impairment on inventories recognized in cost of sales.

The movement table of allowence for impairment on inventories as of 31 December as follows:

Movement of allowence for impairment on inventory	2019	2018
Balance at 1 January	(4,087,848)	(61,948)
(Charge) /reversal for the period, net	515,284	(2,014,500)
Effect of acquisition	-	(1,721,601)
Foreign currency exchange difference	(679,544)	(289,799)
Balance at 31 December	(4,252,108)	(4,087,848)

(All amounts expressed in Turkish Lira ("TL"))

7. PREPAID EXPENSES AND DEFERRED INCOME

Short-term Prepaid Expenses	31 December 2019	31 December 2018
Advances given to suppliers	28,076,846	19,553,089
Prepaid expenses to customs	831,625	1,275,132
Job advances given	509,225	749,322
Short-term prepaid expenses	4,345,414	2,455,626
	33,763,110	24,033,169

Prepaid expenses for future months consist prepaid insurance expenses, prepaid information technologies expenses and other expenses for next months.

Long-term Prepaid Expenses	31 December 2019	31 December 2018
Advances given for fixed asset purchases	193,385	154,614
Long-term prepaid expenses	37,312	25,375
	230,697	179,989

Short-term Deferred Income	31 December 2019	31 December 2018
Advances received	5,791,101	5,241,237
	5,791,101	5,241,237

(All amounts expressed in Turkish Lira ("TL"))

8. PROPERTY, PLANT AND EQUIPMENT

The movement for property, plant and equipment as of 31 December 2019 is as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Costs										
Opening balance at 1 January 2019	2,998,804	722,575	48,587,521	111,014,028	590,271	18,267,145	1,064,768	352,533	1,696,260	185,293,905
Additions	28,189,787	-	1,664,006	4,844,839	-	4,436,720	539,681	472,860	19,557,245	59,705,138
Disposals	(500,405)	-	(15,142)	(1,911,719)	-	(87,001)	-	-	-	(2,514,267)
Transfers from construction in progress	-	-	10,513,137	2,833,435	112,922	(100,544)	2,640	-	(13,381,313)	(19,723)
Translation Difference	148,338	-	7,456,784	3,104,917	132,324	230,384	-	-	202,527	11,275,274
Closing balance as of 31 Dec 2019	30,836,524	722,575	68,206,306	119,885,500	835,518	22,746,704	1,607,089	825,393	8,074,718	253,740,327
Accumulated depreciation										
Opening balance at 1 January 2019	-	(412,271)	(14,475,131)	(62,179,050)	(446,962)	(12,157,880)	(548,188)	(177,113)	-	(90,396,595)
Charge for the year	-	(48,172)	(2,263,426)	(9,768,817)	(100,591)	(2,406,785)	(117,875)	(325,950)	-	(15,031,616)
Disposals	-	-	15,142	1,911,719	-	87,001	-	-	-	2,013,862
Translation Difference	-	-	(2,626,800)	(2,543,600)	(113,915)	(39,025)	-	-	-	(5,323,340)
Transfers from construction in progress	-	-	-	-	-	-	-	-	-	-
Closing balance as of 31 Dec 2019	-	(460,443)	(19,350,215)	(72,579,748)	(661,468)	(14,516,689)	(666,063)	(503,063)	-	(108,737,689)
Carrying value as of 31 Dec 2019	30,836,524	262,132	48,856,090	47,305,753	174,050	8,230,015	941,026	322,330	8,074,718	145,002,638

TL 14,707,013 of depreciation and amortization expenses was allocated to cost of goods sold, (31 December 2018: TL 11,240,401), TL 5,387,873 to marketing expenses (31 December 2018: TL 591,933), TL 2,612,654 to administrative expenses and (31 December 2018: TL 702,829),TL 5,957,188 to research and development (31 December 2018: TL 5,483,071).

As at 31 December 2019, the amount of the Group's assets that is fully depreciated and continues to be used in the business is TL 51,549,050 TL. (31 December 2018: TL 46,714,347).

As of 31 December 2019, the total amount of insurance on plant, property and equipment is TL 341,676,031 (31 December 2018: TL 279,920,457).

(All amounts expressed in Turkish Lira ("TL"))

8. PROPERTY, PLANT AND EQUIPMENT (continued)

The movement for property, plant and equipment as of 31 December 2018 is as follows:

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Construction in progress	Total
Costs										
Opening balance at 1 January 2018	2,437,563	718,195	18,983,222	79,090,472	5,362	14,975,878	813,849	401,344	10,194,171	127,620,056
Assets acquired through purchase	480,379	-	24,133,156	10,765,638	404,881	993,358	-	-	248,108	37,025,520
Additions	-	4,380	956,799	5,328,771	137,315	2,565,903	247,580	93,900	8,080,963	17,415,611
Disposals	-	-	(51,233)	(2,150,141)	(25,443)	(611,305)	-	(116,230)	-	(2,954,352)
Transfers from construction in progress	-	-	503,227	16,167,101	-	176,098	3,339	(26,481)	(16,868,746)	(45,462)
Translation Difference	80,862	-	4,062,350	1,812,187	68,156	167,213	-	-	41,764	6,232,532
Closing balance as of 31 Dec 2018	2,998,804	722,575	48,587,521	111,014,028	590,271	18,267,145	1,064,768	352,533	1,696,260	185,293,905
Accumulated depreciation										
Opening balance at 1 January 2018	-	(364,245)	(4,006,740)	(45,826,039)	(1,658)	(10,120,041)	(474,742)	(101,416)	-	(60,894,881)
Assets acquired through purchase	-	-	(7,521,830)	(8,652,328)	(342,693)	(711,901)	-	-	-	(17,228,752)
Charge for the year	-	(48,026)	(1,731,639)	(8,251,333)	(70,368)	(1,807,342)	(73,446)	(172,784)	-	(12,154,938)
Disposals	-	-	51,233	2,019,239	25,443	601,239	-	84,950	-	2,782,104
Translation Difference	-	-	(1,266,155)	(1,456,452)	(57,686)	(119,835)	-	-	-	(2,900,128)
Transfers from construction in progress	-	-	-	(12,137)	-	-	-	12,137	-	-
Closing balance as of 31 Dec 2018	-	(412,271)	(14,475,131)	(62,179,050)	(446,962)	(12,157,880)	(548,188)	(177,113)	-	(90,396,595)
Carrying value as of 31 Dec 2018	2,998,804	310,304	34,112,390	48,834,978	143,309	6,109,265	516,580	175,420	1,696,260	94,897,310

(All amounts expressed in Turkish Lira ("TL"))

9. RIGHT OF USE ASSETS

According to TFRS 16, The Group recognizes right-of-use assets and lease liability 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. Right-of-use assets are measured at cost and subsequent to commencement date of the lease, measured at fair value in accordance with the Group's accounting policies.

The details of the right of use assets and depreciation and amortization expenses as of 1 January and 31 December 2019, are as follows:

	Vehicle	**Land, Warehouse**	**Mach. Equipment**	**Total**
Right of use asset - 1 January 2019	2,423,302	6,757,163	3,304,500	12,484,965
Additions	612,731	1,896,750	-	2,509,481
Disposals	-	(1,015,900)	-	(1,015,900)
Current year depreciation charges	(962,918)	(3,973,580)	(1,416,214)	(6,352,713)
Depreciation effect of disposals	-	369,418	-	369,418
Right of use asset - 31 December 2019	**2,073,115**	**4,033,850**	**1,888,286**	**7,995,251**

10. INTANGIBLE ASSETS

The movement for intangible assets as of 31 December 2019 is as follows:

	Capitilazed Development Expenses	Rights	Construction in process	Total
Cost				
Opening balance at 1 January 2019	43,651,600	4,538,547	3,120,729	51,310,876
Addition		1,441,816	11,422,095	12,863,911
Transfers from construction in progress	7,510,404	19,723	(7,510,404)	19,723
Closing balance as of 31 December 2019	51,162,004	6,000,086	7,032,420	64,194,510
Accumulated Amortization				
Opening balance at 1 January 2019	(25,170,783)	(3,669,683)	-	(28,840,466)
Charge for the year	(6,541,295)	(739,105)	-	(7,280,400)
Closing balance as of 31 December 2019	(31,712,078)	(4,408,788)	-	(36,120,866)
Carrying value as of 31 December 2019	19,449,926	1,591,298	7,032,420	28,073,644

Construction in progress consists of development projects carried out in the Group's structure. When a development project within the Group is complete and a determinable asset that provides economic benefits, it is classified to intangible assets

As at 31 December 2019, the amount of the Group's intangible assets that is fully amortised and continues to be used in the business is TL 20,894,562. (31 December 2018: TL 14.334.885).

