

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED AT
31 MARCH 2020

CONTENTS	PAGE
Consolidated Financial Statements	1-2
Consolidated Income Statements and Other Comprehensive Income Statements	3
Consolidated Changes in Equity Statements	4
Consolidated Cash Flows Statements	5-6
Notes to the Consolidated Financial Statements	7-83
NOTE 1 Organization and Nature of Activities.....	7-8
NOTE 2 Basis of Presentation of Financial Statements.....	9-30
NOTE 3 Segment Reporting.....	31-35
NOTE 4 Cash and Cash Equivalents	36
NOTE 5 Financial Investments.....	36
NOTE 6 Related Party Transactions	37-40
NOTE 7 Trade Receivables and Trade Payables.....	41-42
NOTE 8 Financial Borrowings.....	43-45
NOTE 9 Other Receivables and Payables.....	46
NOTE 10 Derivative Instruments.....	47
NOTE 11 Inventories.....	47
NOTE 12 Biological Assets.....	47
NOTE 13 Prepaid Expenses and Deferred Income.....	48
NOTE 14 Current Period Tax Income Assets.....	48
NOTE 15 Investments Valued with Equity Pick-up Method.....	49
NOTE 16 Investment Properties.....	50
NOTE 17 Tangible Fixed Assets	51-52
NOTE 18 Right of Use Assets	52
NOTE 19 Intangible Assets	53
NOTE 20 Provisions, Contingent Assets and Liabilities.....	54-56
NOTE 21 Short Term Provisions.....	57
NOTE 22 Employee Benefit Liabilities.....	58
NOTE 23 Other Current Assets and Liabilities.....	58
NOTE 24 Share Capital.....	58-60
NOTE 25 Sales and Cost of Sales.....	61-63
NOTE 26 Research and Development General Administrative Expenses and Marketing Expenses.....	64-65
NOTE 27 Other Operating Income/(Expenses).....	66
NOTE 28 Investment Activities Income / (Expenses).....	67
NOTE 29 Finance Income / (Expenses).....	68
NOTE 30 Tax Assets and Liabilities.....	69-72
NOTE 31 Earnings Per Share.....	72
NOTE 32 Financial Instruments.....	72
NOTE 33 Nature and Level of Risks Derived From Financial Instruments.....	73-81
NOTE 34 Financial Instruments (Fair Value Disclosures and Hedge Accounting Disclosures).....	82
NOTE 35 Other Issues Affecting the Consolidated Financial Statements Significantly or Required to be Disclosed for Clear, Understandable and	83
NOTE 36 Subsequent Events.....	83

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ**CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020**

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Unreviewed</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
ASSETS	References	31.03.2020	31.12.2019
Current Assets		772,576,763	731,777,880
Cash and Cash Equivalents	4	37,544,113	30,933,504
Trade Receivables		158,038,600	124,239,432
<i>Trade Receivables from Related Parties</i>	6-7	73,197,536	46,036,187
<i>Trade Receivables from Third Parties</i>	7	84,841,064	78,203,245
Other Receivables		11,221,016	13,888,782
<i>Other Receivables from Related Parties</i>	6-9	2,270	6,367,331
<i>Other Receivables from Third Parties</i>	9	11,218,746	7,521,451
Derivative Financial Instruments	10	380,475	-
Inventories	11	469,662,713	466,218,932
Biological Assets	12	2,801,519	3,814,567
Prepaid Expenses	13	8,296,397	5,172,751
Current Tax Assets	14	636,660	601,656
Other Current Assets	23	83,995,270	86,908,256
Non-Current Assets		855,504,403	798,537,085
Other Receivables	9	138,975	155,520
Investments Valued by Equity Pick-up Method	15	165,325,550	161,886,255
Investment Properties	16	66,075,000	66,075,000
Tangible Assets	17	548,117,201	487,389,051
Right of Use Assets	18	753,945	947,363
Intangible Assets	19	9,751,190	9,994,902
Prepaid Expenses	13	12,399,027	34,666,257
Deferred Tax Assets	30	52,943,515	37,422,737
TOTAL ASSETS		1,628,081,166	1,530,314,965

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2020

(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

		<i>Unreviewed</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
LIABILITIES	References	31.03.2020	31.12.2019
Current Liabilities		885,235,191	827,606,353
Short Term Borrowings		473,755,525	384,853,677
<i>Financial Borrowings to Third Parties</i>		473,755,525	384,853,677
- Bank Loans	8	473,755,525	384,853,677
Current Installments of Long Term Financial Borrowings		145,190,602	148,034,318
<i>Current Installments of Long Term Financial Borrowings to Third Parties</i>		145,190,602	148,034,318
- Bank Loans	8	140,454,714	143,584,954
- Leasing Payables	8	4,170,259	3,865,231
- Other Current Installments of Long Term Financial Borrowings	8	565,629	584,133
Trade Payables		214,496,468	267,149,534
<i>Trade Payables to Related Parties</i>	6-7	756,779	-
<i>Trade Payables to Third Parties</i>	7	213,739,689	267,149,534
Employee Benefit Liabilities	22	19,310,388	13,910,161
Other Payables		18,920,046	2,452,989
<i>Other Payables to Related Parties</i>	6-9	17,148,075	85,050
<i>Other Payables to Third Parties</i>	9	1,771,971	2,367,939
Deferred Income	13	6,585,708	4,032,874
Current Tax Liabilities of Period Profit	30	450,379	-
Current Provisions		6,526,075	7,172,800
<i>Provision for employee benefits</i>	21	6,088,994	6,735,719
<i>Other current provisions</i>	21	437,081	437,081
Non-Current Liabilities		639,542,033	521,646,259
Long Term Borrowings		581,338,368	468,143,313
<i>Long Term Borrowings to Third Parties</i>		581,338,368	468,143,313
- Bank Loans	8	577,983,317	464,022,276
- Leasing Payables	8	3,058,933	3,659,549
- Other Long Term Borrowings	8	296,118	461,488
Long Term Provisions		52,699,662	48,560,363
<i>Long Term Provisions for Employee Benefits</i>	21	52,699,662	48,560,363
Deferred Tax Liabilities	30	5,504,003	4,942,583
Equity		103,303,942	181,062,353
Parent Company's Equity		123,991,133	196,126,309
Paid in Capital	24.1	250,000,000	250,000,000
Inflationary Adjustments of Shareholder's Equity	24.2	485,133	485,133
Effect of mergers involving undertakings or businesses subject to common control	3	(25,567,435)	(25,567,435)
Accumulated Other Comprehensive Income or Expenses not to be Reclassified on Profit or Loss			
<i>Defined Benefit Plans Re-Measurement Gains / (Losses)</i>	24.3	1,098,127	(28,816)
Restricted Reserves	24.4	10,460,462	10,460,462
<i>Legal Reserves</i>	24.4	10,460,462	10,460,462
Retained Earnings / Losses	24.5	(39,223,035)	(25,858,051)
Net Profit / (Loss) for the Period		(73,262,119)	(13,364,984)
Minority Interests	24.6	(20,687,191)	(15,063,956)
TOTAL LIABILITIES AND EQUITY		1,628,081,166	1,530,314,965

The accompanying notes form an integral part of these financial statements

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE PERIOD OF 1 JANUARY-31 MARCH 2020 AND 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Unreviewed</i>	<i>Unreviewed</i>
	Footnote References	Current Period 01.01- 31.03.2020	Prior Period 01.01- 31.03.2019
Revenue	25.1	331,977,737	247,895,281
Cost of Sales (-)	25.2	(306,173,755)	(209,115,477)
Gross Profit / (Loss)		25,803,982	38,779,804
General Administrative Expenses (-)	26.3	(8,293,087)	(7,052,461)
Marketing Expenses (-)	26.2	(9,039,797)	(7,066,402)
Research and Development Expenses (-)	26.1	(952,111)	(261,004)
Other Operating Income	27.1	13,412,508	12,038,704
Other Operating Expenses (-)	27.2	(22,128,405)	(9,279,486)
Operating Profit / (Loss)		(1,196,910)	27,159,155
Income from Investment Activities	28.1	4,900	176
Expenses from Investment Activities (-)	28.2	-	(11,384)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	28.3	3,439,295	1,179,596
Operating Activity Profit/(Loss) Before Financial Expense		2,247,285	28,327,543
Financial Income	29.1	3,476,978	3,331,173
Financial Expenses (-)	29.2	(99,404,086)	(59,477,125)
Operating Activity Profit/(Loss) Before Taxation		(93,679,823)	(27,818,409)
Operating Activity Tax Income/(Expense)			
Current Tax Income/(Expense)	30	(450,379)	-
Deferred Tax Income/(Expense)	30	15,241,844	2,629,558
Current Period Operating Activity Profit / (Loss)		(78,888,358)	(25,188,851)
Profit/(Loss) for the Period		(78,888,358)	(25,188,851)
Distribution of the Period Income/(Loss)			
Minority Interests	24.6	(5,626,239)	(2,490,971)
Parent Company's Shares		(73,262,119)	(22,697,880)
Earnings Per Share	31	(0.2930)	(0.0908)
Other Comprehensive Income			
Income (Expenses) not to be Reclassified on Profit or (Loss)			
- Defined Benefit Plans Re-Measurement Gains (Losses)		1,412,433	166,857
-Deferred Tax Income / (Expense)		(282,486)	(33,371)
Other Comprehensive Income		1,129,947	133,486
Total Comprehensive Income/(Expense)		(77,758,411)	(25,055,365)
Distribution of Total Comprehensive Income			
Minority Interests		(5,623,235)	(2,488,324)
Parent Company's Shares		(72,135,176)	(22,567,041)

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

STATEMENT OF CONSOLIDATED CHANGES IN SHAREHOLDER'S EQUITY FOR THE PERIODS OF 1 JANUARY – 31 MARCH 2020 AND 2019

(Currency – Turkish Lira “TRY” unless expressed otherwise.)

					Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss		Accumulated profits				
	Footnote References	Paid in Capital	Adjustments of Shareholders' Equity	Effect of Mergers Involving Undertakings or Businesses Subject to Common Control	Defined Benefit Plans Re-Measurement Gains (Losses)	Restricted Reserves	Accumulated Profit/Loss	Net Profit/Loss For The Period	Parent Company's Equity	Minority Interests	Total Equity
Balances reported at 01.01.2019		250,000,000	485,133	(25,567,435)	239,108	10,209,777	95,896,998	(72,953,293)	258,310,288	(10,726,104)	247,584,184
Adjustment related to corrections		-	-	-	-	-	(34,809,593)	(13,741,478)	(48,551,071)	-	(48,551,071)
Balances revised at 01.01.2019	24	250,000,000	485,133	(25,567,435)	239,108	10,209,777	61,087,405	(86,694,771)	209,759,217	(10,726,104)	199,033,113
Transfers	24	-	-	-	-	-	(86,694,771)	86,694,771	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	130,839	-	-	(22,697,880)	(22,567,041)	(2,488,324)	(25,055,365)
- Profit/(Loss) for the Period	24	-	-	-	-	-	-	(22,697,880)	(22,697,880)	(2,490,971)	(25,188,851)
- Other Comprehensive Income/(Expense)	24	-	-	-	130,839	-	-	-	130,839	2,647	133,486
Balances at 31.03.2019	24	250,000,000	485,133	(25,567,435)	369,947	10,209,777	(25,607,366)	(22,697,880)	187,192,176	(13,214,428)	173,977,748
Balances at 01.01.2020	24	250,000,000	485,133	(25,567,435)	(28,816)	10,460,462	(25,858,051)	(13,364,984)	196,126,309	(15,063,956)	181,062,353
Transfers	24	-	-	-	-	-	(13,364,984)	13,364,984	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	1,126,943	-	-	(73,262,119)	(72,135,176)	(5,623,235)	(77,758,411)
- Profit/(Loss) for the Period	24	-	-	-	-	-	-	(73,262,119)	(73,262,119)	(5,626,239)	(78,888,358)
- Other Comprehensive Income/(Expense)	24	-	-	-	1,126,943	-	-	-	1,126,943	3,004	1,129,947
Balances at 31.03.2020	24	250,000,000	485,133	(25,567,435)	1,098,127	10,460,462	(39,223,035)	(73,262,119)	123,991,133	(20,687,191)	103,303,942

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF 31 MARCH 2020 AND 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

	Footnote References	Unreviewed Current Period 01.01- 31.03.2020	Unreviewed Prior Period 01.01- 31.03.2019
CASH FLOWS FROM THE OPERATING ACTIVITIES		(40,694,701)	(18,305,583)
Profit/(Loss) for the Period			
Current Period Operating Activity Profit / (Loss)		(78,888,358)	(25,188,851)
Adjustments Related with Net Profit/Loss for The Period		75,813,824	59,056,930
Adjustments for depreciation, amortisation expenses	17-18-19	8,715,375	7,855,199
Adjustments to Impairment (Cancellation)			
- Adjustments to Impairment (Cancellation) in Receivables	7	(16,949)	-
Adjustments related to the provisions			
- Adjustments for employee termination benefits	21-26.2-26.3	5,269,246	3,275,150
- Adjustment for provision for expenses and lawsuits	21	-	(200,513)
- Adjustment for other provisions or reversals	21	(646,725)	1,022,880
Adjustments for interest income and expense			
- Adjustments for interest income			
- Adjustments for interest expenses	8-30	3,383,619	8,355,285
- Unearned income from futures sale	27.1	2,702,295	5,070,403
- Deferred financial expense arise from forward purchasing	27.2	(4,371,772)	(3,963,624)
Adjustments for fair value income or loss			
- Adjustments for financial instruments fair value losses /(profits)	10-29	(380,475)	99,275
Adjustment for unrealized currency translation differences		79,557,863	41,318,658
Adjustments for retained earnings of investments subject to equity pick-up method			
- Adjustment for retained earnings of subsidiaries	15	(3,439,295)	(1,179,596)
Tax payments/returns	30	(14,959,358)	(2,596,187)
Changes in the Company Capital		(38,070,546)	(51,817,269)
Adjustments for increase/decrease in financial assets	5	-	6,668,303
Adjustments for increase/decrease in trade receivables			
- Adjustments for increase/decrease in trade receivables from related parties	6-7	(27,161,349)	(3,881,202)
- Adjustments for increase/decrease in trade receivables from third parties	7	(9,323,165)	23,229,521
Adjustments for increase/decrease in other receivables related to the operations			
- Adjustments for increase/decrease in other receivables from related parties related to the operations	6-9	6,365,061	(5,288,618)
- Adjustments for increase/decrease in other receivables from third parties related to the operations	9-14-23	(802,768)	(6,337,972)
Adjustments for increase/decrease in inventories	11	(3,443,781)	(78,331,962)
Adjustments related to the increase/decrease in biological assets	12	1,013,048	790,961
Adjustments for increase/decrease in prepaid expenses	13	19,143,584	(2,945,037)
Adjustments for increase/decrease in trade payables			
- Adjustments for increase/decrease in trade payables to related parties	6-7	756,779	(6,248,547)
- Adjustments for increase/decrease in trade payables to third parties	7	(49,038,073)	18,419,707
Increase/decrease in employee benefits liabilities	22	5,400,227	3,457,328
Adjustments for increase/decrease in other payables related to the operations			
- Adjustments for increase/decrease in other payables from related parties related to the operations	6-9	17,063,025	3,355,765
- Adjustments for increase/decrease in other payables from third parties related to the operations	9	(595,968)	(3,620,364)
Increase/decrease in deferred tax)	13	2,552,834	(1,085,152)
Cash Flow from Operating Activities		(41,145,080)	(17,949,190)
Tax payments/returns	30	450,379	(356,393)