(All amounts expressed in Turkish Lira ("TL"))

10. INTANGIBLE ASSETS (continued)

The movement for intangible assets as of 31 December 2018 is as follows:

	Capitilazed Development Expenses	Rights	Construction in process	Total
Cost				
Opening balance at 1 January 2018	34,437,841	3,708,345	2,717,379	40,863,565
Addition	-	784,740	9,617,109	10,401,849
Transfers from construction in progress	9,213,759	45,462	(9,213,759)	45,462
Closing balance as of 31 December 2018	43,651,600	4,538,547	3,120,729	51,310,876
Accumulated Amortization -				
Opening balance at 1 January 2018	(19,713,325)	(3,263,845)	-	(22,977,170)
Charge for the year	(5,457,458)	(405,838)	-	(5,863,296)
Closing balance as of 31 December 2018	(25,170,783)	(3,669,683)	-	(28,840,466)
Carrying value as of 31 December 2019	18,480,817	868,864	3,120,729	22,470,410

11. GOODWILL

Cost value	31 December 2019	31 December 2018
Opening balance	383,655	383,655
Additional amounts recognised from business combinations occuring during the year	-	-
Closing balance	383,655	383,655

Goodwill amounting to TL 383,655 arises from the acquisition of Sabcool Ltd on 28 December 2017.

12. GOVERNMENT GRANT AND INCENTIVES

Discounted Corporate Tax

Tax Law numbered 5520 dated 28 February 2009 and Law numbered 5838 was added by 32/A specified scope of the article and the Ministry of Treasury and Economy of the investment incentives derived from investments connected to document earnings partially or completely since the beginning of the accounting period till the contribution amount discount Corporate Tax can be applied. In addition, according to the Decree on State Aids for Investments no. 2012/3305, which was updated with the Council of Ministers Decree No. 2017/9917 published in Official Gazette dated 22 February 2017 and numbered 29987, for the investment expenditures realized between 1 January 2017 and 31 December 2017, the investment contribution rate used in tax reduction incentive has been raised from 30% to 45%. Hence, the corporate tax reduction is applied at a rate of a hundred percent and the rate to be applied to the profits from the investor's other activities in the investment period of the investment contribution of the investor's contribution during the investment period is applied at a rate of a hundred percent..

12. GOVERNMENT GRANT AND INCENTIVES(continued)

Discounted Corporate Tax (continued)

Incentive certificate obtained at 6 March 2018 from the the Ministry of Economy Directorate General of Incentive Implementation and Foreign Investment, revised with the incentive certificate dated 11 April 2019 and numbered B135809 and total investment amount was increased to TL 49,000,000. Within the scope of this document, the total amount deductible from the corporate tax base is TL 22.050.000, of which TL 3,975,216 was deducted in 2018 and TL 16,321,470 in 2019. The deductible amount to be transferred for next period is TL 1,753,314.

R&D Deduction

According to the Law No. 5746 on Supporting of R&D Activities, 100% of the R&D expenditures which incurred in the R&D center within the Company, especially within the framework of research and development activities for new technology and information seeking, considered as an R&D incentive in determining the corporate income.

In addition, according to Law No. 5746, income tax withholding incentive and insurance premium support are provided for the personnel working in the R&D center. According to this, the wages of R&D, design, and support personnel related to R&D, innovation, and design activities, will be taken into consideration as an income tax exemption within the following ratio: %95 for Master's degree in basic science or PhD, %90 Bachelor's degree in basic science or Master's degree , %80 for Other.

For each employee, one half of the insurance premium of the employer which is calculated over the wages of the R&D and back-up staff gained in the scope of the R&D and innovation activities shall be funded by a budget of the Ministry of Finance

In order to become an R&D center, the application made by the Company to the Ministry of Science, Industry and Technology was examined by the commission and the company was entitled to receive the R&D Center certificate as of 27 August, 2014.

The above mentioned R&D incentives are used by the company.

Export transactions and other foreign currency generating activities

Export transactions and other foreign exchange earning activities Export transactions and other foreign currency earning activities made in line with the procedures and principles determined by the Ministry of Finance and the Undersecretariat of Foreign Trade are exempt from stamp duty and fees. State aid is paid in order to support the participation of international fairs in accordance with the Decision of Money Credit and Coordination Board prepared on the basis of the State Aid Decision for Export, dated 16 December 2004 and numbered 2004/11.

(All amounts expressed in Turkish Lira ("TL"))

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The details of the Group's other short-term provisions as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Warranty provisions (i)	8,576,724	5,633,884
Legal provisions (ii)	1,591,575	1,460,016
Other provisions	1,604,981	10,513
	11,773,280	7,104,413

(i) Warranty provisions represents the best estimation of the management for the current value of the outflow of economic benefits regarding the guarantee program of domestic sales of the coolers the Group produces and exports of water dispensers. The provision also includes the supply of spare parts without charge according to agreements with foreign customers that is determined based on the sales actualized at term end.

(ii) Legal provisions consist of ongoing business and trade lawsuits of the Group. Legal provision is accounted in other operating expenses in statement of profit or loss. Based on the Group management opinion, considering the legal opinion received, the outcome of the lawsuits will not cause a significant loss in addition to the provision recognized as of 31 December 2019.

The details of the movement for warranty provision as of 31 December 2019 and 2018 are as follows:

Warranty provisions	31 December 2019	31 December 2018
Balance at 1 January	5,633,884	3,226,783
Effect of acquisition	-	763,460
Provision expense, net	2,839,545	1,515,128
Foreign currency translation difference	103,295	128,513
Provision at 31 December	8,576,724	5,633,884

The movement for legal provision as of 31 December 2019 and 31 December 2018 are as follows:

Legal provisions	31 December 2019	31 December 2018
Balance at 1 January	1,460,016	995,887
Payments	(60,419)	(384,759)
Additional provision	191,978	848,888
Provision at 31 December	1,591,575	1,460,016

(All amounts expressed in Turkish Lira ("TL"))

14. COMMITMENTS

Guarantees-Pledge-Mortgage ("GPM")

The Group's GPM position as at 31 December 2019 and 2018 is as follows:

31 December 2019	TL Equivalent	Euro	US Dollar	TL
The Total of GPM That Are Given in the Name of Its Own Legal Personality	181,350,387	26,276,815	900,000	1,247,621
- Guarantees	*181,350,387*	*26,276,815*	*900,000*	*1,247,621*
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
Total	181,350,387	26,276,815	900,000	1,247,621

31 December 2018	TL Equivalent	Euro	US Dollar	TL
The Total of GPM That Are Given in the Name of Its Own Legal Personality	246,969,389	34,973,958	6,100,000	4,054,880
- Guarantees	*246,969,389*	*34,973,958*	*6,100,000*	*4,054,880*
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
Total	246,969,389	34,973,958	6,100,000	4,054,880

The Total of GPM That Are Received in the Name of Its Own Legal Personality as at 31 December 2019 and 2018 is as follows:

31 December 2019	TL Equivalent	Euro	US Dollar	TL
- Guarantees	9,516,686	644,000		5,233,700
- Pledge	-	-	-	-
- Mortgage	1,440,000	-	-	1,440,000
Total	10,956,686	644,000	-	6,673,700

31 December 2018	TL Equivalent	Euro	US Dollar	TL
- Guarantees	21,061,287	963,825	1,500,000	7,360,000
- Pledge	-	-	-	-
- Mortgage	1,270,000	-	-	1,270,000
Total	22,331,287	963,825	1,500,000	8,630,000

(All amounts expressed in Turkish Lira ("TL"))

14. COMMITMENTS (continued)

Guarantees-Pledge-Mortgage ("GPM") (continued)

The Group's guarantees position as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Eximbank loans (*)	172,428,876	207,206,219
Suppliers	7,673,890	22,556,040
Customers	766,560	16,904,157
Custom Offices	181	6,718
Other	480,880	296,255
Total contingent liabilities	181,350,387	246,969,389

(*) Letter of guarantees given for Eximbank loans are given as collateral for the loans utilized from Eximbank.

15. PROVISIONS OF EMPLOYEE TERMINATION BENEFITS

Payables related to employee benefits

	31 December 2019	31 December 2018
Social security premiums payable	7,374,787	1,928,757
Due to personnel	3,808,516	2,916,004
	11,183,303	4,844,761

Short-term provisions for employee benefits:

	31 December 2019	31 December 2018
Bonus accruals	2,984,951	2,505,969
Unused vacation liabilities	1,000,744	829,595
	3,985,695	3,335,564

(All amounts expressed in Turkish Lira ("TL"))

15. PROVISIONS OF EMPLOYEE TERMINATION BENEFITS (continued)

Short-term provisions for employee benefits (continued)

As of 31 December 2019 and 31 December 2018, bonus accrual movement is as follows;

Bonus Provision	31 December 2019	31 December 2018
Balance at 1 January	2,505,969	1,250,000
Payments	(2,505,969)	(1,718,870)
Effect of acquisition	-	501,079
Additional provision	2,984,951	2,389,413
Foreign currency translation difference	-	84,347
Provision at 31 December	2,984,951	2,505,969

As of 31 December 2019, and 31 December 2018, unused vacation liability movement is as follows:

Allowance Provision	31 December 2019	31 December 2018
Balance at 1 January	829,595	999,348
Payments	(1,848,401)	(2,118,628)
Additional provision	2,019,550	1,948,875
Provision at 31 December	1,000,744	829,595

Long-term provisions for employee benefits

Employee severance indemnity provision liability

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

As of 31 December 2019, payable employee severance indemnity liability has monthly TL 6,379.86 (31 December 2018: TL 5,434.42) ceiling amount. Employee severance indemnity liability is not subject to any kind of funding legally. Provision for employee severance indemnity provision liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of group's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

(All amounts expressed in Turkish Lira ("TL"))

15. PROVISIONS OF EMPLOYEE TERMINATION BENEFITS (continued)

Long-term provisions for employee benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 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 provisions as at 31.12.2019, have been calculated with the assumption of 4.48% real discount rate (31 December 2018: 5.50%) calculated by using 7.20% annual inflation rate and 12.00% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as, 6.85% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount for provision for retirement pay is resived semiannually, and the ceiling amount of TL 6,379.86 which is in effect since 1 January 2020 is used in the calculation of Group's provision for retirement pay liability.

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

As of 31 December 2019 and 31 December 2018, the provision for retirement pay movement is as follows:

	31 December 2019	31 December 2018
Provision at 1 January	6,587,960	5,818,550
Service Cost	1,876,067	2,907,863
Interest Cost	621,830	244,705
Payments	(1,635,208)	(1,541,905)
Actuarial gain	2,083,767	(841,253)
Provision at 31 December	9,534,416	6,587,960

(All amounts expressed in Turkish Lira ("TL"))

16. OTHER ASSETS AND LIABILITIES

The details of the other current assets as of 31 December 2019 and 2018 are as follows:

Other Current Assets	31 December 2019	31 December 2018
VAT Return	-	272,314
Deferred VAT	14,212,375	2,499,169
Other current assets	159,486	59,195
	14,371,861	2,830,678

The details of the other current liabilities as of 31 December 2019 and 2018 are as follows:

Other Short-Term Liabilities	31 December 2019	31 December 2018
VAT Payable	4,085,591	1,973,355
Taxes and funds payable	437,704	358,164
	4,523,295	2,331,519

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital and Share Capital Adjustment Differences

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

Shareholders	Share Type	%	31 December 2019	%	31 December 2018
Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.	A	43,4	17,186,400	43,4	17,186,400
Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.	B	8,8	3,484,800	8,8	3,484,800
Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.	C	8,8	3,484,800	8,8	3,484,800
Publicly traded (*)	D	39,0	15,444,000	39,0	15,444,000
Nominal capital		100	39,600,000	100	39,600,000
Inflation adjustment differences			980,882		980,882

(*) Metalfrio Solutions Soğutma Sanayi ve Tic. A.Ş.'s share in the capital structure of the Company is 68.75% when the 7.75% of the shares that are publicly trades is taken into consideration.

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

a) Share Capital and Share Capital Adjustment Differences (continued)

At 31 December 2019, the paid-in capital of the Group comprised 3,960,000,000 shares issued TL 0.01 each (31 December 2018: 3,960,000,000). The privileges given to ordinary shares are as follows:

At 31 December 2019 and 2018, registered shares are comprised preferred shares. D type shares are comprised listed shares and shares of real persons. D type shares cannot nominate candidates for the Board of Directors. TL 24,159,048 of the shares representing the total capital are registered to the name, and the remaining TL 15,440,952 to the bearer.

Board of Directors is composed of six members; one member from candidates nominated by C type shares, one member from candidates nominated by B type shares and four members from candidates nominated by A type shares assigned by General Assembly. A, Band C type shares have fifteen and each share in other type of shares have one voting power. The election principles of the members of the board of directors are explained in Article 10 of the articles of association.

Chairman of Board of Directors summons extraordinary general meeting within seven days upon request of the shareholder having at least 5% of the shares and agenda includes the issues requested by the shareholder. This rate is not mandatory for A, B and C type shares.

At least 51% approval of A, B and C type shares is required on the decisions regarding master agreement or to change the master agreement or to increase or decrease the share capital of the Group or on the decisions regarding the attendance fee of the Board of Directors.

<u>Dividend</u>

Public companies carry out profit distribution according to Capital Market Board's Profit Distribution Disclosure No 11-19.1 effective from 1 February 2014.

Shareholders distribute their profits within the frame of profit distribution policies set by general meeting of shareholders in accordance with legislation provisions. Within the scope of the relevant disclosure, no minimum rate of distribution has been set. Companies distribute dividends in ways designated in their articles of association and profit distribution policies.

The net distributable profit for the year 2018 is TL 58,028,980 in the financial statements of the Group prepared in accordance with the CMB Legislation. Also net distributable profit for the year 2018 financial statements of the Group prepared in accordance with the tax legislation is 72,164,819. In the financial statements prepared in accordance with CMB Legislation, when the donations paid during the year are added, the net distributable profit with the donations added is TL 58,056,281.

The Company's Board of Directors has submitted to the approval the issue of paying TL 7,920,000 gross cash dividend to the shareholders from the net distributable profit of 2018 and the balance TL 49,514,980 not being distributed and allocating as extraordinary reserves. The relevant proposal was approved by the Ordinary General Assembly.

(All amounts expressed in Turkish Lira ("TL"))

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

b) Restricted Reserves Appropriated from Profit

As of 31 December 2019, and 2018, restricted reserves appropriated from profit is as follows:

	31 December 2019	31 December 2018
Restrictred reserves seperated from the profit	8,514,000	5,666,104
	8,514,000	5,666,104

18. REVENUE

The Group handles the goods and services and performs the performance obligations at a certain time.

a) Sales

	1 January-31 December 2019	1 January-31 December 2018
Domestic sales	532,225,642	426,145,762
Export sales	490,886,207	290,936,552
Other sales (*)	68,615,080	41,185,458
Sales deductions and discounts (**)	(56,665,001)	(40,885,274)
	1,035,061,928	717,382,498

(*) Other sales include material, spare part and trade good sales.