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIODS OF 31 MARCH 2020 AND 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Unreviewed Current Period 01.01- 31.03.2020</i>	<i>Unreviewed Prior Period 01.01- 31.03.2019</i>
	Footnote References		
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES		(69,006,395)	(752,957)
Proceeds from sale of property, plant, equipment and intangible assets			
- Proceeds from sale of tangible assets	17	-	62,137
Cash outflows from purchase of property, plant, equipment and intangible assets			
- Cash outflows from purchase of tangible assets	17	(68,907,510)	(6,060,571)
- Cash outflows from purchase of intangible assets	19	(98,885)	(865,771)
Cash outflows from purchase of investment property	16	-	(5,408,752)
Dividends Received	29	-	11,520,000
CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES		116,311,705	1,034,837
Cash inflows from financial liabilities			
- Cash inflows from bank loans		315,161,232	159,287,438
Cash outflows from financial liabilities			
- Cash outflows for bank loans		(198,370,065)	(157,760,225)
- Cash outflows from other financial liabilities	8	(183,874)	(131,547)
Cash outflows from finance leases	8	(295,588)	(360,829)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN EXCHANGE CURRENCY DIFFERENCES (A+B+C)		6,610,609	(18,023,703)
CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE		6,610,609	(18,023,703)
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD	4	30,933,504	30,662,280
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	37,544,113	12,638,577

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi (“The Company”), its Subsidiaries and Equity participations are referred as “Group” in the accompanying consolidated financial statements.

The entities mentioned below are applied “Full Consolidation Method”:

- Menderes Tekstil Sanayi ve Ticaret A.Ş.
- Smyrna Seracılık Ticaret A.Ş.
- Tan Elektrik Üretim A.Ş.
- Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

The entities mentioned below are applied by “Equity Pick up Method”:

- Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Menderes Tekstil Sanayi ve Ticaret A.Ş.

The Company produces cotton press, electric energy, yarn, fabric, valances, dust ruffles, ruffled and tailored shams, comforter shells, printed towels and linens in integrated cotton and synthetic textile establishment.

The Company address registered on the Trade Registry Gazette is Adalet Mahallesi, Manas Bulvarı, No:47/A 42. Kat Bayraklı, İzmir.

As of 31 March 2020, 4,019 personnel are employed by the Company and average number of personnel is 3,987 for the period of 01.01-31.03.2020.

Company shares are traded in the Borsa Istanbul since 2000.

Production Capacity (Textile)

According to the capacity report from Denizli Industrial Chamber dated 20 April 2020, numbered 174 and valid until 20 April 2022, the Company annual production capacity is as follows: (Companies production capacity has been calculated with daily 8 hours, yearly 300 days. Company works for 3 shifts in a day):

Products	Unit	Quantity
Cotton yarn (is used in its production)	Kg	5,438,718
Raw fabric woven (is used in its production))	m ²	59,151,060
Knitted fabric (is used in its production))	Kg	1,004,400
Linens	Kg	19,477,500
Pillow case	Kg	5,670,000
Sheet	Kg	7,218,750
Fabric painting (is used in its production)	Kg	3,744,000
Fabric printing (is used in its production)	Kg	14,121,000
Digital fabric printing (is used in its production))	Kg	1,573,719

Production Capacity (Energy)

According to the capacity report from Denizli Industrial Chamber dated 08 March 2019, numbered 107 and valid until 13 March 2021, the Company annual production capacity is as follows:

	Unit	Quantity
Electricity energy	Kilowatt hour	161,827,000
Steam (is used in its production)	Joule	617,569,920,000
Hot water (is used in its production)	Joule	238,360,320,000

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Smyrna Seracılık Ticaret A.Ş.

Smyrna Seracılık Ticaret A.Ş. was established in 2007 in İzmir. It is engaged in agricultural production. In the Trade Registry Gazette numbered 7296 and dated 21 April 2009, the Company name has been changed from Smyrna Organik Tarım Sanayi ve Ticaret A.Ş. to Smyrna Seracılık Ticaret A.Ş. The Company has been included to the complete consolidation in 2009.

Smyrna Seracılık Ticaret A.Ş. has operated on the existing area which is 204,272_m².

Capacity Report 1 (Sarayköy)

According to the capacity report from Denizli Industrial Chamber dated 16 May 2019, numbered 249 and valid until 17 May 2021, The Company production capacity is as follows:

Product	Unit	Quantity
Tomato	Ton	6,480

The Company recorded address to the trade registry is Köyiçi Mevkii, Tosunlar Kasabası Sarayköy, Denizli.

As of 31 March 2020, 235 personnel are employed by the Company and the average number of personnel is 232 for the period of 01.01-31.03.2020.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş.

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. is established on 13 July 1998 in Denizli. It is engaged in producing electricity, hot water and steam. The Company annual electricity production capacity production is 45,976,000 kilowatt.

As of 31 March 2020, 36 personnel are employed by the Company and the average number of personnel is 37 for the period of 01.01-31.03.2020.

Tan Elektrik Üretim A.Ş.

Tan Elektrik Üretim A.Ş. was established in Izmir on 18 July 2006 as “MTT Elektrik Üretim A.Ş.” The Company name was changed to “Tan Elektrik Üretim A.Ş.” on 9 November 2006. Main activity of Company is building production facilities, joining in to operation, renting, generating electricity and marketing electricity to customers. The Company annual electricity production capacity production is 72,417,600 kilowatt. Tan Elektrik Üretim A.Ş. started producing electricity at October 2014.

As of 31 March 2020, 13 personnel are employed by the Company and the average number of personnel is 12 for the period of 01.01-31.03.2020.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş. was established in 2006. Headquarter of the Company is in Izmir. Company operates vehicle inspection stations which are privatized within the context of law numbered 4046, in Aydın, Manisa, Denizli and Izmir for 20 years. Company has integrated 21 established and 8 mobile vehicle inspection stations. License rights have been started in 2008 and will continue until 2028.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.a. Basis of Presentation

Compliance Statement

The Group is predicate on Turkish Commercial Code ("TCC"), tax legislation of the Republic of Turkey and the Uniform Chart of Accounts issued by the Ministry of Finance while maintaining its legal accounting records and preparing statutory financial statements. Financial statements, except financial assets and liabilities which are signified by the fair value, on the basis of historical cost in Turkish Lira ("TRY") have been prepared. Financial statements prepared in accordance with the historical cost basis and in order to make fair presentation in accordance with IAS / IFRS, to the legal records required adjustments and reclassifications are reflected. Paid in capital, premiums on shares and restricted reserves in equity are reflected with their statutory accounting records.

The Preparation of Financial Statements

The accompanying consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets"(the Communiqué) announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676, also put into place by Public Oversight, Accounting and Auditing Standards Authority(POA). TAS; Turkish Accounting Standards, Turkish Financial Reporting Standards and related annexes and interpretations.

The accompanying financial statements of the Group are prepared in accordance with the CMB's announcement dated 07 June 2013 "Announcements on Financial Statements and Footnote Formats". In addition, The accompanying consolidated financial statements are prepared in accordance with resolution No 30 TAS taxonomy published by POAASA on 2 June 2016 and in accordance with the TAS taxonomy announced by POAASA as current "2019 TFRS including TFRS-15 Revenue from contracts with customers and TFRS-16 Leases on 15 April 2019.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the consolidated financial statements of the Group have been prepared accordingly.

Approval of Financial Statements

Consolidated financial statements are approved by the Board of Directors and granted authority to publish on 02 June 2020. Boards of Directors have authority to change financial statements

Currency Measurement and Reporting Currency

As of 31 March 2020 and 31 December 2019, Group's functional and reporting currency unit is represented in TRY compared to previous periods.

Rounding of amounts presented in financial statements

The financial information given in TRY has been rounded to the nearest full TRY value.

Going Concern

The consolidated financial statements including the accounts of the parent Group, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Offsetting

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Basis of Consolidation

The capital structure of subsidiaries and participations are as follows:

Subsidiaries	Consolidation Method	Menderes' share		
		Direct Share	Indirect Share	Total Share
Smyrna Seracılık Ticaret A.Ş.	Full Consolidation	%79.17	-	%79.17
Tan Elektrik Üretim A.Ş.	Full Consolidation	%66.00	%1.90	%67.90
Akça Enerji Üretim Otoprodüktör Grubu A.Ş.	Full Consolidation	%68.00	%12.42	%80.42

Participations	Consolidation Method	Menderes' share		
		Direct Share	Indirect Share	Total Share
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	Equity Pick up	%48.00	-	%48.00

Investments in associates are accounted via using the equity method. These are entities in which the Group generally holds between 20% and 50% of the voting rights, or where the Group has significant influence, as well as not having control over the operations of the Group.

Subsidiaries are included in consolidation as of the date of transition to the controlling the Group and they are excluded from the scope of consolidation as of the date of completion of the control.

The share of minority shareholders in the net assets and operating results of the Subsidiaries are presented as minority interest in the consolidated balance sheet and income statement.

In the accompanying consolidated financial statements, results of operations and assets and liabilities of associates are accounted for using the equity method of accounting. According to the equity method, associates in the consolidated financial statements are shown on the basis of the amount obtained by subtracting the cost value from the net assets of the subsidiary after deducting any impairment in the associate. Losses that exceed the share of the Group in the associate are not recognized in the records. Additional loss is due to the fact that the Group has been exposed to legal or implied liability or has made payments on behalf of an affiliate or business partnership.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020 and 31 December 2019, the capital structure of subsidiaries and participations are as follows:

Menderes Tekstil Sanayi ve Ticaret A.Ş. (Parent Company)

	31.03.2020	31.12.2019
	Ratio %	Ratio %
Public Offered Shares	46.88	46.88
Akça Holding A.Ş.	50.73	50.73
Other	2.39	2.39
	%100	%100

Akça Holding A.Ş.(Controlling Shareholder of Menderes Tekstil Sanayi ve Ticaret A.Ş.)

	31.03.2020	31.12.2019
	Ratio %	Ratio %
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	28.51	28.51
Rıza Akça	34.19	34.19
Dilek Göksan	17.10	17.10
Ahmet Bilge Göksan	17.10	17.10
Menderes Tekstil Pazarlama A.Ş.	3.10	3.10
	%100	%100

Smyrna Seracılık Ticaret A.Ş. (Subsidiary)

	31.03.2020	31.12.2019
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	79.17	79.17
Rıza Akça	10.31	10.31
Ahmet Bilge Göksan	5.16	5.16
Dilek Göksan	5.16	5.16
Other	0.20	0.20
	%100	%100

Tan Elektrik Üretim A.Ş. (Subsidiary)

	31.03.2020	31.12.2019
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	66.00	66.00
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	28.00	28.00
Smyrna Seracılık A.Ş.	2.40	2.40
Akça Holding A.Ş.	2.00	2.00
Other	1.60	1.60
	%100	%100

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (Subsidiary)

	31.03.2020	31.12.2019
	Ratio %	Ratio %
Menderes Tekstil Sanayi ve Ticaret A.Ş.	68.00	68.00
Tan Elektrik Üretim A.Ş.	18.29	18.29
Akça Holding A.Ş.	7.01	7.01
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	4.29	4.29
Selin Tekstil Sanayi Ticaret A.Ş.	2.22	2.22
Akçasaraylı Tekstil Ltd. Şti.	0.19	0.19
	%100	%100

Aktur Araç Muayene İstasyon İşletmeleri A.Ş. (Participation)

	31.03.2020	31.12.2019
	Ratio %	Ratio %
Zeybekçi Holding A.Ş.	50.00	50.00
Menderes Tekstil Sanayi ve Ticaret A.Ş.	48.00	48.00
Akça Holding A.Ş.	2.00	2.00
	%100	%100

2.b. Changes in Accounting Policies

A group only could change its accounting policy under following circumstances;

- If a standard or interpretation makes it necessary or
- If the change make effect of operations or incidents on financial position and performance or cash flows more appropriate and reliable.

Financial statements have to be comparable to see trends in financial position of companies, performance and cash flows for users of financial statements. Accordingly why, if the change is not granting one of above conditions, each interim and fiscal periods has to be applied same accounting policy.

Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Group’s financial statements as at and for the year ended 31 December 2019.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

2.c. Changes in Accounting Estimates and Errors

The accompanying financial statements necessitate that some predictions about income and expenses regarding possible assets and liabilities in the financial statements prepared by group management to be compatible with statements required by Capital Market Board. Realized amounts can differ from the predictions. These predictions are observed regularly and reported periodically in income statements.

During the retrospective analysis, it was determined that in the financial transactions with Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş, which is a related party of the Group, the exchange rate differences calculated in TRY were inadvertently added to the USD balance in the currency valuation made in the March, June, and September 2013.

As a result of the period ended on 31 December 2013, the amount of liability, which should have been shown as USD 8,555,320, was increased by USD 9,228,663 and reported as USD 17,783,982.

As a result of the correction of the USD 9,228,663 principal receivable that occurred in favor of the Company due to incorrect currency evaluations performed during the 2013 operating period, a total of TRY 54,820,102, including TRY 19.696,735 principal and foreign exchange difference and TRY 35,123,367 foreign exchange difference adjustment in other years, was retrospectively corrected (Note: 35). The summary of the differences resulting from the foreign currency valuation of the related balance as of previous periods is as follows;

	01 January - 31 March 2019		Revised
	Reported	Adjustment	
Profit and Loss Statement			
Financial Expenses	(56,085,591)	(3,391,534)	(59,477,125)
Total		(3,391,534)	

2.d. Comparative Information and Previous Periods Adjustments

For the purpose of conducting a comparison of financial position and performance trend, Group’s current financial statements are prepared comparative with previous periods. Comparative information is reclassified to be compatible with the presentation of current financial statements, when necessary.

The Group has presented the financial statements dated 31 March 2020 with financial statements dated 31 December 2019, the profit or loss and other comprehensive income statement, cash flow statement and the statement of changes in equity for the period of 01 January – 31 March 2020 with 01 January – 31 March 2019 comparatively.

2.e. New and amended standards and interpretations

The Company has applied the new and amended standards and interpretations issued by the POA as of 1 January 2020 and related to its field of activity.

Standards, amendments and interpretations applicable as at 31 March 2020:

Amendment to IFRS 9, ‘Financial instruments’; Effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The amendments will not have an impact on the financial position or performance of the Group.

IFRS 16, ‘Leases’; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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.

Amendment to IAS 28, ‘Investments in associates and joint venture’; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The amendments will not have an impact on the financial position or performance of the Group.

IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is evaluating the impact of the standard on its financial position and performance.

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Group is evaluating the impact of the standard on its financial position and performance.

Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Group is evaluating the impact of the standard on its financial position and performance.

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

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

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

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

The new standards, amendments and interpretations which are not yet effective as at 31 March 2020 are as follows:

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendments will not have an impact on the financial position or performance of the Group.

TAS 1, “Presentation of financial statements” amendment regarding the classification of liabilities; Valid for annual reporting periods starting on January 1, 2022 or after this date. TAS 1 describes these narrow changes in the "presentation of financial statements" standard that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The amendment also clarifies what it means to “pay” an obligation of TAS 1. The Group is evaluating the impact of the standard on its financial position and performance.

2.f. Summary of Significant Accounting Policy

Revenue Recognition

Group recognises revenue based on the following five principles in accordance with the TFRS 15 - “Revenue from Contracts with Customers” standard effective from 1 January 2018:

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

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

The goods or services are transferred when the control of the goods or services is delivered to the customers. Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group’s collection right of the consideration for the goods or services,
- b) customer’s ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer’s ownership of significant risks and rewards related to the goods or services,
- e) customer’s acceptance of goods or services.

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

Interest Income

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

Interest and foreign exchange gains and losses arising from trading transactions are recognized in other operating income and expense.

Dividend income is recorded as income of the collection right transfer date. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Inventories

Inventories are valued at the lower of cost or net realizable value. Inventory costs include purchasing costs. The unit cost of inventories is determined average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Biological Assets

Group’s biological assets consist of planted tomatoes. Uncultivated tomatoes are reflected in the consolidated financial statements after the provision for impairment is booked, if there is a decrease in cost due to the absence of an active market.

Tangible Assets

Tangible assets are reflected with adjusted cost value according to the inflationary accounting effective for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated depreciation.

Tangible assets are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line basis with prorates method based on the estimated useful lives of the assets. Expenses for the repair of property, plant and equipment are normally charged as an expense.

Economic useful lives of assets approximately are as follows:

	<u>Year</u>
Land improvements	10-40
Buildings	30-50
Machinery, plant and equipments	5-15
Energy facilities	20-25
Motor vehicles	5-10
Fixtures and fittings	3-20

Intangible Assets

Intangible assets are reflected with adjusted cost value according to the inflationary accounting effective for the entries purchased before 01 January 2005 and acquired cost of entries purchased after 01 January 2005 by deducting the accumulated amortization.

Intangible assets comprise acquired usage rights, information systems, research and development expenses and other identified rights. They are recorded at acquisition cost and amortized on a straight-line based on pro-rata over their estimated useful lives for a period not exceeding between 10% and 20% for a year.

Investment Properties

Land and buildings held for the purpose of obtaining rent or capital gains, or both, are classified as "investment property", rather than for use in the production of goods and services or for sale for administrative purposes or during normal course of business. The investment properties of the Group are revalued based on the expertise report prepared by ROTA Taşınmaz Değerleme ve Danışmanlık A.Ş. Investment properties (except land) are depreciated on a straight-line basis in accordance with the useful life and acquisition date.

Investments are revaluated for possible impairment, and if the carrying amount of an investment property exceeds to the recoverable amount of the investment property at the end of the evaluation, the provision is reduced to its recoverable amount. Recoverable amount is recognized as the higher of net cash flows from the current use of the investment property and the net selling price.

Impairment of Assets

The carrying amounts of the Group’s assets other than goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the comprehensive statement of income. The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortisation amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the comprehensive statement of income.

Right-of-Use Assets

The Group recognises right-of-use assets at the commencement of the lease(i.e, the date of underlying asset is available for use)Right-of-use assets are measured at cost,less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- (a) the amount of lease liabilities recognised,
- (b) lease payments made at or before the commencement date less any lease incentives received.
- (c) initial direct costs incurred.

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

Right-of-use assets are subject to impairment.

Lease Liabilities

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

At the commencement date of the lease, the measurement of the lease liabilities include:

- (a) Fixed payments,
- (b) The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs,
- (c) The amounts expected to be paid by the Group under residual value guarantees.
- (d) The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and
- (e) The payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the Group measures the amount of lease liabilities as follows :

- (a) The amount of lease liabilities is increased to reflect the accretion of interest and
- (b) Reduces for the lease payments made.

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

Short – term leases and leases of low-value assets

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

Borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings.

In case of foreign exchange income in the financing activities, the related income is deducted from the total of capitalized financial expenses.

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

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

Financial Assets

Classification

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

Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “financial investments”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

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

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using “Expected credit loss model” (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below;

- 12 Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

The group may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

Trade Receivables

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

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

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

Unearned finance income/expense due to commercial transactions are accounted for under “Other Operating Income/Expenses” in the consolidated statement of income or loss.

The Group collects some of its receivables through factoring. The receivables that are subject to the factoring transaction are deducted from their respective receivables accounts, if the collection risk is undertaken by the Factoring Group. The amounts at Group's collection risk continue to be transferred to the Consolidated Financial Statements and advances received from the factoring companies are presented as debts from factoring transactions under the "Borrowings" account in the Consolidated Financial Statements.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.

Financial liabilities

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial liabilities are classified as equity instruments and other financial liabilities.

Equity instruments

Financial liabilities related to non-controlling share put options are reflected in the financial statements in conformity with their discounted value of them own redemption plan. The discounted value of the financial liability which is the subject of the put option is estimated to be the fair value of the financial asset.

Other financial liabilities

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

Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

The Effects of Exchange Rates

Foreign currency transactions are entered in the accounts with current rates in transaction date. Foreign currency assets and liabilities in the balance sheet are converted to the TRY as the rates in the balance sheet date. Foreign exchange and losses are reflected to the financial statements.

The foreign currency rates for USD, EUR, GBP and CHF used at the end of the period are as following:

	31.03.2020	31.12.2019
USD	6.5160	5.9402
EUR	7.2150	6.6506
GBP	8.0579	7.7765
CHF	6.8013	6.0932

Effects of Change in Currency Rate

Assets and liabilities in foreign currency and purchase and sale commitments create exchange risk. Foreign exchange risk stemming from depreciation or appreciation of Turkish Lira managed by top management by following the currency position of the Group and taking position according to approved limits.

Earnings per Share / (Loss)

The amount of gain / loss per share is calculated by dividing the period gain/ loss of the Group with weighted average share unit in the period.

In Turkey, companies can increase their share capital by making distribution of “bonus shares” to existing shareholders from Inflation adjustment difference in shareholder’s equity. For the purpose of the earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of “bonus shares” issued without corresponding change in resources by giving them retroactive effect for the period in which they were issued and each earlier period.

Investments Subject to Equity Pick-up Method

Equities valued with equity pick-up method are carried at their initial acquisition cost. This amount is accounted by equity pick-up method by restating subject to Group accounting policies calculating the share of Group from the net assets.

Employee Benefits / Severance Pay

- **Provision for severance pay**

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. As of 31 March 2020, such payments are calculated on the basis of 30 days’ pay limited to a maximum of TRY 6,730 (31 December 2019: TRY 6,380) per year of employment at the rate of pay applicable at the date of retirement.

Group used “Projection Method” to calculate the termination benefits and the duration to be completed based on the past experience and discounted with rate of Treasury bond at balance sheet date. The calculated profits and losses are reflected in income statements

The ratios of the basic assumptions used on the balance sheet date are as follows:

	31.03.2020	31.12.2019
Interest rate	% 13.75	% 11.76
Inflation rate	% 7.40	% 5.40
Discount rate	% 5.91	% 6.03

Employee Benefits / Severance Pay

- **Social Insurance Premium**

Group, pays social security contribution to social security organization compulsorily. So long as the Group pays these premiums, it has no liability. These premiums are reflected as personnel expenses in the period in which they are paid.

Taxes

Taxes on income for the period comprise current tax and the change in the deferred taxes. The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates enacted by the balance sheet date. Deferred tax is accounted for using the “liability” method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is accounted by temporary differences between the values of assets and liabilities in financial statements using “liability method” and the values of financial statements for the legal purpose. Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit. Net deferred tax assets created from term differences deducted in proportion as tax allowances in conditions of there is no certain information for the coming periods.

Provisions, Conditional Liabilities and Conditional Assets

Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Conditional liabilities and conditional assets

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements of Group if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Derivative Financial Instruments and Instruments to Protect from Risk

The Group’s derivative financial instruments include foreign currency forward contracts and interest rate swap transactions.

At the end of valuation, the derived financial instruments which are appreciated with the reasonable value and associated with income statement will be reflected as a result of valuation to the income sheet.

It has been calculated with comparison of the revalued gains and losses in the forward purchase and sale agreements of foreign currency with the foreign exchange spot rate as of balance sheet date and the revalued original amount calculated with linear method with valid foreign exchange spot rate as of starting date of agreements. Amounts related with income statement have been classified as income/expense accruals under other receivables and other payables in the balance sheet.

Statement of Cash Flow

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Group’s activities. The Group has preferred to present the cash inflows and outflows from operating activities in the financial statements in indirect way.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

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

Subsequent Events

Although subsequent events arise after the explanation of the financial information to the public or any announcement related to profitability, it encloses all the events with balance sheet date and authorization date for the diffusion of the balance sheet. Group adjusts the amounts in the financial statements if there exists any events necessitates adjustment.

Related Parties

In the presence of one of the following criteria, parties are considered as related to the Group,

- (a) Directly, or indirectly through one or more intermediaries, the party,
- (i) Controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) Has an interest in Group that gives it significant influence over the Group; or
- (iii) Has joint control over the Group;
- (b) The party is an associate of the Group,
- (c) The party is a joint venture, in which the Group is a venture,
- (d) The party is member of the key management personnel of the Group or its parent,
- (e) The party is a close member of the family of any individual referred to in (a) or (d),
- (f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e),
- (g) The party has a defined benefit plan for the employees of the Group or a related party of the Group.

Transactions with related parties are transfer of resources or obligations between related parties, regardless of whether a price is charged. Group interacts with its related parties within the frame of ordinary business activities (Note 6).

Details of related parties are as follows:

Akça Holding A.Ş. “Akça Holding”

Akça Holding A.Ş. was established in 1994 in İzmir. It is engaged in providing financial support to the group firms.

Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş. “Osman Akça Tarım Ürünleri”

Osman Akça Tarım Ürünleri İthalat ve İhracat San. ve Tic. A.Ş. was established on 25 July 1985. Head quarter of The Company is in İzmir. Main activity is established to process the fruit and agricultural products.

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. “Akçasaraylı Tekstil”

Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti. was established in 1990 in İzmir. It is engaged of the sale of textile products.

A trademark lease contract was made between Menderes Tekstil San. and Tic. A.Ş. and Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. Regarding to this signed contract, Akça Saraylı Tekstil San. ve Tic. Ltd.Şti. is obliged to pay 2% of its annual net sales to Menderes Tekstil San. ve Tic. A.Ş. as a leasing fee. Consequently, Akça Saraylı Tekstil San. ve Tic. Ltd. Şti. leased the trademarks of Mendereshome Store-Menderesstore-Menderestore.

Ak-San Sigorta ve Aracılık Hizmetleri Ltd. Şti. “Aksan Sigorta”

Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti. was established on 13 March 1997. Head quarter of the Company is in İzmir. Main activity is insurance intermediary services.

Related parties that do not have any significant activity with the Group are as follows:

Akçamen Tekstil Sanayi ve Ticaret A.Ş.

Selin Tekstil Sanayi ve Ticaret A.Ş.

Menderes Tekstil Pazarlama A.Ş.

Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.

2.g. Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

Deferred Tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax bases and statutory tax financial statements. Such differences usually arise from the fact that certain income and expense items are included in the tax base amounts and financial statements prepared in accordance with TAS at different periods. The Group has unused tax losses that can be deducted from future profits and deferred tax assets consisting of other deductible temporary differences. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and other taxable assets are taken into consideration and tax planning strategies that can be used when necessary are taken into account.

As of 31 March 2020, deferred tax asset is recognized for temporary losses on taxable temporary differences amounting to TRY 75,367,269 which can be foreseen on temporary differences arising from tax deductions and can be utilized in the period in which the tax deduction period can be utilized.

Provision for severance pay

The present value of the retirement pay liability is determined on an actuarial basis using certain assumptions. These assumptions are used in determining the net expense of the termination compensation liabilities and include the rate of reduction. Any change in the underlying assumptions affect the recorded value of the termination indemnity obligation. Actuarial losses and gains are recognized in the statement of comprehensive income in the period in which they are incurred.

The group determines the appropriate reduction rate at the end of each year. This rate is used to calculate the present value of estimated future cash outflows necessary to meet the retirement benefit obligations.

Deferred financing income / expense:

The calculation of the amortized cost of trade receivables and payables by using the effective interest method is based on the expected collection and payment dates of the receivables and payables.

Useful lives:

Tangible and intangible assets are amortised and depreciated on useful lives.

Provisions for litigation:

When setting aside the provision for legal claims the probability of losing the related case and the results to expect to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision

Investment property impairment:

The Group makes a comparison with the valuation report issued by the licensed real estate valuation company at Capital Market Board when evaluating as to whether any indication that there is a decrease in the value of the investment properties.

Distinction of tangible assets and Investment properties:

The Group has classified the properties which it owns and rented as investment properties

The used assumptions are indicated in the related accounting policies or footnotes.

2.h. Segment Reporting

The Group has three business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These divisions are; textile (Menderes Tekstil), agriculture sector (Menderes Tekstil and Smyrna) and energy sector (Akça Enerji and Tan Elektrik) . These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns. When evaluating the segments’ performance, Group Management is utilizing the financial statements prepared in accordance with TFRS (Note 3).

Operating segments are reported in a manner consistent with the reporting provided to the Group’s chief operating decision-maker. The Group’s chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

2.i. Accounting of Business Mergers under Common Control

Public Oversight Accounting and Auditing Standard Authority (POA) has published principal related with transaction under common control in official journal as of 21 July 2013. Due to making up the difference related to applied accounting policies, the accounting principles those are indicated below must be applied hierarchically.