(**) Sales deductions and discounts include returns related to sales, discounts, sales commission, turnover premium expenses and reflected transportation expenses.

b) Cost of Sales

	1 January-31 December 2019	1 January-31 December 2018
Raw materials expenses	(608,978,568)	(430,493,744)
Personnel expenses	(93,838,229)	(67,028,258)
Production overheads	(33,026,037)	(24,408,486)
Depreciation and amortization expenses (Note 8,10)	(14,707,013)	(11,240,401)
Change in finished goods (Note 6)	(20,039,991)	(6,505,343)
Change in work in progress (Note 6)	2,300,458	2,759,349
Other	(61,438,378)	(30,835,149)
	(829,727,758)	(567,752,032)

(All amounts expressed in Turkish Lira ("TL"))

19. EXPENSES BY NATURE

Details of expenses by nature based on function for the year ended 31 December 2019 and 2018 are disclosed in Note 18 and 20.

	1 January-31 December 2019	1 January-31 December 2018
Raw material expenses	(608,978,568)	(430,493,744)
Payroll expenses	(128,838,802)	(91,606,240)
Production overheads	(33,026,037)	(24,408,486)
Depreciation and amortization expenses (Note 8, 10)	(28,664,728)	(18,018,234)
Transportation expenses	(11,701,764)	(10,695,437)
Warranty expenses	(9,433,778)	(7,125,881)
Rent expenses	(5,079,866)	(6,106,723)
Change in finished goods inventory	(20,039,991)	(6,505,343)
Custom expenses	(6,690,617)	(5,559,325)
Consultancy expenses	(4,317,036)	(3,834,363)
Advertising expenses	(3,434,877)	(3,512,023)
Outsourcing expenses	(3,958,278)	(3,017,072)
Travelling expenses	(4,337,137)	(2,867,266)
Installation expenses	(1,544,804)	(1,185,132)
Attendance fee of board of directors	(1,402,929)	(992,504)
Accommodation expenses	(1,371,850)	(786,621)
Insurance expenses	(659,464)	(547,873)
Taxes and other legal dues	(694,300)	(543,255)
Training expenses	(476,172)	(399,059)
Packaging expenses	(583,143)	(390,723)
Change in work in progress inventory (Note 6)	2,300,458	2,759,349
Other	(67,279,193)	(33,704,762)
	(940,212,876)	(649,540,717)

20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	1 January-31 December 2019	1 January-31 December 2018
General administrative expenses (-)	(30,935,723)	(21,335,829)
Marketing and sales expenses (-)	(73,592,207)	(54,969,785)
Research and development expenses (-)	(5,957,188)	(5,483,071)
	(110,485,118)	(81,788,685)

(All amounts expressed in Turkish Lira ("TL"))

20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (continued)

a) General Administration Expenses

	1 January- 31 December 2019	1 January- 31 December 2018
Payroll expenses	(16,839,856)	(11,573,180)
Consultancy expenses	(3,519,728)	(3,241,803)
Depreciation and amortization expenses (Note 8, 10)	(2,612,654)	(702,829)
Attendance fee of board of directors	(1,402,929)	(992,504)
Travel expenses	(1,368,847)	(564,751)
Outsource expenses	(1,191,396)	(1,094,734)
Accommodation expenses	(875,508)	(434,632)
Taxes and other legal dues	(694,300)	(543,255)
Insurance expenses	(244,662)	(222,398)
Training expenses	(216,853)	(223,762)
Other	(1,968,990)	(1,741,981)
	(30,935,723)	(21,335,829)

b) Marketing Expenses

	1 January- 31 December 2019	1 January- 31 December 2018
Payroll expenses	(18,160,717)	(13,004,802)
Transportation expenses	(11,701,764)	(10,695,437)
Warranty expenses	(9,433,778)	(7,125,881)
Custom expenses	(6,690,617)	(5,559,325)
Depreciation and amortization expenses (Note 8,10)	(5,387,873)	(591,933)
Rent expenses	(5,079,866)	(6,106,723)
Advertising expenses	(3,434,877)	(3,512,023)
Travel expenses	(2,968,290)	(2,302,515)
Outsource expenses	(2,766,882)	(1,922,338)
Installation expenses	(1,544,804)	(1,185,132)
Consultancy expenses	(797,308)	(592,560)
Packaging expenses	(583,143)	(390,723)
Accommodation expenses	(496,342)	(351,989)
Insurance expenses	(414,802)	(325,475)
Training expenses	(259,319)	(175,297)
Other	(3,871,825)	(1,127,632)
	(73,592,207)	(54,969,785)

(All amounts expressed in Turkish Lira ("TL"))

20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES (continued)

c) Research and development expenses

	1 January- 31 December 2019	1 January- 31 December 2018
Depreciation and amortization expenses (Note 8, 10)	(5,957,188)	(5,483,071)
	(5,957,188)	(5,483,071)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

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

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign currency gains from operations, net	649,758	12,560,461
Interest income of trade receivables	284,562	43,918
Income from scrap sales	1,795,260	1,525,949
Income from tax incentives related to R&D	393,800	1,246,991
Provisions released (Note 4)	682,845	72,479
Other income	879,175	5,498
	4,685,400	15,455,296

	1 January- 31 December 2019	1 January- 31 December 2018
Provision for doubtful trade receivables (Note 4)	(1,040,705)	(1,200,105)
Discount income / (expense), net	113,618	(647,527)
Provision for legal claims (Note 13)	(131,560)	(848,888)
Other income	(31,699)	(955,987)
	(1,090,346)	(3,652,507)

(All amounts expressed in Turkish Lira ("TL"))

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

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

Income from investing activities

	1 January- 31 December 2019	1 January- 31 December 2018
Increase in value of financial investments (*)	37,091,924	26,877,244
Interest income	20,787,107	19,369,582
- Eurobond interest income	*13,509,272*	*12,852,386*
- Bank deposit interest income	*2,253,325*	*5,822,857*
- Interest income from related party loans	*5,024,510*	*694,339*
Foreign exchange gains related to investing activities, net	15,218,532	1,777,381
Fixed asset sales income	29,062	211,884
	73,126,625	48,236,091

Expenses from investing activities

	1 January- 31 December 2019	1 January- 31 December 2018
Decrease in value of financial investments (*)	(9,814,022)	(6,888,997)
	(9,814,022)	(6,888,997)

(*)Value increases / decreases of financial investments resulted from the increase / decrease in the shares traded in Eurobond and the stock exchange which the company owns.

23. FINANCE INCOME AND EXPENSES

Finance income / loss (net)	1 January - 31 December 2019	1 January - 31 December 2018
Bank loan interest expenses	(18,183,917)	(18,141,524)
Other interest expenses	(3,800,131)	(1,895,008)
Foreign exchange expenses, net	(9,808,711)	(73,641,015)
Forward transactions income / (loss), net	(6,315,841)	43,215,013
Other finance expenses (-)	(3,953,206)	(3,226,822)
	(42,061,806)	(53,689,356)

(All amounts expressed in Turkish Lira ("TL"))

24. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2019	31 December 2018
Gains on Remeasurement of Defined Benefit Plans	(3,873,114)	(2,247,776)
Foreign Currency Translation Differences	11,666,363	5,774,555
	7,793,249	3,526,779

Foreign Currency Translation Differences	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	5,774,555	842,853
Foreign exchange translation difference from subsidiaries Operating Abroad	5,891,808	4,931,702
Closing balance	11,666,363	5,774,555

Gains on Remeasurement of Defined Benefit Plans	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(2,247,776)	(2,920,778)
Current period	(2,083,767)	841,253
Deferred tax related to gains on remeasurement of defined benefit plans	458,429	(168,251)
Closing balance	(3,873,114)	(2,247,776)

(All amounts expressed in Turkish Lira ("TL"))

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

	31 December 2019	31 December 2018
Current tax liability / (asset)		
Current corporate tax provision	13,269,191	1,862,449
Less: Prepaid taxes and funds	(16,644,251)	(736,712)
	(3,375,060)	1,125,737

Income tax recognized in profit or loss

	1 January- 31 December 2019	1 January- 31 December 2018
Current tax expense	(13,269,191)	(1,862,449)
Deferred tax (expense)/income relating to origination and reversal of temporary differences	6,506,426	(5,156,984)
Total tax (expense)/income	(6,762,765)	(7,019,433)

Deferred tax	1 January- 31 December 2019	1 January- 31 December 2018
Recorded directly in equity:		
- Acturial gain/(loss)	(458,429)	168,251
	(458,429)	168,251

Corporate Tax

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

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

Metalfrio Poland SP. Z.o.o. operates in Poland and is subject to Polish corporate taxes. The effective tax rate in 2019 is 19% (2018: 19 %).