- i) Goodwill should not be included in the financial statements by the reason of accounting through the business mergers including common control business method (pooling of interest),
- ii) While using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of beginning of the reporting period when common control occurs and should be presented by comparatively from the beginning of reporting period when common control occurred,
- iii) The financial statements must be reorganized in accordance with the TAS rules including business accounting when group controller Group of consolidation obtains the controlling companies shares those are in business combinations, also for the following periods,
- iv) Due to removal of possible asset-liability mismatch after business mergers subject to common control, “Effect of the Mergers Subject to Common Control” account under the shareholders equity is used as an equaliser.

This decision will enter into force on the date of publication to be valid on annual reporting periods after 31 December 2012. Companies that have different applications of accounting principles should consider the stated accounting principles as change in accounting policy, and make necessary corrections from the first annual financial statements and companies who are obliged to make interim period reporting must give information about the topic in the footnotes

On 18 July 2016, the Group acquired the share of Tan Elektrik Üretim A.Ş. (Tan Elektrik) management privilege from the Group (nomination of more than one half of the members of the board of directors) by paying TRY 1,800,000 to common control Smyrna Seracılık Ticaret A.Ş., equal to 15% of total shares. With the general assembly meeting decision held on 21 December 2016 , paid-in capital of the Tan Elektrik increased from TRY 12,000,000 to TRY 30,000,000 and the increased portion of TRY 18,000,000 was fully paid by the Group. With this capital increase, the Group 's direct shares in Tan Elektrik increased to 66% and direct + indirect shares increased to 67.90%. With the extraordinary general meeting decision held on 21 December 2016 , paid-in capital of the Akça Enerji Üretim Otoprodüktör Grubu A.Ş. (subsidiary of the Group) increased from TRY 28,000,000 to TRY 70,000,000 and the increased portion of TRY 42,000,000 was fully paid by the Group. With this capital increase, the Group 's direct shares in Akça Enerji increased to 68% and direct + indirect shares increased to 80.42%.

Group evaluate the purchasing transaction by method “combination of rights” within the frame of “Accounting of Business Combinations Under Common Control” oriented resolution (2013-2) Applying the Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Authority. Group reorganize consolidate financial statements as if actualize purchasing transaction as start of reporting period that occurred common control and Group rendered consolidate financial statements as comparative dating from start of reporting period. Goodwill or negative goodwill is not calculated as a result of these transactions. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired Group is directly accounted under shareholder’s equity as effect of combinations including business subject to common control.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 3 – SEGMENT REPORTING

31 March 2020	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
ASSETS					
Cash and Cash Equivalents	32,774,557	1,126,807	3,642,749	-	37,544,113
Trade Receivables	71,709,946	73,439,338	12,889,316	-	158,038,600
Other Receivables	158,539,293	371,468	115,411	(147,805,156)	11,221,016
Derivative Financial Instruments	380,475	-	-	-	380,475
Inventories	415,493,399	53,467,321	701,993	-	469,662,713
Biological Assets	-	2,801,519	-	-	2,801,519
Prepaid Expenses	6,672,571	888,829	734,997	-	8,296,397
Current Tax Assets	243,514	381,169	11,977	-	636,660
Other Current Assets	69,720,262	5,670,594	8,604,414	-	83,995,270
Current Assets	755,534,017	138,147,045	26,700,857	(147,805,156)	772,576,763
Financial Investments	82,180,000	1,142,000	12,800,010	(96,122,010)	-
Other Receivables	51,486	15,682	71,807	-	138,975
Investments Valued by Equity Pick-up Method	165,325,550	-	-	-	165,325,550
Investment Properties	66,075,000	-	-	-	66,075,000
Tangible Assets	170,728,201	16,966,763	360,422,237	-	548,117,201
Right of use assets	589,126	17,595	147,224	-	753,945
Intangible Assets	9,743,907	1,109	6,174	-	9,751,190
Prepaid Expenses	3,988,798	106,111	8,304,118	-	12,399,027
Deferred Tax Assets	33,918,843	688,320	22,794,601	(4,458,249)	52,943,515
Non-Current Assets	532,600,911	18,937,580	404,546,171	(100,580,259)	855,504,403
TOTAL ASSETS	1,288,134,928	157,084,625	431,247,028	(248,385,415)	1,628,081,166
LIABILITIES					
Financial Borrowings	470,120,847	3,634,678	-	-	473,755,525
Current Installments of Long Term Financial Borrowings	83,347,965	25,326	61,817,311	-	145,190,602
Trade Payables	192,167,716	9,043,993	13,284,759	-	214,496,468
Employee Benefits Liabilities	18,304,450	696,678	309,260	-	19,310,388
Other Payables	18,664,039	120,914,365	27,146,798	(147,805,156)	18,920,046
Deferred Income	2,931,462	-	3,654,246	-	6,585,708
Current Tax Liabilities of Period Profit	-	450,379	-	-	450,379
Current Provisions	5,750,153	324,419	451,503	-	6,526,075
Current Liabilities	791,286,632	135,089,838	106,663,877	(147,805,156)	885,235,191
Long Term Borrowings	192,890,472	-	388,447,896	-	581,338,368
Provisions For Long Term Employee Benefits	51,000,666	1,437,775	261,221	-	52,699,662
Deferred Tax Liabilities	818,824	657,134	8,486,294	(4,458,249)	5,504,003
Non-Current Liabilities	244,709,962	2,094,909	397,195,411	(4,458,249)	639,542,033
Paid in Capital	250,000,000	12,000,000	108,000,000	(120,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Mergers Involving Undertakings or Businesses Subject to Common Control	-	-	-	(25,567,435)	(25,567,435)
Accumulated other comprehensive income / expense not to be reclassified on profit or loss	-	-	-	-	-
Defined Benefit Plans Re-Measurement Gains / (Losses)	1,100,100	53,323	(55,394)	98	1,098,127
Restricted Reserves	10,147,245	313,217	127,759	(127,759)	10,460,462
Retained Earnings / Losses	52,006,850	(1,163,921)	(154,700,002)	64,634,038	(39,223,035)
Net Profit / Loss for the Period	(61,600,994)	8,697,259	(25,984,623)	5,626,239	(73,262,119)
Minority Interest	-	-	-	(20,687,191)	(20,687,191)
SHAREHOLDERS' EQUITY	252,138,334	19,899,878	(72,612,260)	(96,122,010)	103,303,942
TOTAL LIABILITIES AND EQUITY	1,288,134,928	157,084,625	431,247,028	(248,385,415)	1,628,081,166

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 December 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
ASSETS					
Cash and Cash Equivalents	29,872,164	739,196	322,144	-	30,933,504
Trade Receivables	70,243,437	46,819,176	7,176,819	-	124,239,432
Other Receivables	46,342,093	315,923	6,124,334	(38,893,568)	13,888,782
Inventories	394,521,680	71,196,223	501,029	-	466,218,932
Biological Assets	-	3,814,567	-	-	3,814,567
Prepaid Expenses	3,978,425	156,024	1,038,302	-	5,172,751
Current Tax Assets	211,159	380,262	10,235	-	601,656
Other Current Assets	71,194,050	5,780,609	9,933,597	-	86,908,256
Current Assets	616,363,008	129,201,980	25,106,460	(38,893,568)	731,777,880
Financial Investments	82,180,000	1,142,000	12,800,010	(96,122,010)	-
Other Receivables	53,249	15,682	86,589	-	155,520
Investments Valued by Equity Pick-up Method	161,886,255	-	-	-	161,886,255
Investment Properties	66,075,000	-	-	-	66,075,000
Tangible Assets	170,201,928	17,511,047	299,676,076	-	487,389,051
Right of use assets	712,113	30,792	204,458	-	947,363
Intangible Assets	9,986,748	1,237	6,917	-	9,994,902
Prepaid Expenses	1,413,428	90,091	33,162,738	-	34,666,257
Deferred Tax Assets	21,113,398	652,086	20,677,035	(5,019,782)	37,422,737
Non-Current Assets	513,622,119	19,442,935	366,613,823	(101,141,792)	798,537,085
TOTAL ASSETS	1,129,985,127	148,644,915	391,720,283	(140,035,360)	1,530,314,965
LIABILITIES					
Financial Borrowings	381,401,005	3,452,672	-	-	384,853,677
Current Installments of Long Term Financial Borrowings	90,357,387	43,144	57,633,787	-	148,034,318
Trade Payables	131,486,160	101,285,131	34,378,243	-	267,149,534
Employee Benefits Liabilities	12,920,547	663,548	326,066	-	13,910,161
Other Payables	2,159,505	14,755,917	24,431,135	(38,893,568)	2,452,989
Deferred Income	1,771,983	-	2,260,891	-	4,032,874
Current Provisions	6,436,900	327,378	408,522	-	7,172,800
Current Liabilities	626,533,487	120,527,790	119,438,644	(38,893,568)	827,606,353
Long Term Borrowings	157,214,448	-	310,928,865	-	468,143,313
Provisions For Long Term Employee Benefits	47,078,771	1,249,286	232,306	-	48,560,363
Deferred Tax Liabilities	1,531,752	679,259	7,751,354	(5,019,782)	4,942,583
Non-Current Liabilities	205,824,971	1,928,545	318,912,525	(5,019,782)	521,646,259
Paid in Capital	250,000,000	12,000,000	108,000,000	(120,000,000)	250,000,000
Inflationary Adjustments of Shareholders' Equity	485,133	-	-	-	485,133
Effect of Mergers Involving Undertakings or Businesses Subject to Common Control	-	-	-	(25,567,435)	(25,567,435)
Accumulated other comprehensive income / expense not to be reclassified on profit or loss					
Defined Benefit Plans Re-Measurement Gains / (Losses)	(14,554)	41,279	(58,643)	3,102	(28,816)
Restricted Reserves	10,147,245	313,217	127,759	(127,759)	10,460,462
Retained Earnings / Losses	43,982,784	381,407	(130,519,534)	60,297,292	(25,858,051)
Net Profit / Loss for the Period	(6,973,939)	13,452,677	(24,180,468)	4,336,746	(13,364,984)
Minority Interest	-	-	-	(15,063,956)	(15,063,956)
SHAREHOLDERS' EQUITY	297,626,669	26,188,580	(46,630,886)	(96,122,010)	181,062,353
TOTAL LIABILITIES AND EQUITY	1,129,985,127	148,644,915	391,720,283	(140,035,360)	1,530,314,965

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 March 2020	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Revenue	221,681,174	86,017,288	24,465,827	(186,552)	331,977,737
Cost of Sales (-)	(215,949,848)	(78,500,299)	(11,914,349)	190,741	(306,173,755)
GROSS PROFIT/LOSS	5,731,326	7,516,989	12,551,478	4,189	25,803,982
General Administrative Expenses (-)	(7,577,131)	(410,873)	(369,365)	64,282	(8,293,087)
Marketing Expenses (-)	(8,883,006)	(156,791)	-	-	(9,039,797)
Research and Development Expenses (-)	(952,111)	-	-	-	(952,111)
Other Operating Income	9,991,061	2,885,156	607,553	(71,262)	13,412,508
Other Operating Expenses (-)	(17,372,861)	(108,502)	(4,649,833)	2,791	(22,128,405)
OPERATING PROFIT/LOSS	(19,062,722)	9,725,979	8,139,833	-	(1,196,910)
Income from Investing Activities	4,900	-	-	-	4,900
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	3,439,295	-	-	-	3,439,295
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	(15,618,527)	9,725,979	8,139,833	-	2,247,285
Financial Income (+)	4,440,470	5,817	383,505	(1,352,814)	3,476,978
Financial Expenses (-)	(64,219,973)	(645,528)	(35,891,399)	1,352,814	(99,404,086)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(75,398,030)	9,086,268	(27,368,061)	-	(93,679,823)
Operating Activity Tax Income / (Expense)					
- Income/Expense Tax for the period	-	(450,379)	-	-	(450,379)
- Deferred Tax Income/Expense	13,797,036	61,370	1,383,438	-	15,241,844
PROFIT/(LOSS) FOR THE PERIOD	(61,600,994)	8,697,259	(25,984,623)	-	(78,888,358)

31 March 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Revenue	176,524,071	49,544,059	21,970,249	(143,098)	247,895,281
Cost of Sales (-)	(154,195,124)	(43,999,512)	(11,063,939)	143,098	(209,115,477)
GROSS PROFIT/LOSS	22,328,947	5,544,547	10,906,310	-	38,779,804
General Administrative Expenses (-)	(6,229,969)	(480,774)	(362,315)	20,597	(7,052,461)
Marketing Expenses (-)	(6,966,740)	(99,662)	-	-	(7,066,402)
Research and Development Expenses (-)	(261,004)	-	-	-	(261,004)
Other Operating Income	11,151,413	395,323	512,565	(20,597)	12,038,704
Other Operating Expenses (-)	(7,018,644)	(2,167,149)	(93,693)	-	(9,279,486)
OPERATING PROFIT/LOSS	13,004,003	3,192,285	10,962,867	-	27,159,155
Income from Investing Activities	-	-	176	-	176
Expense from Investing Activities(-)	-	-	(11,384)	-	(11,384)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	1,179,596	-	-	-	1,179,596
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	14,183,599	3,192,285	10,951,659	-	28,327,543
Financial Income (+)	3,757,862	-	384,163	(810,852)	3,331,173
Financial Expenses (-)	(37,097,338)	(745,417)	(22,445,222)	810,852	(59,477,125)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(19,155,877)	2,446,868	(11,109,400)	-	(27,818,409)
Operating Activity Tax Income / (Expense)					
- Income/Expense Tax for the period	-	-	-	-	-
- Deferred Tax Income/Expense	2,357,443	102,808	169,307	-	2,629,558
PROFIT/(LOSS) FOR THE PERIOD	(16,798,434)	2,549,676	(10,940,093)	-	(25,188,851)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 March 2020	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Assets by Segments					
Investment Property	66,075,000	-	-	-	66,075,000
Total Tangible Assets (Net Book Value)	170,728,201	16,966,763	360,422,237	-	548,117,201
Right of Use Assets (Net Book Value)	589,126	17,595	147,224	-	753,945
Total Intangible Assets (Net Book Value)	9,743,907	1,109	6,174	-	9,751,190
Purchases of Tangible and Intangible Assets	5,116,742	46,881	63,842,772	-	69,006,395
Depreciation Expenses	4,956,297	604,490	3,154,588	-	8,715,375
Total Assets	120,013,113	4,848,429	11,516,304	-	136,377,846
Total Liabilities	836,829,909	-	451,911,774	-	1,288,741,683
Net Asset/ (Liability) Position of Foreign Currency Derivative Instruments Out of Financial Statements	-	-	-	-	-
Net Foreign Currency Asset/ Liabilities	(716,816,796)	4,848,429	(440,395,470)	-	(1,152,363,837)
Financial Payables	746,359,284	3,660,004	450,265,207	-	1,200,284,495
- USD	136,831,919	-	114,674,043	-	251,505,962
- EUR	571,562,684	-	335,392,225	-	906,954,909
- TRY	37,964,681	3,660,004	198,939	-	41,823,624
Export	175,845,296	9,570,717	-	-	185,416,013
Import	76,505,809	-	59,073,476	-	135,579,285
Total Debt	1,035,996,594	137,184,747	503,859,288	(152,263,405)	1,524,777,224
Cash Equivalents	(32,774,556)	(1,126,807)	(3,642,750)	-	(37,544,113)
Net Debt	1,003,222,038	136,057,940	500,216,538	(152,263,405)	1,487,233,111
Total Equity	252,138,334	19,899,878	(72,612,260)	(96,122,010)	103,303,942
Total Capital	1,255,360,372	155,957,818	427,604,278	(248,385,415)	1,590,537,053
Net Debt/Total Capital Ratio	79.92%	87.24%	116.98%		93.51%

31 December 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Assets by Segments					
Investment Property	66,075,000	-	-	-	66,075,000
Total Tangible Assets (Net Book Value)	170,201,927	17,511,048	299,676,076	-	487,389,051
Right of Use Assets (Net Book Value)	712,113	30,792	204,458	-	947,363
Total Intangible Assets (Net Book Value)	9,986,748	1,237	6,917	-	9,994,902
Purchases of Tangible and Intangible Assets	44,476,218	1,099,322	58,460,397	-	104,035,937
Purchases of Investment Property	62,424	-	-	-	62,424
Depreciation Expenses	19,727,957	2,425,096	11,797,124	-	33,950,177
Total Assets	68,777,428	3,757,407	34,905,637	-	107,440,472
Total Liabilities	759,839,662	-	389,389,210	-	1,149,228,872
Net Asset/ (Liability) Position of Foreign Currency Derivative Instruments Out of Financial Statements	-	-	-	-	-
Net Foreign Currency Asset/ Liabilities	(691,062,234)	3,757,407	(354,483,573)	-	(1,041,788,400)
Financial Payables	628,972,840	3,495,816	368,562,652	-	1,001,031,308
- USD	90,632,384	-	105,569,875	-	196,202,259
- EUR	517,320,607	-	262,752,667	-	780,073,274
- GBP	-	-	-	-	-
- TRY	21,019,849	3,495,816	240,110	-	24,755,775
Export	948,451,111	23,384,506	-	-	971,835,617
Import	489,138,822	472,348	24,969,560	-	514,580,730
Total Debt	832,358,458	122,456,335	438,351,169	(43,913,350)	1,349,252,612
Cash Equivalents	(29,872,163)	(739,196)	(322,145)	-	(30,933,504)
Net Debt	802,486,295	121,717,139	438,029,024	(43,913,350)	1,318,319,108
Total Equity	297,626,669	26,188,580	(46,630,886)	(96,122,010)	181,062,353
Total Capital	1,100,112,964	147,905,719	391,398,138	(140,035,360)	1,499,381,461
Net Debt/Total Capital Ratio	72.95%	82.29%	111.91%		87.92%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

Information On The Geographical Region

On a country basis distribution of revenue obtained from the Group's textile sector export activities are as follows:

Region	01.01.- 31.03.2020	01.01.- 31.03.2019
Germany	63%	62%
Italy	10%	11%
England	5%	3%
Netherlands	4%	5%
Russia	4%	4%
U.S.A	3%	1%
France	3%	3%
Poland	2%	2%
United Arab Emirates	1%	1%
China	1%	2%
Other	4%	6%
	100%	100%

Information About Major Clients

The sales activities of the Group are determined according to fluctuations in the domestic and overseas markets and competition conditions. It is taken care of to not to concentrate on a specific sector, country, person and Group in terms of dissolving risks. Even so, as of 31 March 2020, the share of the largest buyer in the revenue from textile sector operations is 60.74 % (31 March 2019: 60.18%). The customer mentioned is a major international supplier and the commercial relation between the customer and the Group has been maintained for many years.

The share of the largest buyers in the revenue from agriculture sector operations is 98.85%.(31 March 2019: 83.46%) Domestic sales of dried fruits (grape, fig and apricot) produced by Menderes as subcontractors are made in accordance with the "Sales Agreement" signed between Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş., the related party of the Group and Osman Akça exports these products to different customers abroad.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 4 – CASH AND CASH EQUIVALENTS

As of 31 March 2020 and 31 December 2019 the details of cash and cash equivalents are as follows:

	31.03.2020	31.12.2019
Cash	154,913	81,002
Banks	37,389,200	30,852,502
<i>Demand deposits</i>	26,793,819	5,783,889
<i>Time deposits</i>	10,595,381	25,068,613
	37,544,113	30,933,504

As of 31 March 2020 and 31 December 2019 maturity schedule of time deposits in the cash and cash equivalents are as follows:

	31.03.2020	31.12.2019
Within 1 month	10,595,381	25,068,613
	10,595,381	25,068,613

As of 31 March 2020, effective interest rates of time deposits in TRY 10.63% (31.12.2019: in TRY 11.04 %.)

As of 31 March 2020, there is no deposit pledge on the Group's bank deposits. (31.12.2019: None.)

NOTE 5 – FINANCIAL INVESTMENTS

Short term financial investments

None.

Long term financial investments

None.

NOTE 6 – RELATED PARTY TRANSACTIONS

i) Due from / to related parties:

a) Trade receivables from related parties (Note 7):

	31.03.2020	31.12.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	70,072,441	43,494,527
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	3,436,912	2,881,678
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	-	5,694
Unearned Interests	(311,817)	(345,712)
	73,197,536	46,036,187

b) Trade payables to related parties (Note 7)

	31.03.2020	31.12.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	766,489	-
Unearned Interests	(9,710)	-
	756,779	-

b) Other receivables from related parties (Note 9):

	31.03.2020	31.12.2019
Akça Holding A.Ş.	2,270	6,367,331
	2,270	6,367,331

d) Other payables to related parties (Note 9):

	31.03.2020	31.12.2019
Rıza Akça	90,550	85,050
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	17,057,525	-
	17,148,075	85,050

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

ii) Major sales to related parties and major purchases from related parties:

a) Sales to related parties:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	76,695,553	40,523,296
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	1,286,841	1,457,250
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	-	29,167
	77,982,394	42,009,713

b) Purchases from related parties:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	12,756,475	8,398,104
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	118	11,695
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	1,568	959
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	-	3,183
	12,758,161	8,413,941

c) Fixed asset purchases from related parties:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	-	5,325,000
	-	5,325,000

d) Participation sales to related parties (Share sale of Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.):

	01.01.- 31.03.2020	01.01.- 31.03.2019
Akça Holding A.Ş.	-	9,650,000
	-	9,650,000

iii) Other income and expenses resulting from transactions with related parties:

a Benefits provided to senior management (Member of the board of directors, general manager and deputy general manager), gross:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Benefits provided to senior management	277,597	194,524
	277,597	194,524

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

b Service expenses paid to related parties

	01.01.- 31.03.2020	01.01.- 31.03.2019
Akça Holding A.Ş.	247,850	152,505
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	96,517	72,284
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	14,740	-
	359,107	224,789

c Rent income from related parties:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	47,830	32,550
Akça Holding A.Ş.	36,300	32,370
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	32,700	29,850
Menderes Tekstil Pazarlama A.Ş.	1,500	1,500
Akçamen Tekstil Sanayi Ticaret A.Ş.	1,500	1,500
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	1,500	1,500
	121,330	99,270

d Rent expenses paid to related parties:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	-	30,000
	-	30,000

e Service income from related parties:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	55,224	36,572
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	3,894	-
Menderes Tekstil Pazarlama A.Ş.	1,134	-
	60,252	36,572

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

f Foreign exchange income from related parties (Note 29.1):

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	2,216,888	607,219
	2,216,888	607,219

g Interest income from related parties (Note 29.1):

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	4,561	143,377
Rıza Akça	-	32,198
Akça Holding A.Ş.	99,495	108,249
	104,056	283,824

h Foreign exchange paid to related parties (Note 29.2):

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	3,949,663
	-	3,949,663

İ) Maturity difference expenses from related parties

	01.01.- 31.03.2020	01.01.- 31.03.2019
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	308,678	-
	308,678	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 7 – TRADE RECEIVABLES AND TRADE PAYABLES

Short Term Trade Receivables

	31.03.2020	31.12.2019
Trade receivables	70,662,684	69,252,570
Cheques and notes	2,561,893	2,095,093
Unearned interest on trade receivables	(1,031,343)	(614,056)
Doubtful trade receivables	65,554	65,554
Provision for doubtful receivables (-)	(65,554)	(65,554)
Income accruals	12,647,830	7,469,638
Trade Receivables From Third Parties	84,841,064	78,203,245
Trade receivables from related parties (Note 6-i-a)	73,466,980	46,169,445
Income accruals from related parties (Note 6-i-b)	42,373	212,454
Unearned interests on related party receivables (Note 6-i-a)	(311,817)	(345,712)
Trade Receivables From Related Parties	73,197,536	46,036,187
Total Short-Term Trade Receivables	158,038,600	124,239,432

As of 31 March 2020, the average maturity of trade receivables are 22 days.(31 December 2019: 23 days).

Maturity schedule of notes receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31.03.2020	31.12.2019
1-30 days	228,942	167,033
31-60 days	34,000	215,590
61-90 days	1,238,268	799,192
91-120 days	365,396	272,068
121-150 days	195,287	641,210
181-210 days	500,000	-
	2,561,893	2,095,093

As of 31 March 2020 and 31 December 2019 provision for doubtful receivables movement schedule is as follows:

	31.03.2020	31.12.2019
Opening balance	65,554	731,311
Collections made during the period	-	(665,757)
Provision for the period	-	-
Closing Balance	65,554	65,554

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Short Term Trade Payables

	31.03.2020	31.12.2019
Trade payables	180,090,780	234,316,122
Unearned interests on trade payables	(1,510,600)	(2,777,931)
Notes payables	24,403,127	25,893,282
Unearned interests on payables	(222,217)	(250,681)
Expense accruals	10,978,599	9,968,742
Trade Payables To Third Parties	213,739,689	267,149,534
Payables to related parties (Note 6-i-b)	766,489	-
Unearned interests on notes payables to related parties (Note 6-i-b)	(9,710)	-
Trade Payables to Related Parties	756,779	-
Total Short Term Trade Payables	214,496,468	267,149,534

As of 31 March 2020 ,the average maturity of trade payables are 71 days. (31 December 2019: 61 days).

As of 31 March 2020, the surety bond amounting to USD 14,635,414 (TRY 93,364,359) and EUR 426,367 (TRY 3,076,236) were given for trade payables of the Group by bank. (31.12.2019: USD 19,963,413 (118,586,666 TRY) and EUR 337,922(2,007,324 TRY)) (Note 20)

As of 31 March 2020 and 31 December 2019 maturity breakdown of notes payables are as follows:

	31.03.2020	31.12.2019
1 – 30 days	13,555,739	13,498,290
31 – 60 days	8,196,537	10,520,205
61 – 90 days	1,680,673	1,874,787
91 – 120 days	528,962	-
210-240 days	441,216	-
	24,403,127	25,893,282

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 8 – FINANCIAL BORROWINGS

	31.03.2020	31.12.2019
Short Term Borrowings		
TRY borrowings	16,722,319	21,213,539
USD borrowings	105,418,610	60,766,162
EUR borrowings	351,332,516	302,820,056
Credit card liabilities(TRY)	282,080	53,920
Short Term Financial Borrowings	473,755,525	384,853,677
Lease Payables:		
EUR lease payables, net	4,170,259	3,865,231
Operating lease payable		
Operating lease payables,net	565,629	584,133
Bank Borrowings:		
USD borrowings	49,503,373	46,365,510
EUR borrowings	90,951,341	97,219,444
Current Installments of Long-Term Borrowings	145,190,602	148,034,318
Long Term Lease Payables:		
EUR lease payables, net	3,058,933	3,659,549
Operating lease payable		
Operating lease payables,net	296,118	461,488
Long Term Bank Borrowings:		
TRY borrowings	23,957,478	2,442,695
USD borrowings	96,583,979	89,070,587
EUR borrowings	457,441,860	372,508,994
Long Term Financial Borrowings	581,338,368	468,143,313
Total Financial Liabilities	1,200,284,495	1,001,031,308

As of 31 March 2020 and 31 December 2019 maturity analysis of borrowings and other financial borrowings are as follows:

	31.03.2020	31.12.2019
Within 3 months	246,721,202	205,725,724
Between 3 - 12 months	367,489,037	322,712,907
Between 1 - 5 years	422,423,319	356,864,778
More than 5 years	155,559,998	107,157,498
	1,192,193,556	992,460,907

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020 and 31 December 2019 maturity schedule of long term bank borrowings are as follows:

	31.03.2020	31.12.2019
Between 1-2 years	218,527,068	169,246,045
Between 2-3 years	83,095,126	77,388,571
Between 3-4 years	66,208,963	54,897,437
Between 4-5 years	47,194,614	47,894,727
Between 5-6 years	40,682,806	35,718,984
Between 6-7 years	37,507,400	32,408,892
Between 7-8 years	31,866,397	27,154,840
Between 8-9 years	16,070,355	11,262,512
Between 9-10 years	11,096,759	4,803,941
Between 10-11 years	10,938,780	3,246,327
Between 11-12 years	7,397,548	-
Between 12-13 years	7,397,501	-
	577,983,317	464,022,276

As of 31 March 2020, effective interest rates for TRY, USD and EUR bank loans are 12%, 5.20% and 2.89% (31.12.2019: TRY 10.19% USD 6.32% and EUR 3.09%).

The Group has guarantee by its shareholders and related companies in lending.

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions is USD 134,950,000 (TRY 879,334,200), 25,000,000 EUR (TRY 180,375,000) and 97,310,000 TRY.