Metalfrio West Africa operates in Nigeria and is subject to Nigerian corporate taxes. The effective tax rate in 2019 is 30% (2018: 30%).

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

Corporate Tax (continued)

OOO Metalfrio Solutions operates in Russia and is subject to Russian corporate taxes. The effective tax rate in 2019 is 20% (2018: 20%).

Companies file their tax returns between 1-30 April following the close of the accounting year to which they relate. However, tax authorities may examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

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

Reduced Corporate Tax and State Incentive Implementation

Reduce corporate tax can be applied the income obtained from the investments that subject to the incentive certificate and its scope specified in corporate tax Law no. 5520 dated 28 February 2009 and numbered 32/A which is added with the Law no.5838, until the amount reaches the contribution amount from the accounting period in which the investment is partially or fully operated. . In addition, according to the Decree on State Aids for Investments no. 2012/3305, which was updated with the Council of Ministers Decree No. 2017/9917 published in Official Gazette dated 22/02/2017 and numbered 29987, for the investment expenditures realized between 1/1/2018 and 31/12/2020, the investment contribution rate used in tax reduction incentive has been raised from 30% to 45%. Hence, the corporate tax reduction is applied at a rate of a hundred percent and the rate to be applied to the profits from the investor's other activities in the investment period of the investment contribution of the investor's contribution during the investment period is applied at a rate of a hundred percent.

Deferred Tax

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

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

(All amounts expressed in Turkish Lira ("TL"))

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

As of December 31, 2019 and 2018, items that generate deferred tax assets and liabilities are as follows:

Deferred tax assets / (liabilities):	31 December 2019	31 December 2018
Deferred tax asset arising from investment incentive discount	1,753,314	-
Provision for employment termination benefits	1,906,883	1,317,592
Provision for warranty	1,486,944	1,085,615
Seasonality adjustments and impairment on inventory	1,033,037	754,271
Adjustments related to unaccrued finance expense for trade receivables and notes receivables	306,105	513,649
Adjustments for the other provisions	268,932	222,110
Provision for bonuses	550,000	570,478
Unused vacation provision	220,164	182,511
Adjustments related to legal claims	350,147	321,203
Adjustments related to the sales commission and rebates	413,440	471,936
Valuation differences on the debentures and bonds	(1,618,473)	(3,241,640)
Depreciation adjustments for tangible assets and amortisation adjustments for intangible assets	(1,288,580)	(1,358,139)
Valuation differences of derivative instruments	1,604,111	(246,597)
Adjustments related to unaccrued finance income for trade payables	(114,747)	(273,395)
Adjustments related to allowance for doubtful receivables	66,433	154,433
Other	157,828	(343,344)
	7,095,538	130,683

Movement of deferred tax assets:	2019	2018
Opening balance as of 1 January	130,683	5,455,918
Charged to profit or loss	6,506,426	(5,156,984)
Charged to equity	458,429	(168,251)
Closing balance as of 31 December	7,095,538	130,683

(All amounts expressed in Turkish Lira ("TL"))

25. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

Reconcilation of tax charge:		1 January- 31 December 2019		1 January- 31 December 2018
Profit before tax		119,694,903		67,302,308
Income tax rate of 22% (2018: 22%)		26,332,879		14,806,508
Tax effects of:				
- revenue is exempt from taxation	(0%)	(589,175)	(0%)	(292,271)
- non-deductible expenses	1%	1,429,257	0%	218,180
- expenses that are subject to reduced corporate tax within the scope of investment incentives	(14%)	(16,321,470)	(11%)	(7,380,606)
- deduction of previous year losses from current period tax	-		(0%)	(101,612)
- research and development inventives and other discounts	(2%)	(2,332,432)	(3%)	(2,193,525)
- effect of different tax rates of foreign subsidiaries	(0%)	(20,876)	--	--
- effect of reduced tax rate related to incentive certificates	(1%)	(1,753,314)	--	--
- current period losses without deferred tax calculated	-	--	3%	2,119,529
- other	0%	17,895	(0%)	(156,770)
Tax income recognised in profit or loss	6%	6,762,765	10%	7,019,433

26. EARNINGS PER SHARE

The computation for the periods ended 31 December 2019 and 2018 is as follows:

Earnings per share	1 January- 31 December 2019	1 January- 31 December 2018
Weighted average number of ordinary shares with a nominal value of TL 0.01	3,960,000,000	3,960,000,000
Net profit for the period	112,926,270	60,254,587
Earnings per share	2.8517	1.5216

(All amounts expressed in Turkish Lira ("TL"))

27. DERIVATIVE FINANCIAL INSTRUMENTS

Currency Derivatives:

The Group utilizes derivatives to hedge significant future transactions and cash flows. The Group is a party of foreign currency forward contracts and options based on the foreign currency risk management. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

As of the reporting date, the change in the fair value of the Group's obligations to make forward contracts that are not outstanding is recorded in profit or loss in the period..

	31 December 2019	31 December 2018
Derivative financial assets		
Derivatives not associated with hedge accounting		
Forward contracts	-	6,968,457
	-	6,968,457
Derivative financial liabilities		
Derivatives not associated with hedge accounting		
Forward contracts	(7,291,415)	(5,847,561)
	(7,291,415)	(5,847,561)

	31 December 2019	31 December 2018
Derivative assets	-	6,968,457
Derivative liabilities	(7,291,415)	(5,847,561)
The statement of financial position net amount	(7,291,415)	1,120,896
Net amount	(7,291,415)	1,120,896

The forward foreign exchange contracts regarding the foreign currency risks of 31 December 2019 and 2018 are as follows:

Forward Contracts	31 December 2019	31 December 2018
Sales Contract - US Dollar (against Euro)	23.668.000	12.616.500
Sales Contract - Euro (against US Dollar)	-	10.000.000
Purchase Contract - Euro (against US Dollar)	20.000.000	10.000.000
Purchase Contract - US Dollar (against Euro)	-	11.845.000
Sales Contract - US Dollar (against TL)	-	5.000.000
Sales Contract - Euro (against TL)	-	4.500.000
Purchase Contract - US Dollar (against TL)	-	5.000.000
Purchase Contract - Euro (against TL)	-	4.500.000

(All amounts expressed in Turkish Lira ("TL"))

28. FINANCIAL INSTRUMENTS

Financial Investments

Financial assets at fair value through profit or loss

	31 December 2019	31 December 2018
Financial Assets at Fair Value Through the Statement of Profit or Loss		
Eurobonds	15,659,087	261,498,393
Investment funds (*)	105,580,471	62,893,379
Marketable securities (**)	431,960	321,600
	121,671,518	324,713,372

The Group, in order to evaluate the resulting surplus funds during certain periods, invests in various countries' the private sector bonds and bills. The Group perfoms transactions regardless of maturity in accordance with the current market conditions. Current portfolio consisting of 87% US Dollar and 13% Euro, the Eurobond portfolio are valued at market prices each period and profit or loss effect is presented periodically in the consolidated financial statements.

(*) Group's investment funds comprises of Kondor Fund SPC funds.
(**) Group's marketable securities comprises of Teekay LNG securities.

Financial Liabilities

	31 December 2019	31 December 2018
Short-term	40,843,900	16,104,395
Short-term leasing liabilities	857,679	-
Total Short-Term Financial Liabilities	**41,701,579**	**16,104,395**
Short-term portion of long-term borrowings	227,896,994	168,307,972
Long-term	342,918,429	284,078,598
Long-term leasing liabilities	7,973,381	-
Total Long-Term Financial Liabilities	**578,788,804**	**452,386,570**
TOTAL	**620,490,383**	**468,490,965**

(All amounts expressed in Turkish Lira ("TL"))

28. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)

Details of the borrowings are as follows:

Currency type	Weighted average effective interest rate	31 December 2019 Short-term	Long-term
Euro	%2,35 - %4,90	268,740,894	342,918,429
		268,740,894	342,918,429

Currency type	Weighted average effective interest rate	31 December 2018 Short-term	Long-term
Euro	%2,35 - %4,40	184,412,367	284,078,598
		184,412,367	284,078,598

Bank loan maturities are as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	268,740,894	184,412,367
To be paid between 1-2 years	133,439,289	157,552,036
To be paid between 2-3 years	108,098,151	43,362,898
To be paid between 3-4 years	35,537,996	18,595,951
To be paid between 4-5 years	35,535,003	18,595,433
To be paid in more than 5 years	30,307,990	45,972,280
	611,659,323	468,490,965

Group's cash and non-cash loans are guaranteed by Group's ultimate shareholder Metalfrio Solutions Sogutma Sanayi ve Ticaret A.S.

Fair value of the Group's borrowings approximates their carrying amount.

Cash and non-cash changes related to the Group's financing activities are given below. The liabilities arising from financing activities are classified as "cash flows from financing activities" in the consolidated statement of cash flows of the Group.

(All amounts expressed in Turkish Lira ("TL"))

28. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)

	1 January 2019	Financial cash inflows	Financial cash outflows	Non-cash changes: Movements of exchange differences	Non-cash changes: Interest Accrual	31 December 2019
Bank Loans	468,490,965	355,117,352	(267,158,669)	53,707,070	1,502,605	611,659,323
	468,490,965	355,117,352	(267,158,669)	53,707,070	1,502,605	611,659,323

	1 January 2018	Financial cash inflows	Financial cash outflows	Non-cash changes: Movements of exchange differences	Non-cash changes: Interest Accrual	31 December 2018
Bank Loans	343,291,751	99,020,944	(105,881,297)	126,943,799	5,115,768	468,490,965
	343,291,751	99,020,944	(105,881,297)	126,943,799	5,115,768	468,490,965

Movement table for liabilities from leasing transactions are as follows:

	Klimasan Klima San ve Tic. A.Ş.	**LLC Metalfrio Solutions**	**Total**
Lease Liabilities 1 January 2019	11,688,035	757,883	12,445,918
Addition	2,308,267	201,214	2,509,481
Payments (-)	(6,198,261)	(206,323)	(6,404,584)
Interest Expenses	215,369	25,829	241,199
Translation Difference		39,047	39,047
Lease Liabilities 31 December 2019	**8,013,410**	**817,650**	**8,831,060**

Long Terms Finacial Investments

As of 31 December 2019 and 31 December 2018, financial investments measured by reflecting Fair Value difference to profit / loss are as follows:

Equity Securities	**31 December 2019**	**31 December 2018**
Non-Public Equity Securities	833,200	-
Total	**833,200**	**-**

As of 31 December 2019 and 31 December 2018, the details and shareholding rates of the stocks classified as financial assets measured by reflecting the Fair Value difference to profit / loss are as follows:

	%	**31 December 19**	**%**	**31 December 18**
Equity Securities				
BatteryOne Royalty Corp. ("BatteryOne")	5,60	833,200	0	-
Total		**833,200**		**-**

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

The Group manages its capital to ensure to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The cost of capital and any risks associated with each class of capital is evaluated by the Group management. Based on recommendations of the Group management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The strategy of the Group was unchanged from the previous period.

Debt/ Equity ratio is calculated as total borrowings less cash and cash equivalents and financial investments divided by total capital and the Net Debt/Total Equity as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Financial Liabilities	620,490,383	468,490,965
Less:		
Cash and Cash Equivalents and Short-term Financial Investments	(351,202,757)	(438,587,513)
Credit Receivables from Related Parties (Note 3)	(219,469,800)	(274,093)
Net Debt	49,817,826	29,629,359
Total Equity	318,850,791	209,572,181
Total Share Capital	368,668,617	239,201,540
Net Debt / Total Equity Ratio	14%	12%

b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including market risk, liquidity risk, currency risk and credit risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, maintains a disciplined and constructive control environment in which all employees understand their roles and obligations.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management

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

When accepting a new customer, the creditworthiness of the customer is evaluated by the relevant departments and appropriate credit limits are defined by getting guarantee when necessary.

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

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from:

- Book values of financial assets in the consolidated statement of financial position.

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

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

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime expected credit losses
Doubtful	Amount is more than 120 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime expected credit losses - not credit impaired
In default	Amount is more than 180 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime expected credit losses - credit impaired
Write-Off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

Details of credit risk by class of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2019	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Financial Investments**
Maximum credit risk as of reporting date (A+B+C+D) (*)	15,844,788	247,560,487	222,148,791	2,221,197	229,470,484	121,671,518
- Portion of maximum risk secured by guarantees etc. (**)	--	5,469,614	--	--	--	--
A. Net carrying value of neither past due nor impaired financial assets	10,608,242	198,543,272	222,148,791	2,221,197	229,470,484	121,671,518
B. Net carrying value of past due but nor impaired financial assets	5,236,546	49,017,215	--	--	--	--
C. Net carrying value of impaired financial assets						
- Past due (gross carrying value)	--	18,566,286	--	--	--	--
- Impairment (-)	--	(18,566,286)	--	--	--	--
- Net value part secured with collateral	--	--	--	--	--	--
- Undue (gross carrying value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Net value part secured with collateral	--	--	--	--	--	--
D. Credit risk included off the balance sheet items	--	--	--	--	--	--

(*) Factors enhancing the credibility, such as guarantees received, have not been taken into account in determination of amounts.

(**) Guarantees includes guaranteed notes, guaranteed checks and mortgages from customers.

Details of credit risk by class of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
31 December 2018	**Related Party**	**Other**	**Related Party**	**Other**	**Deposits at Banks**	**Financial Investments**
Maximum credit risk as of reporting date (A+B+C+D) (*)	5,899,859	157,104,209	324,251	2,287,069	113,827,266	324,713,372
- Portion of maximum risk secured by guarantees etc. (**)	--	5,631,804	--	--	--	--
A. Net carrying value of neither past due nor impaired financial assets	974,697	142,395,236	324,251	2,287,069	113,827,266	324,713,372
B. Net carrying value of past due but nor impaired financial assets	4,925,162	14,708,973	--	--	--	--
C. Net carrying value of impaired financial assets						
- Past due (gross carrying value)	--	18,855,465	--	--	--	--
- Impairment (-)	--	(18,855,465)	--	--	--	--
- Net value part secured with collateral	--	--	--	--	--	--
- Undue (gross carrying value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Net value part secured with collateral	--	--	--	--	--	--
D. Credit risk included off the balance sheet items	--	--	--	--	--	--

(*) Factors enhancing the credibility, such as guarantees received, have not been taken into account in determination of amounts.

(**) Guarantees includes guaranteed notes, guaranteed checks and mortgages from customers.

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.1) Credit Risk Management (continued)

The Group's management has tried to manage the credit risk of receivables according to customer-specific credit risk analysis through such methods as advances obtained from customer or work with letter of credit. Furthermore, the Group management follows the delays in collections from its customers by analyzing aging analyses and takes precautions to such kind of delays. The Group provides provision for its receivables having collection problems. Provisions for doubtful receivables are within the prescribed limits when previous experience of the Group in collection from customers is reviewed. Accordingly, the Group does not expect any other risk for its remaining trade receivables.