As of 31 March 2020 and 31 December 2019 the details of financial leasing borrowings of Group are as follows:

	31.03.2020	31.12.2019
Short term lease payables	4,433,123	4,067,742
Cost of deferred lease payables (-)	(262,864)	(202,511)
	4,170,259	3,865,231
	31.03.2020	31.12.2019
Long term lease payables	3,129,366	3,712,415
Cost of deferred lease payables (-)	(70,433)	(52,866)
	3,058,933	3,659,549

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020, the repayment schedule of lease payables are as follows:

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	4,433,123	(262,864)	4,170,259
Between 1 – 2 years	2,871,219	(68,485)	2,802,734
Between 2 – 3 years	258,147	(1,948)	256,199
	7,562,489	(333,297)	7,229,192

As of 31 December 2019, the repayment schedule of lease payables are as follows:

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	4,067,742	(202,511)	3,865,231
Between 1 – 2 years	3,239,725	(52,866)	3,186,859
Between 2 – 3 years	472,690	-	472,690
	7,780,157	(255,377)	7,524,780

As of 31 March 2020 and 31 December 2019, details of operating lease payables are as follows:

	31.03.2020	31.12.2019
Operating lease payables	861,747	1,045,621
	861,747	1,045,621

As of 31 March 2020 and 31 December 2019, the repayment schedule of operating lease payables are as follows:

	31.03.2020	31.12.2019
Between 0 – 1 years	565,629	584,133
Between 1 – 2 years	214,946	322,235
Between 2 – 3 years	81,172	139,253
	861,747	1,045,621

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31.03.2020	31.12.2019
Deposit and guarantees given	428,686	678,326
VAT return receivables	10,636,527	6,839,591
Other receivables	153,533	3,534
Other Receivables from Third Parties	11,218,746	7,521,451
Receivables from shareholders (Note 6-i-c)	2,270	6,367,331
Other Receivables From Related Parties	2,270	6,367,331
Total Other Current Receivables	11,221,016	13,888,782

Other Non-Current Receivables

	31.03.2020	31.12.2019
Deposits and guarantees given	138,975	155,520
	138,975	155,520

Other Current Payables

	31.03.2020	31.12.2019
Deposit and guarantees received	22,400	22,400
Taxes and funds payable	1,657,870	2,337,550
Other various debts	91,701	7,989
Other Payables to Third Parties	1,771,971	2,367,939
Payables to shareholders (Note 6-i-d)	17,148,075	85,050
Other Payables to Related Parties	17,148,075	85,050
Total Other Current Payables	18,920,046	2,452,989

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 10 – DERIVATIVE INSTRUMENTS

	31.03.2020	31.12.2019
Income accrual of forward exchange	380,475	-
	380,475	-

NOTE 11 – INVENTORIES

	31.03.2020	31.12.2019
Raw materials	174,907,873	191,876,939
Semi-finished products	195,477,792	174,959,398
Finished goods	45,420,859	27,181,623
Trade goods	708,549	348,368
Other inventories	734,497	1,425,775
Agricultural products (Figs, Apricot and Grape)	52,413,143	70,426,829
	469,662,713	466,218,932

All inventories of the Group are covered by insurance coverage.

NOTE 12 – BIOLOGICAL ASSETS

Current Biological Assets

	31.03.2020	31.12.2019
Biological assets (Tomato)	2,801,519	3,814,567
	2,801,519	3,814,567

The Group’s biological assets consist of tomatoes. Tomatoes in growing process have been shown in the consolidated financial statements with their cost and after impairment provisions (if any) since they do not have any active markets.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 13 – PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses

	31.03.2020	31.12.2019
Order advances given	6,198,875	1,925,611
Prepaid expenses	2,032,410	2,940,391
Advances given for business purposes	65,112	306,749
	8,296,397	5,172,751

Long Term Prepaid Expenses

	31.03.2020	31.12.2019
Advances given for purchases of tangible assets	11,979,189	34,258,875
Prepaid expenses	419,838	407,382
	12,399,027	34,666,257

Short Term Deferred Income

	31.03.2020	31.12.2019
Advances received	6,487,708	3,892,874
Deferred income	98,000	140,000
	6,585,708	4,032,874

NOTE 14 – ASSETS RELATED TO CURRENT PERIOD TAX

	31.03.2020	31.12.2019
Prepaid taxes and funds	636,660	601,656
	636,660	601,656

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 15 – INVESTMENTS VALUED BY EQUITY PICK-UP METHOD

As of 31 March 2020 and 31 December 2019 the companies accounted by equity pick up method are as follows:

	31.03.2020	Share (%)	31.12.2019	Share (%)
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	165,325,550	% 48	161,886,255	% 48
	165,325,550		161,886,255	

The total assets, liabilities and owner’s equity of the investments which are evaluated by the equity pick up method with their summary of income statement related to the periods ended 31 March 2020 and 31 December 2019 are as follows:

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

	31.03.2020	31.12.2019
Current assets	137,319,452	108,331,619
Non-current assets	258,212,359	266,237,399
Total Assets	395,531,811	374,569,018
Current liabilities	34,033,261	20,187,572
Non-current liabilities	17,070,320	17,118,414
Parent company’s equity	344,428,230	337,263,032
Total Assets	395,531,811	374,569,018
Sales, net	113,747,645	401,792,251
Cost of sales	(108,047,310)	(390,638,946)
Net profit / (loss)	9,209,606	21,651,249

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 16 – INVESTMENT PROPERTIES

	Lands	Total
01 January 2019 opening balance	60,500,000	60,500,000
Additions	62,424	62,424
Fair value	5,512,576	5,512,576
31 December 2019 closing balance	66,075,000	66,075,000
Additions	-	-
31 March 2020 closing balance	66,075,000	66,075,000

The Group’s investment properties consist of lands with zoning permits. The details of the properties are as follows;

	Manisa	İzmir
As of 31 December 2018	2,500,000	58,000,000
Addition	-	62,424
Value Decrease/increase	100,000	5,412,576
As of 31 December 2019	2,600,000	63,475,000
Addition	-	-
Value Decrease/increase	-	-
As of 31 March 2020	2,600,000	63,475,000

As of 31 March 2020 and 31 December 2019, the lands that are shown as investment property are revaluated by Rota Gayrimenkul Değerleme ve Danışmanlık A.Ş. The fair values determined in the valuation studies carried out on 25 February 2020 are reflected in the accompanying consolidated financial statements.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 17 – TANGIBLE ASSETS

Cost Value	Land	Land Improvements	Buildings	Property, plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Special costs	Total
01 January 2019 opening balance	4,765,171	82,673,963	92,133,408	496,734,647	3,380,347	16,320,181	10,822,867	9,175	706,839,759
Additions	-	2,543	8,928,877	10,350,267	-	1,072,242	83,247,787	-	103,601,716
Disposals	-	-	-	(16,115,713)	-	(1,763)	(13,690)	-	(16,131,166)
Transfers	-	-	5,814,761	36,173,360	-	14,200	(46,233,767)	-	(4,231,446)
31 December 2019 closing balance	4,765,171	82,676,506	106,877,046	527,142,561	3,380,347	17,404,860	47,823,197	9,175	790,078,863
Additions	-	-	48,900	1,330,775	-	235,586	67,391,134	-	69,006,395
Disposals	-	-	-	-	-	(23,005)	-	-	(23,005)
Transfers	-	11,111,860	-	22,288,360	-	-	(33,499,105)	-	(98,885)
31 March 2020 closing balance	4,765,171	93,788,366	106,925,946	550,761,696	3,380,347	17,617,441	81,715,226	9,175	858,963,368
Accumulated Depreciation									
01 January 2019 opening balance	-	24,864,286	21,157,056	221,625,931	1,292,326	8,925,796	-	917	277,866,312
Additions	-	4,913,057	2,185,842	22,073,534	55,612	2,651,889	-	1,835	31,881,769
Disposals	-	-	-	(7,058,093)	-	(176)	-	-	(7,058,269)
31 December 2019 closing balance	-	29,777,343	23,342,898	236,641,372	1,347,938	11,577,509	-	2,752	302,689,812
Additions	-	1,273,619	543,449	5,856,540	13,899	491,394	-	459	8,179,360
Disposals	-	-	-	-	-	(23,005)	-	-	(23,005)
31 March 2020 closing balance	-	31,050,962	23,886,347	242,497,912	1,361,837	12,045,898	-	3,211	310,846,167
31.12.2019, Net Book Value	4,765,171	52,899,163	83,534,148	290,501,189	2,032,409	5,827,351	47,823,197	6,423	487,389,051
31.03.2020, Net Book Value	4,765,171	62,737,404	83,039,599	308,263,784	2,018,510	5,571,543	81,715,226	5,964	548,117,201

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020, the depreciation expense of tangible assets for the period is TRY 8,179,360 (31 December 2019: TRY 31,881,769).

As of 31 March 2020, fixed assets are insured by TRY 15,802,627 , EUR 25,954,700 (TRY 187,263,161), USD 168,931,612 (TRY 1,000,758,384). (31 December 2019: TRY 14,182,700, EUR 26,094,700 (TRY 173,545,412), USD 156,855,763 (TRY 931,754,603).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions are USD 134,950,000 (TRY 879,334,200), EUR 25,000,000 (TRY 180,375,000) and TRY 97,310,000.

As of 31 March 2020, net book value of leasing machines is TRY 11,033,995 (31.12.2019: 11,292,663 TRY).

As of 31 March 2020 and 31 December 2019, the Group has no borrowing costs.

NOTE 18 – RIGHT OF USE ASSETS

Cost Value	Lands	Buildings	Plants	Vehicles	Total
01 January 2019 opening balance	-	-	-	-	-
Change in accounting policy	216,676	1,062,977	158,360	537,487	1,975,500
31 December 2019 closing balance	216,676	1,062,977	158,360	537,487	1,975,500
Additions	-	-	-	-	-
31 March 2020 closing balance	216,676	1,062,977	158,360	537,487	1,975,500
Accumulated Depreciation					
01 January 2019 opening balance	-	-	-	-	-
Change in accounting policy	43,335	544,607	127,568	312,627	1,028,137
31 December 2019 closing balance	43,335	544,607	127,568	312,627	1,028,137
Additions	43,335	48,436	13,197	88,450	193,418
31 March 2020 closing balance	86,670	593,043	140,765	401,077	1,221,555
31.12.2019, Net Book Value	173,341	518,370	30,792	224,860	947,363
31.03.2020, Net Book Value	130,006	469,934	17,595	136,410	753,945

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 19 – INTANGIBLE ASSETS

Cost Value	Rights	Research and Development Expenses	Other Intangible Assets	Total
01 January 2019 opening balance	501,522	6,636,579	885,257	8,023,358
Additions	282,780	-	151,441	434,221
Disposals	(115,272)	-	-	(115,272)
Transfer	34,137	4,197,309	-	4,231,446
31 December 2019 closing balance	703,167	10,833,888	1,036,698	12,573,753
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer	-	98,885	-	98,885
31 March 2020 closing balance	703,167	10,932,773	1,036,698	12,672,638
Accumulated Depreciation				
01 January 2019 opening balance	496,483	524,028	633,341	1,653,852
Additions	20,567	834,045	185,659	1,040,271
Disposals	(115,272)	-	-	(115,272)
Transfer	-	-	-	-
31 December 2019 closing balance	401,778	1,358,073	819,000	2,578,851
Additions	26,538	271,671	44,388	342,597
Disposals	-	-	-	-
Transfer	-	-	-	-
31 March 2020 closing balance	428,316	1,629,744	863,388	2,921,448
31.12.2019, Net Book Value	301,389	9,475,815	217,698	9,994,902
31.03.2020, Net Book Value	274,851	9,303,029	173,310	9,751,190

As of 31 March 2020, the amortization expense of intangible assets for the period is TRY 342,597 (31 December 2019: TRY 1.040,271).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 20 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 March 2020 and 31 December 2019, the Group's guarantee / security / mortgage (“GSM”) position are as follows:

Guarantees, security and mortgage “(GSM)” given by the Group	31.03.2020	31.12.2019
A. Total Amount of GSM given on behalf of legal entity	2,364,752,999	2,096,804,368
B. Total Amount of GSM given for partnerships which included in full consolidation	177,402,450	56,734,140
C. Total Amount of GSM given for the purpose of guaranteeing third party loans to carry the regular trade activities	None	None
D. Total Amount of other GSM given	None	None
i. Total Amount of GSM given for the Parent Group	None	None
ii. Total Amount of GSM Given for Other Group Companies not Included in B and C Clauses	None	None
iii. Total Amount of GSM Given for Third Parties not Included in C Clause	None	None
Total	2,542,155,449	2,153,538,508

There is no guarantee given by the Group for the loans in favor of related parties. For credit contracts of the Group USD 114,250,000 (TRY 744,453,000), EUR 7,500,000 (TRY 54,112,500) and TRY 122,500,000 guarantee are provided by related parties (Akça Holding and Osman Akça) (31 December 2019: USD 114,250,000 (TRY 678,667,850), EUR 7,500,000 (TRY 49,878,500) and TRY 122,500,000).

As of 31 March 2020, the details of the guarantee given for the subsidiary Tan Elektrik’s financial borrowings to investment are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Commerzbank AG	EUR	17,894,083	7.2150	129,105,807
AKA European Export&Trade Bank	EUR	6,693,921	7.2150	48,296,643
				177,402,450

As of 31 March 2020, details of mortgage on lands and buildings given to financial institutions are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	TRY	97,310,000	1.0000	97,310,000
Türkiye Vakıflar Bankası T.A.O	USD	134,950,000	6.5160	879,334,200
Türkiye Vakıflar Bankası T.A.O	EUR	25,000,000	7.2150	180,375,000
				1,157,019,200

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020, details of the guarantee letters given are as follows:

Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Electricity and Natural Gas Distribution Companies	TRY	14,802,545	1.0000	14,802,545
Energy Market Regulatory Authority	TRY	2,025,902	1.0000	2,025,902
Customs Administration	TRY	12,758,140	1.0000	12,758,140
Credit Guarantee	USD	7,703,500	6.5160	50,196,006
Credit Guarantee	EUR	26,054,800	7.2150	187,985,382
Food, Agriculture Livestock Directorate	TRY	625,669	1.0000	625,669
Public Institutions	TRY	2,035,516	1.0000	2,035,516
				270,429,160

As of 31 March 2020, bank details of the guarantee letters given are as follows:

Bank Details of Guarantee Letters Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O.	TRY	32,189,772	1.0000	32,189,772
Türkiye Vakıflar Bankası T.A.O.	EUR	11,190,000	7.2150	80,735,850
Türkiye Vakıflar Bankası T.A.O.	USD	4,500,000	6.5160	29,322,000
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000	1.0000	58,000
Halk Bank A.Ş.	USD	1,000,000	6.5160	6,516,000
Halk Bank A.Ş.	EUR	12,650,000	7.2150	91,269,750
Denizbank A.Ş.	USD	1,796,500	6.5160	11,705,994
Denizbank A.Ş.	EUR	2,214,800	7.2150	15,979,782
Türkiye Finans Katılım Bankası A.Ş.	USD	407,000	6.5160	2,652,012
				270,429,160

As of 31 March 2020, avals which are given to trade receivables by the Group are as follows:

	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türkiye Vakıflar Bankası T.A.O	USD	14,297,492	6.5160	93,162,461
Türkiye Vakıflar Bankası T.A.O	EURO	426,367	7.2150	3,076,236
İşbankası A.Ş	USD	337,922	6.5160	2,201,898
				98,440,595

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020, bank details of the general borrowing contracts are as follows:

General Borrowing Contracts:	FX Currency	FX Amount	FX Rate	TRY Equivalent
Albarakaturk A.Ş.	TRY	15,000,000	1.0000	15,000,000
Denizbank A.Ş.	USD	9,000,000	6.5160	58,644,000
Eximbank A.Ş.	USD	25,000,000	6.5160	162,900,000
Finansbank A.Ş.	TRY	13,000,000	1.0000	13,000,000
Halk Bankası A.Ş.	TRY	10,000,000	1.0000	10,000,000
İşbankası A.Ş.	USD	9,500,000	6.5160	61,902,000
Odea Bank A.Ş.	TRY	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	6.5160	24,435,000
Şekerbank A.Ş.	TRY	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	7.2150	54,112,500
Türkiye Finans katılım Bankası A.Ş.	TRY	30,000,000	1.0000	30,000,000
Akbank T.A.Ş.	TRY	4,000,000	1.0000	4,000,000
Vakıfbank A.Ş.	USD	65,000,000	6.5160	423,540,000
Turkland Bank A.Ş.	TRY	15,000,000	1.0000	15,000,000
Arap Türk Bankası A.Ş.	USD	2,000,000	6.5160	13,032,000
				921,065,500

As of 31 March 2020, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	480,000	6.5160	3,127,680
Eximbank	EUR	1,817,250	7.2150	13,111,459
				16,239,139

As of 31 March 2020, bank details of the bonds are as follows:

Bond	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türk Eximbank	USD	7,365,000	6.5160	47,990,340
Türk Eximbank	EUR	19,476,200	7.2150	140,520,783
Türkiye Cumhuriyeti Merkez Bankası	EUR	14,075,000	7.2150	101,551,125
				290,062,248

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 21 –PROVISIONS

Other Short Term Provisions

	31.03.2020	31.12.2019
Provision for the lawsuits	437,081	437,081
Provision for unused vacation	6,088,994	6,735,719
	6,526,075	7,172,800

	31.03.2020	31.12.2019
Unused vacation provisions at beginning of period	6,735,719	3,897,322
Provisions during the period	(646,725)	2,838,397
Closing balance	6,088,994	6,735,719

Long Term Provisions for Employee Benefits

	31.03.2020	31.12.2019
Provision for severance pay	52,699,662	48,560,363
	52,699,662	48,560,363

For the period of 01 January – 31 March 2020, the average personnel number including subcontractors employed by the Group is 4,294. (01.01-31.12.2019: 4,285). The rate of retirement probability used is 97%. (01.01-31.12.2019: % 97).

For the period ended at 31 March 2020 and 31 December 2019 the movement schedule of severance pay provision is as follows:

	31.03.2020	31.12.2019
Balance of 01 January	48,560,363	35,840,240
Increase in the period	7,326,810	18,082,812
Interest cost	768,368	2,331,624
Payments during the period	(2,543,446)	(8,030,600)
Actuarial profit/(loss)	(1,412,433)	336,287
Balance at the end of the period	52,699,662	48,560,363

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 22 – EMPLOYEE BENEFIT LIABILITIES

	31.03.2020	31.12.2019
Due to personnel	15,198,651	10,038,352
Social security deductions payable	4,111,737	3,871,809
	19,310,388	13,910,161

NOTE 23 – OTHER CURRENT ASSETS AND LIABILITIES

Other Current Assets

	31.03.2020	31.12.2019
VAT carried forward	83,995,270	86,908,256
	83,995,270	86,908,256

NOTE 24 – SHARE CAPITAL

24.1 Paid in Capital

As of 31 March 2020 and 31 December 2019, Group’s paid in capital was divided into 250,000,000 shares as each valued at TRY 0,01 nominally 25,000,000,000 shares.

As of 31 March 2020 and 31 December 2019, Group’s paid in capital is as follows:

Shareholders:	31.03.2020		31.12.2019	
	Share (%)	TRY	Share (%)	TRY
Public Offered Shares	51.93%	129,828,520	46.88%	117,189,944
Akça Holding A.Ş.	45.68%	114,208,053	50.73%	126,829,500
Other	2.39%	5,963,427	2.39%	5,980,556
Total	100.00%	250,000,000	100.00%	250,000,000

According to Group’s main article of association, more than half of the Members of Board required to be elected from the candidates which are pointed out from A Group shareholders (TRY 100,000).

24.2 Inflation Adjustments of Shareholders’ Equity

	31.03.2020	31.12.2019
Inflation adjustment of shareholders’ equity	485,133	485,133
	485,133	485,133

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

24.3 Accumulated Other Comprehensive Income/(Expenses) not to be reclassified on Profit or Loss

24.3.1 Defined Benefit Plans Re-Measurement Gains (Losses)

	31.03.2020	31.12.2019
Defined Benefit Plans Re-Measurement Gains (Losses)	1,098,127	(28,816)
	1,098,127	(28,816)

24.4 Restricted Reserves

According to the Turkish Commercial Code, the general statutory reserves are allocated as 5% of the annual profit until 20% of the Group's paid-up capital is reached. The other legal reserves are allocated at a rate of 10% of the total amount to be distributed to the shareholders after paying the shareholders a profit share of five percent. According to the Turkish Commercial Code, general legal reserves can only be used to cover losses, to keep operating at a time when things are not going well, or to take measures to prevent unemployment and mitigate its consequences, if it does not exceed the half of capital or capital removed.

	31.03.2020	31.12.2019
Legal reserves	10,460,462	10,460,462
	10,460,462	10,460,462

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5 %, until the total reserve reaches a maximum of 20 % of the Group's share capital. The second legal reserve is appropriated at the rate of 10 % of all distributions in excess of 5 % of the Group's share capital. The first and second legal reserves are not available for distribution unless they exceed 50 % of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Profit Distribution

Public companies distribute their profit shares according to the Communiqué No: II-19.1, which is effective from 1 February 2014 of the CMB.

The partnerships distribute their profits within the framework of the profit distribution policies to be determined by the general assemblies and in accordance with the provisions of the related legislation by the decision of the general assembly. Within the scope of the said communiqué, a minimum distribution ratio has not been determined. Companies pay dividends in the manner specified in their articles of incorporation or profit distribution policies. In addition, dividends may be paid in installments of equal or different consistency, and cash dividend advances may be distributed over the profit on the interim period financial statements.

Unless the dividends determined according to the TCC are reserved for the shareholders in the Articles of Association or in the profit distribution policy; the profit share determined for the shareholders cannot be distributed to the shareholders as long as the dividend determined for the shareholders is paid in cash, as it is not decided whether the other reserves will be allocated, the profit will be distributed to the beneficiaries, the members of the board of directors, partnership employees and persons other than the shareholders.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

24.5 Retained Earnings/ Losses

The accumulated profits other than net period profit are shown in this item. Extraordinary reserves which are essentially accumulated profits and therefore unrestricted are also considered to be accumulated profits and are shown in this item.

	31.03.2020	31.12.2019
Previous Years Profits/(Losses)	(39,223,035)	(25,858,051)
	(39,223,035)	(25,858,051)

24.6 Minority Interest

The details of the minority interests as of 31 March 2020 are as follows:

31 March 2020	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Group Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smryna	13,353,321	2,150,702	79.17%	20.83%	2,781,941	448,063	450,572
Tan Elektrik	251,364	(7,873,724)	67.90%	32.10%	(1,240,975)	(2,527,465)	(2,527,828)
Akça Enerji	(72,863,624)	(18,110,899)	80.42%	19.58%	(22,228,157)	(3,546,837)	(3,545,979)
					(20,687,191)	(5,626,239)	(5,623,235)

The details of the minority interests as of 31 December 2019 are as follows:

31 December 2019	Total Shareholders' Equity	Profit/(Loss) of the Period	Parent Group Share	Minority Interest	Minority part of Shareholders' Equity	Minority part of Profit/(Loss)	Minority Total comprehensive income / (loss)
Smryna	11,190,575	(1,545,328)	79.17%	20.83%	2,331,369	(321,943)	(314,391)
Tan Elektrik	8,126,219	5,758,202	67.90%	32.10%	1,286,853	1,848,383	1,849,816
Akça Enerji	(54,757,105)	(29,938,670)	80.42%	19.58%	(18,682,178)	(5,863,186)	(5,873,277)
					(15,063,956)	(4,336,746)	(4,337,852)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 25 – SALES AND COST OF SALES

25.1 Sales

	01.01.- 31.03.2020	01.01.- 31.03.2019
Domestic sales	146,781,535	104,883,326
Export sales	185,416,013	141,607,129
Other sales	1,710,095	2,056,748
	333,907,643	248,547,203
Sales returns	(372,281)	(505,758)
Other discounts	(1,557,625)	(146,164)
Sales Income, (net)	331,977,737	247,895,281

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

25.2 Cost of Sales

	01.01.- 31.03.2020	01.01.- 31.03.2019
Direct material expenses	180,022,342	185,550,443
Direct labor expenses	49,144,716	35,093,947
General production expenses	17,457,327	13,421,480
Depreciation expenses	4,576,978	4,043,461
<u>Change in semi-finished goods</u>		
1. Beginning semi-finished goods(+)	174,959,398	123,914,118
2. Ending semi-finished goods (-)	(195,477,792)	(191,501,368)
Cost of finished goods produced	230,682,969	170,522,081
<u>Changes in finished goods inventory</u>		
1. Beginning inventory (+)	27,181,623	16,245,387
2. Ending inventory (-)	(45,420,859)	(37,158,463)
Cost of finished goods sold	212,443,733	149,609,005
<u>Cost of merchandises</u>		
1. Beginning merchandise inventory (+)	348,368	906,815
2. Purchases during the period (+)	2,241,504	1,898,818
3. Ending merchandise inventory (-)	(708,549)	(163,839)
Cost of merchandises sold	1,881,323	2,641,794
Cost of other service rendered	246,394	408,636
Cost of other sales	73,423,286	39,567,801
Cost of biological assets	5,660,180	5,267,447
Depreciation of biological assets	604,490	556,855
Energy costs	8,759,761	8,141,752
Energy depreciation	3,154,588	2,922,187
Cost of sales, net	306,173,755	209,115,477

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 01 January – 31 March 2020 and 2019, for each main production group, quantities of goods and services:

	Unit	01.01.- 31.03.2020	01.01.- 31.03.2019
Yarn	Kg	2,835,228	3,723,705
Raw Clothing	Mt2	30,264,485	35,054,829
Finishing Cloth	Mt2	44,400,033	42,587,028
Lining	Mt2	4,993,283	4,637,611
Linens, Sheets, Curtains, Pillows	Quantity	4,896,673	4,678,405
Electricity	Kwh	54,404,048	57,490,856
Cotton Waste	Kg	111,455	142,128
Piece of Cloth	Kg	775,810	792,836
Yarn Waste	Kg	122,760	195,150
Textile Trash Powder	Kg	15,310	76,950
Tomato	Kg	1,176,606	1,229,805
Dried Figs	Kg	1,731,166	216,932
Dried Apricot	Kg	307,842	186,777
Dried Grape	Kg	4,173,070	2,773,214

As of 01 January – 31 March 2020 and 2019, for each main sales group, quantities of goods and services:

	Unit	01.01.- 31.03.2020	01.01.- 31.03.2019
Yarn	Kg	61,876	541,456
Raw Clothing	Mt2	333	5,744
Finishing Cloth	Mt2	3,934,459	2,658,631
Lining	Mt2	4,990,134	4,437,033
Linens, Sheets, Curtains, Pillows	Quantity	4,351,627	3,939,513
Electricity	Kwh	40,061,030	39,054,638
Cotton Waste	Kg	92,300	78,700
Piece of Cloth	Kg	758,060	722,380
Yarn Waste	Kg	122,760	195,150
Textile Trash Powder	Kg	15,310	76,950
Tomato	Kg	1,180,771	1,283,755
Dried Figs	Kg	1,731,166	216,932
Dried Apricot	Kg	307,842	186,777
Dried Grape	Kg	4,173,070	2,773,214

NOTE 26 – RESEARCH AND DEVELOPMENT GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	01.01.- 31.03.2020	01.01.- 31.03.2019
Research and development expenses	952,111	261,004
Marketing, sales and distribution expenses	9,039,797	7,066,402
General administrative expenses	8,293,087	7,052,461
	18,284,995	14,379,867

26.1 Research and Development Expenses

	01.01.- 31.03.2020	01.01.- 31.03.2019
Direct Material expenses	399,695	84,465
Personnel expenses	503,604	162,608
Other expenses	48,812	13,931
	952,111	261,004

26.2 Marketing Expenses

	01.01.- 31.03.2020	01.01.- 31.03.2019
Personnel expenses	2,759,629	2,263,876
Export expenses	4,070,870	4,230,394
Domestic sales transportation expense	1,264,738	50,257
Depreciation expenses	71,330	61,565
Other expenses	855,677	254,064
Fair expense	17,553	206,246
	9,039,797	7,066,402

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

26.3 General Administrative Expenses

	01.01.- 31.03.2020	01.01.- 31.03.2019
Personnel expenses	4,333,505	2,169,218
Insurance expenses	433,109	397,246
Education and consultancy expenses	386,860	428,355
Office expenses	270,130	627,855
Capital market expenses	108,322	90,211
Repair and maintenance expenses	25,356	35,995
Travelling expenses	171,996	284,751
Membership expenses	67,061	103,960
Tax and duty expenses	1,009,464	762,658
Shares in holding cost (*)	307,224	199,528
Provision for severance pay expense	313,032	322,179
Provision for unused personnel leave	321,503	1,011,722
Depreciation expenses	307,989	271,131
Other expenses	237,536	347,652
	8,293,087	7,052,461

(*) Regarding expenses consists of personnel expenses reflected to the Group by Akça Holding.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 27 – OTHER OPERATING INCOME/ (EXPENSES)

27.1 Other Income From Operating Activities

	01.01.- 31.03.2020	01.01.- 31.03.2019
Reversal of unnecessary provision	16,949	215,513
Foreign exchange gains related to commercial activities	7,192,802	5,151,825
Foreign exchange gains from related parties related to commercial activities (6-iii-f)	2,216,888	607,219
Discount income / expenses on payables, net	2,702,295	5,070,403
Rental income	136,810	129,082
Other income and profit	1,146,764	864,662
	13,412,508	12,038,704

27.2 Other Expenses From Operating Activities (-)

	01.01.- 31.03.2020	01.01.- 31.03.2019
Foreign exchange gains related to commercial activities	17,438,709	3,310,001
Discount income /expenses on receivables,net	4,371,772	3,963,624
Other expenses and losses	220,217	5,861
Donation expenses	97,707	2,000,000
	22,128,405	9,279,486

NOTE 28 – INVESTMENT ACTIVITIES INCOME / EXPENSE

28.1 Income from Investment Activities

	01.01.- 31.03.2020	01.01.- 31.03.2019
Profit on sale of fixed assets	4,900	176
	4,900	176

28.2 Expenses from Investment Activities

	01.01.- 31.03.2020	01.01.- 31.03.2019
Losses on sale of fixed assets	-	11,384
	-	11,384

28.3 Profit / Loss From Investments Evaluated by Equity Pick-up Method

	01.01.- 31.03.2020	01.01.- 31.03.2019
Shares related with investment valued by the equity pick-up method	3,439,295	1,179,596
	3,439,295	1,179,596

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 29 – FINANCIAL INCOME / EXPENSES

29.1 Financial Income

	01.01.- 31.03.2020	01.01.- 31.03.2019
Interest income	270,589	220,777
Maturity differences income from related parties (6-iii-g)	104,056	283,824
Foreign exchange income regarding financial activities	2,644,808	2,781,672
Foreign exchange income regarding financial activities	457,525	44,900
	3,476,978	3,331,173

29.2 Financial Expenses (-)

	01.01.- 31.03.2020	01.01.- 31.03.2019
Interest expenses	10,528,694	8,529,849
Foreign exchange losses	85,141,907	43,062,046
Foreign expenses for related parties (6-iii-h)	-	3,949,663
Commission expenses of borrowings	2,586,981	2,477,810
Financial expenses from right of use assets	762,363	-
Maturity difference expenses	308,678	43,863
Foreign exchange losses arising from forward contracts	56,142	174,550
Other financial expenses	19,321	1,239,344
	99,404,086	59,477,125

NOTE 30 –TAX ASSETS AND LIABILITIES

Group is liable to corporation tax valid in Turkey. The necessary provisions are made on the attached financial statements for expected tax liabilities related to the group’s current period activity results.