The details of overdue trade receivables are as follows:

Trade Receivables	31 December 2019	31 December 2018
Past due up to 30 days	30,763,032	6,543,801
Past due 1 - 3 months	19,511,030	6,537,920
Past due 3 - 6 months	1,801,164	1,716,334
Past due 6 - 12 months	1,999,094	3,400,825
Past due 1 - 5 year	179,441	1,435,255
Total past due receivables	**54,253,761**	**19,634,135**
Guaranteed proportion	169,557	1,960,947

b.2) Liquidity risk management

Liquidity risk occurs generally while funding Group's activities funding and managing Group's position. This risk of includes failing to fund assets at appropriate maturities and rates and a convenient time slice of an asset at a reasonable price and also the risk of failing to dispose of them. The Group is entitled to use banks, dealers and shareholders as source of funds. Group consistently evaluates changes in its funding conditions necessary to achieve the objectives set out within the strategy and evaluate the liquidity risk by monitoring continuously. As of reporting date, the Group can be exposed to the funding risk.

The Group manages its liquidity risk by following its cash flow regularly, keeping continuity of its funding resources by matching the maturity of its liabilities and assets.

Prudent liquidity risk management represents maintaining sufficient cash funds with sufficient credit transactions to close out market positions of resource availability and the ability.

The risk of funding current and future borrowing requirements is managed by sustaining the accesiblity of adequate number of high-quality loan supplier.

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.2) Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Interests to be paid on these liabilities are included in the table below:

31 December 2019

Contract Terms	**Carrying value**	**Total cash outflows as per the terms of agreement (I+II+III+IV)**	**Less than 3 months (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowings	(611,659,323)	(647,416,861)	(32,917,677)	(249,257,423)	(333,864,507)	(31,377,254)
Lease Liabilities	(8,831,060)	(9,248,270)	--	(1,099,545)	(8,148,725)	--
Trade payables	(202,553,314)	(214,328,382)	(196,011,589)	(18,316,794)	--	--
Other payables	(51,867)	(51,867)	(40,416)	--	(11,451)	--
Total liabilities	**(823,095,564)**	**(871,045,380)**	**(228,969,682)**	**(268,673,762)**	**(342,024,683)**	**(31,377,254)**
Derivative cash inflows	--	133,012,000	133,012,000	--	--	--
Derivative cash outflow	(7,291,415)	(140,303,415)	(140,303,415)	--	--	--

31 December 2018

Contract Terms	**Carrying value**	**Total cash outflows as per the terms of agreement (I+II+III+IV)**	**Less than 3 months (I)**	**Between 3-12 months (II)**	**Between 1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank borrowings	(468,490,965)	(499,024,778)	(28,734,294)	(167,367,335)	(251,375,971)	(51,547,178)
Trade payables	(164,848,117)	(166,101,338)	(152,495,036)	(13,606,302)	-	-
Other payables	(1,040,103)	(1,040,103)	(1,021,258)	-	(18,845)	-
Total liabilities	**(634,379,185)**	**(666,166,219)**	**(182,250,588)**	**(180,973,637)**	**(251,394,816)**	**(51,547,178)**
Derivative cash inflows	6,968,457	121,785,765	24,820,150	96,965,615	-	-
Derivative cash outflow	(5,847,561)	(120,664,869)	(22,604,000)	(98,060,869)	-	-

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management

The Group's operations are primarily exposed to changes in foreign exchange and interest rate risks associated with financial market risks encountered as given in the details below. Market risks at the Group level measured by sensitivity analysis.

In current period, there is no change in the Group's exposure to market risk or exposure risk management and assessment when compared to prior period.

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

Klimasan is exposed to the currency risk as a result of foreign currency denominated in assets and liabilities into Turkish Lira. Foreign currency risk from future commercial transactions recorded arises due to the difference between the assets and liabi lities. Hence, the exchange rate exposures are managed within the approved policy parameters utilizing forward foreign exchange contracts.

Due to functional currency of Metalfrio Solutions Poland SP. Z.o.o.'s is Euro, West Africa's is Naira, Russia Subsidaries' are Ruble and Euro, the Group isn't exposed to foreign exchange risk arising from various currency exposures although aforementioned foreing currency assets and liabilities included in risk of foreign currency table.

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

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

	31 December 2019		
	TL Equivalent (Functional Currency)	**US Dollar**	**Euro**
1. Trade Receivables	202,677,595	15,050,895	17,031,887
2a. Monetary Financial Assets	318,616,714	13,287,829	36,039,508
2b. Non-monetary Financial Assets	219,469,800	-	33,000,000
3. Other	10,000,261	1,253,729	383,854
4. CURRENT ASSETS	750,764,370	29,592,453	86,455,249
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	**750,764,370**	**29,592,453**	**86,455,249**
10. Trade Payables	160,883,753	10,365,613	14,932,478
11. Financial Liabilities	263,157,219	-	39,568,944
12a. Monetary Other Liabilities	-	-	-
12b. Non-monetary Other Liabilities	-	-	-
13. SHORT-TERM LIABILITIES	424,040,972	10,365,613	54,501,422
14. Trade Payables	-	-	-
15. Financial Liabilities	345,370,566	-	51,930,738
16a. Monetary Other Liabilities	-	-	-
16b. Non-monetary Other Liabilies	-	-	-
17. LONG-TERM LIABILITES	345,370,566	-	51,930,738
18. TOTAL LIABILITIES	**769,411,538**	**10,365,613**	**106,432,160**
19. Off-balance sheet derivative instruments net asset / liability position (19a-19b)	(7,580,654)	(23,668,000)	20,000,000
19a. Off-balance sheet foreign currency derivative assets	133,012,000	- -	20,000,000 -
19b. Off-balance sheet foreign currency derivative liabilities	140,592,654	23,668,000	-
20. Net foreign currency assets / liabilities position (9-18+19)	**(26,227,822)**	**(4,441,160)**	**23,089**
21. Monetary items net foreign currency assets / liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(248,117,229)	17,973,111	(53,360,765)

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

	31 December 2018		
	TL Equivalent (Functional Currency)	**US Dollar**	**Euro**
1. Trade Receivables	98,833,600	6,651,984	10,590,275
2a. Monetary Financial Assets	415,592,718	51,636,551	23,788,876
2b. Non-monetary Financial Assets	284,491	52,100	1,725
3. Other	-	-	-
4. CURRENT ASSETS	514,710,809	58,340,635	34,380,876
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	**514,710,809**	**58,340,635**	**34,380,876**
10. Trade Payables	97,855,117	8,924,998	8,444,193
11. Financial Liabilities	184,412,368	-	30,592,629
12a. Monetary Other Liabilities	-	-	-
12b. Other	604,120	-	100,219
13. SHORT-TERM LIABILITIES	282,871,605	8,924,998	39,137,041
14. Trade Payables	-	-	-
15. Financial Liabilities	284,078,596	-	47,126,509
16a. Monetary Other Liabilities	-	-	-
16b. Non-monetary Other Liabilies	-	-	-
17. LONG-TERM LIABILITES	284,078,596	-	47,126,509
18. TOTAL LIABILITIES	**566,950,201**	**8,924,998**	**86,263,550**
19. Off-balance sheet derivative instruments net asset / liability position (19a-19b)	(4,058,784)	(771,500)	-
19a. Off-balance sheet foreign currency derivative assets	176,025,861	16,845,000 -	14,500,000 -
19b. Off-balance sheet foreign currency derivative liabilities	180,084,645	17,616,500	14,500,000
20. Net foreign currency assets / liabilities position (9-18+19)	**(56,298,176)**	**48,644,137**	**(51,882,674)**
21. Monetary items net foreign currency assets / liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(51,919,763)	49,363,537	(51,784,180)

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.1) Foreign currency risk management (continued)

Sensitivity to currenct risk

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

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar, Euro, Rubles, Naira and GBP against TL. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The analysis further involves external loan and loans used for Group's foreign activities denominated in foreign currencies other than the functional currency of the creditor and borrower. A positive number below indicates an increase in profit or equity.

	31 December 2019	
	Profit / Loss	
	Appreciation of foreign currency by 10%	Devaluation of foreign currency by 10%
1- US Dollar net asset / liability	(2,638,138)	2,638,138
2- Portion from US Dollar hedged (-)	-	-
3- Net effect of US Dollar (1+2)	(2,638,138)	2,638,138
4- Euro net asset / liabilitiy	15,356	(15,356)
5- Portion from Euro hedged (-)	-	-
6- Net effect of Euro (4+5)	15,356	(15,356)
TOTAL (3 + 6)	**(2,622,782)**	**2,622,782**

	31 December 2018	
	Profit / Loss	
	Appreciation of foreign currency by 10%	Devaluation of foreign currency by 10%
1- US Dollar net asset / liability	25,591,194	(25,591,194)
2- Portion from US Dollar hedged (-)	-	-
3- Net effect of US Dollar (1+2)	25,591,194	(25,591,194)
4- Euro net asset / liabilitiy	(31,274,876)	31,274,876
5- Portion from Euro hedged (-)	-	-
6- Net effect of Euro (4+5)	(31,274,876)	31,274,876
TOTAL (3 + 6)	**(5,683,682)**	**5,683,682**

(All amounts expressed in Turkish Lira ("TL"))

29. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial Risk Factors (continued)

b.3) Market Risk Management (continued)

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as the entity borrow funds at both fixed and floating interest rates. The Group's interest rate risk management strategy is evaluated on a regular basis in order to be compatible with interest rate expectations and defined risk appetites. Thus, creation of optimal hedging strategy serves the need to review the statement of financial position and to keep interest expense under control against volatile rates.

Interest rate sensitivity analysis

Interest Position Table

		31 December 2019	31 December 2018
	Instruments with Fixed Interest		
Financial Assets	Time deposits with maturities less than three months	21,800,000	19,011,718
	Assets at fair value through profit or loss	114,380,103	324,713,372
Financial Liabilities		460,875,983	253,077,640
	Instruments with Variable Interest		
Financial Liabilities		159,614,400	215,413,325

If interest rates in all currencies had been 100 basis points higher and all other variables were held constant, the profit before tax for the period ended 31 December 2019 would decrease by TL 5,174,717 (31 December 2018: TL 6,733,633)

(All amounts expressed in Turkish Lira ("TL"))

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

31 December 2019	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	229,531,239	-	-	229,531,239	31
Financial investments	-	121,671,518	-	121,671,518	28
Trade receivables	247,560,487	-	-	247,560,487	4
Trade receivables from related parties	15,844,788	-	-	15,844,788	3,4
Other receivables from related parties	222,148,791	-	-	222,148,791	3,5
Other receivables	2,221,197	-	-	2,221,197	5
Financial derivative instruments	-	-	-	-	27
Financial liabilities					
Financial borrowings	-	-	620,490,383	620,490,383	28
Trade payables	-	-	201,413,450	201,413,450	4
Trade payables to related parties	-	-	1,139,864	1,139,864	3,4
Other payables and liabilities (*)	-	-	4,575,162	4,575,162	5,16
Financial derivative instruments		7,291,415	-	7,291,415	27

The Group management considers the carrying amount of financial assets approximate their fair values.

(*) Other payables and liabilities include "Other liabilities to third parties", "Due to personnel" and "Other short-term liabilities".

(All amounts expressed in Turkish Lira ("TL"))

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (continued)

31 December 2018	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	113,874,141	-	-	113,874,141	31
Financial investments	-	324,713,372	-	324,713,372	28
Trade receivables	157,104,209	-	-	157,104,209	4
Trade receivables from related parties	5,899,859	-	-	5,899,859	3,4
Other receivables from related parties	324,251	-	-	324,251	3,5
Other receivables	2,287,069	-	-	2,287,069	5
Financial derivative instruments	-	6,968,457	-	6,968,457	27
Financial liabilities					
Financial borrowings	-	-	468,490,965	468,490,965	28
Trade payables	-	-	163,524,325	163,524,325	4
Trade payables to related parties	-	-	1,323,792	1,323,792	3,4
Other payables and liabilities (*)	-	-	3,371,622	3,371,622	5,16
Financial derivative instruments	-	5,847,561	-	5,847,561	27

The Group management considers the carrying amount of financial assets approximate their fair values.

(*) Other payables and liabilities include "Other liabilities to third parties", "Due to personnel" and "Other short-term liabilities".

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and obligations
- Level 2: Variables obtained directly (via prices) or indirectly (by deriving from prices) which are observable for similar assets and liabilities other than quoted prices mentioned in Level 1.
- Level 3: Variables, which are not related to observable market variable for assets and liabilities (unobservable variables).

Fair value hierarchy of financial assets and liabilities that are measured at fair value:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial Assets / Financial Liabilities	Fair value		Fair value level
	31 December 2019	**31 December 2018**	
Financial investments	121,671,518	324,713,372	1
Foreign currency forward contracts	(7,291,415)	1,120,896	2

(All amounts expressed in Turkish Lira ("TL"))

30. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (continued)

Other Price Risks

The Group invests in private sector bonds and bills in various countries in order to manage the excess funding that arises in certain periods. The Group perfonns trading transactions irrespective of maturities according to the current market conditions and the changes in the market price of the securities are reflected in the financial statements periodically. Accordingly, the Group is subject to price risk of changes in market prices or the amortisation of an Eurobond issuer entity.

In addition, the Group is exposed to principal or interest risk in such circumstances that Eurobond issuer declares bankruptcy or postpones amortization or the coupon payments.

The following table shows the Group's sensitivity to the market price according to 10% increase and decrease probability. The sensitivity analysis only covers the Eurobond portfolio at the end of the reporting period and is subject to a 10% price change, subject to the original foreign currency price at the end of the period. Positive value refers to the increase in profit or loss and other equity items .

	Appreciation of market prices by 10%	Devaluation of market prices by 10%
31 December 2019	1,542,474	(1,542,474)
31 December 2018	25,690,691	(25,690,691)

31. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Cash on hand	60,755	46,875
Cash at banks	229,452,230	113,775,768
Time deposit with maturities less than three months	*21,800,000*	*19,011,718*
Demand deposits	*207,652,230*	*94,764,050*
Other cash and cash equivalents	18,254	51,498
	229,531,239	113,874,141
Interest accrual related to time deposits	(31,219)	(11,718)
Cash and cash equivalents in the cash flows	229,500,020	113,862,423

(All amounts expressed in Turkish Lira ("TL"))

31. CASH AND CASH EQUIVALENTS (continued)

The Group's time deposits as at 31 December 2019 and 31 December 2018 is as follows:

Currency	Interest Rate (%)	Maturity	31 December 2019
TL	10,3 - 10,5	January 2020	21,800,000
			21,800,000

Currency	Interest Rate (%)	Maturity	31 December 2018
TL	22- 24	January 2019	19,011,718
			19,011,718

32. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

			Non-Cash Changes		
	01 January 2019	**Cash Flow, (net)**	**Foreign Exchange Movement**	**Other Non-Cash Changes**	**31 December 2019**
Short- and Long-Term Liabilities	468,490,965	87,958,683	53,707,070	1,502,605	611,659,323
Total Financial Liabilities	**468,490,965**	**87,958,683**	**53,707,070**	**1,502,605**	**611,659,323**

			Non-Cash Changes		
	01 January 2018	**Cash Flow, (net)**	**Foreign Exchange Movement**	**Other Non-Cash Changes**	**31 December 2018**
Short- and Long-Term Liabilities	343,291,751	(6,860,353)	126,943,798	5,115,769	468,490,965
Total Financial Liabilities	**343,291,751**	**(6,860,353)**	**126,943,798**	**5,115,769**	**468,490,965**

33. SUBSEQUENT EVENTS

None.