Corporation tax rate that will be accrued over corporation tax base is calculated over the tax base that remains after adding expenses recorded as expense in determination of commercial earnings that are non-deductible from tax base and subtracting tax-exempt profit, tax- free income and other deductions (if there are losses from previous years and used investment allowances if preferred).

The applied effective interest rate in the year of 2020 is 22% (2019: 22%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 22% in 2020 (2019: 22%).

There is no absolute and certain confirmation procedure related to tax evaluation in Turkey. Companies prepare their tax return between 1-25 Aprils coming after the related year’s balancing period (for the companies having special account period, between 1-25 of fourth month following the closing of period). These tax returns and related accounting records may be inspected and changed by tax department in five years.

There are some exceptions on Corporation Tax Law. These exceptions that Group will possibly utilize are explained as below;

Taxable losses

According to Turkish Tax Legislation, deduction of financial losses which are decelerated on financial statements, are possible to deduct from profit of the Group with the condition not exceeding 5 years. However, financial losses are not possible to be set-off from previous year profits.

Issue Premium Exemption

The Premium income provided by the disposing of stocks, formed whiles the establishments of Incorporated Companies or while increasing their capital, below their nominal values is an exemption from Corporation tax.

The Real Estate and Subsidiary Share Sales Gain Exemption

The 75% of income of corporations composed of subsidiary shares, real estates, privilege, and promoter’s stock and perpetual bonds are exemptions of Corporation tax as of 31 December 2018 for two years. However, this rate has been decreased from 75% to 50% for the real estate’s regarding to new updates over the rule numbered 7061 and the rate shall be used as 50% for the tax declarations as of 2019.

Investment Allowance Exemptions

Post abolishment of the law numbered 5479, temporary 69 th article is added to Income Tax Legislation related investment allowance.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

According to this execution, Income and Corporation Taxpayers

a. As of 31 December 2005, its existence is subject and the investment allowance amount that was not able to be deducted from 2005 earnings,

b. In the extent of investment incentive certificate which were issued and based on the application before 24 April 2003, ante abolishment of Income Tax Legislation numbered 193 and dated 09 April 2003 and law numbered 4842, in the extent of certificate the commenced investment projects relying on 1, 2, 3, 4, 5 and 6th the article of appendix and the ones commenced after 01 January 2006,

c. In the extent of abolished 19th article of Income Tax Legislation numbered 193, they started investments prior to 01 January 2006, in terms of economical and technical completeness the ones started post the date,

In terms of regulatory provisions effective on 31 December 2005, calculated amounts of exemptions from investment allowances, again in the extent of legal provisions valid on 31 December 2005 (including tax rate related legal provisions) was deducted merely from earnings of 2006, 2007 and 2008. However, with the decision numbered 2006/95, which was taken during the meeting of the Constitutional Court on 15 October 2009, the phrase "... only related to the years 2006, 2007 and 2008..." which was a part of the Temporary Article 69 of the Income Tax Law was cancelled and the cancellation became effective from the date the decision has been published in the Official Gazette on 8 January.2010. According to the decision, the investment incentive amount outstanding that cannot be deducted from 2008 taxable income previously will be deducted from taxable income of the subsequent profitable years.

Regarding the cancellation decision taken by the Constitutional Court, an amendment was made in the 69th article in Income Tax Regulation using the regulation numbered 6009 and dated 23/07/2010. Consequently, in compliance with the cancellation decision of the Constitutional Court, the year limitation has been abolished and investment allowance has been limited to 25% of the profit. Corporate tax ratio of 30% in the previous regulation for the ones who benefit from investment allowance has been decreased to the effective corporate tax with the amendment made.

Within the frame of the Communiqué "Decision regarding Government Incentive Assistance in Investment" dated 16 July 2009 and numbered 2009/01, newly investing companies are held subject to investment incentives based on the some regions.

Investment incentives and grants are; discount in corporation and income taxes (differs from region to region), provision for the investment, interest support.

Group is qualified for the investment incentives stated above due to the current and future investment expenditures. The investment area is within the 2nd Region according to the law numbered 5520, article 32/A; so the Group is qualified for 55% discount on corporation tax rate, which reduces corporation tax rate to 9% in accordance with Communiqué, 20% of total investment expenditures will be deducted from accrued corporation tax amount in the coming periods.

Withholding tax

In addition to Corporation tax, it is required to calculate withholding tax from the dividends distributed by full pledge taxpayer enterprise and include in its income tax base and except dividends distributed by foreign companies to its subsidiary in Turkey. As of 23 July 2006 income tax stoppage rate was changed as 15%. Dividends that are added to capital without distribution are not subject to income tax stoppage. It is necessary to make tax withholding at 19.8% over investment allowance balance utilized based on investment incentive certificate taken before 24 April 2003. 40% or 30% of group activities directly related to production investment certificate investment expenses made after this date can be deducted. Tax withholding cannot be made on investment expenses without incentive certificate.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

Deferred Tax

The potential deferred tax assets/(liabilities) of the Group represents the tax effects of temporary differences, arising between the financial statements reported for Communiqué purposes and the statutory tax financial statements. Such differences arise due to the different treatment of certain items of income and expense included in the Communiqué financial statements compared to the local tax return, in accordance with applicable tax laws.

As of balance sheet date, accumulated temporary differences and deferred tax assets and liabilities prepared by using current applicable tax rate is as follows:

	31.03.2020		31.12.2019	
	Cumulative temporary differences	Deferred tax / (liability)	Cumulative temporary differences	Deferred tax / (liability)
<u>Deferred tax assets:</u>				
Unearned interests on receivables	1,343,160	268,631	959,768	211,149
Severance pay provision	52,699,662	10,539,932	48,560,363	9,712,072
Unused vacation provisions	6,088,994	1,217,799	6,735,719	1,481,858
Reversal of capitalized financial expenses(except land, buildings)	84,346,435	16,869,287	75,396,642	15,079,328
Reversal of capitalized financial expenses (land, buildings)	31,432,117	3,143,212	31,432,118	3,143,212
Deductible retained losses	75,367,269	15,073,454	18,364,982	4,040,296
Foreign exchange	1,580,712	316,142	2,403,629	528,798
Effect of other corrections	27,575,260	5,515,058	14,663,724	3,226,024
Deferred tax assets		52,943,515		37,422,737
<u>Deferred tax liabilities:</u>				
Tangible assets (land, building, land improvements and depreciations), net	20,972,293	4,194,458	14,330,502	2,866,100
Liability discounts	1,742,527	348,505	3,028,612	666,294
Adjustments related to financial debts	1,822,858	364,572	715,218	157,349
Investment property increase in value	1,069,127	106,913	1,069,127	106,913
Effect of other corrections	467,474	93,494	3,229,594	710,511
Insurance indemnity accrual	1,980,306	396,061	1,979,172	435,416
Deferred tax liabilities		5,504,003		4,942,583
Deferred tax assets / (liabilities), net		47,439,512		32,480,154

The Group calculates deferred tax assets and liabilities considering the effect of temporary differences arising from the different evaluations between the statutory financial statements prepared in accordance with TAS / TFRS issued by the Group and its financial statements. These temporary differences usually result from the recognition of income and expenses in different reporting periods according to TAS / TFRS and Tax Code.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 05 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities are recognized in the consolidated financial statements as of 31 December 2019 with a tax rate of 22% for the portion of temporary differences that will have a tax effect in 2018, 2019 and 2020 and 20% for temporary differences and 20% for 2021 and for after this year.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

For the period ended at 31 March 2020 and 2019 movements of deferred tax assets and liabilities are as follows:

	01.01.- 31.03.2020	01.01.- 31.03.2019
Current corporation tax	(450,379)	-
Deferred tax assets/(liabilities), net	15,241,844	2,629,558
	14,791,465	2,629,558

Deferred Tax (Asset) / Liability Movements	01.01.- 31.03.2020	01.01.- 31.12.2019
Opening balance	32,480,154	34,795,658
Deferred tax income / (expense)	15,241,844	(2,382,761)
Actuarial (gain) / loss effect prior periods	(282,486)	67,257
Closing balance	47,439,512	32,480,154

NOTE 31 – EARNINGS PER SHARE

	01.01.- 31.03.2020	01.01.- 31.03.2019
Net profit / (loss) for the period	(73,262,119)	(22,697,880)
Weighted-average number of shares outstanding (per share with TRY 1 value)	250,000,000	250,000,000
Simple earnings and divided earnings per share (TRY)	(0.2930)	(0.0908)

NOTE 32 – FINANCIAL INSTRUMENTS

Financial assets	31.03.2020	31.12.2019
Liquid assets	37,544,113	30,933,504
Trade receivables	158,038,600	124,239,432
Other receivables	11,359,991	14,044,302
Financial liabilities		
Financial borrowings	1,193,055,303	993,506,528
Lease payables	7,229,192	7,524,780
Other payables	18,920,046	2,452,989
Trade payables	214,496,468	267,149,534

NOTE 33 –NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial Instruments

Credit Risk

Group is subject to credit risk arising from trade receivables related to credit sales and deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customer considered as having a higher risk. Collect ability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and presented in the financial statements net of adequate doubtful provision

As of 31 March 2020, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments					
	Trade Receivables		Other Receivables		Bank
	Related Party	Third Party	Related Party	Third Party	Deposits
Raporlama tarihi itibarıyla maruz kalınan azami kredi riski (A+B+C+D+E)	73,197,536	84,841,064	2,270	11,357,721	37,389,200
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	73,197,536	84,841,064	2,270	11,357,721	37,389,200
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
The part under guarantee with collateral etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	65,554	-	-	-
Impairment (-)	-	(65,554)	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, maximum net credit risk is as follows:

Credit risks exposed by types of financial instruments					
	Trade Receivables		Other Receivables		Bank Deposits
	Related Party	Third Party	Related Party(*)	Related Party	
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	46,036,187	78,203,245	6,367,331	7,676,971	30,852,502
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	46,036,187	78,203,245	-	7,676,971	30,852,502
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	6,367,331	-	-
The part under guarantee with collateral etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	65,554	-	-	-
Impairment (-)	-	(65,554)	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
Not past due (gross carrying amount)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(*) Other receivables amounting to TRY 6,367,331 including principal and maturity difference from Akça Holding A.Ş., one of the related parties of the Group were closed in February 2020,

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Liquidity risk

Liquidity risk is the Group’s possibility of not fulfilling net funding liabilities. Occurrence of events like deteriorations in markets or decrease in credit score that causes decreases in fund resources, are reasons of liquidity risk.

As of 31 March 2020, Group’s liquidity risk table is as follows:

31 March 2020						
Maturities according to agreement	Book Value	Contractual total cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	1,458,735,358	1,559,320,289	461,179,254	432,913,660	468,528,122	196,699,253
Financial borrowings	1,192,193,556	1,289,702,174	247,352,622	380,486,171	465,164,128	196,699,253
Financial leasing	7,229,192	7,913,309	1,137,128	3,412,187	3,363,994	-
Trade payables	214,496,468	216,888,664	187,533,482	29,355,182	-	-
- <i>Related parties</i>	756,779	766,489	766,489	-	-	-
- <i>Other parties</i>	213,739,689	216,122,175	186,766,993	29,355,182	-	-
Other liabilities	44,816,142	44,816,142	25,156,022	19,660,120	-	-
- <i>Related parties</i>	17,148,075	17,148,075	-	17,148,075	-	-
- <i>Other parties</i>	27,668,067	27,668,067	25,156,022	2,512,045	-	-
	1,458,735,358	1,559,320,289	461,179,254	432,913,660	468,528,122	196,699,253

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, Group’s liquidity risk table is as follows:

31 December 2019						
Maturities according to agreement	Book Value	Contractual total cash outflow (=I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1- 5 Years (III)	More than 5 Years (IV)
Financial Liabilities Non Derivatives	1,287,531,245	1,360,613,991	462,806,197	346,085,034	402,493,181	149,229,579
Financial borrowings	992,460,907	1,064,951,326	189,916,712	327,383,302	398,421,733	149,229,579
Financial leasing	7,524,780	8,341,677	1,047,391	3,222,838	4,071,448	-
Trade payables	267,149,534	266,924,964	266,283,881	641,083	-	-
- Related parties	-	-	-	-	-	-
- Other parties	267,149,534	266,924,964	266,283,881	641,083	-	-
Other liabilities	20,396,024	20,396,024	5,558,213	14,837,811	-	-
- Related parties	85,050	85,050	85,050	-	-	-
- Other parties	20,310,974	20,310,974	5,473,163	14,837,811	-	-
	1,287,531,245	1,360,613,991	462,806,197	346,085,034	402,493,181	149,229,579

Interest Rate Risk

The Group’s financial liabilities exposure the Group to interest rate risk. The Group’s financial liabilities mainly consist of fixed rate borrowings. As of 31 March 2020, according to the current balance sheet position, in the case of 1% decrease / increase and keeping fixed all the variables the Group’s net profit will increase / decrease TRY 2,459,937

Foreign currency risk

The effects occurring from exchange rate fluctuation, in case of having foreign currency assets, liabilities, off-balance sheet liabilities, are foreign currency risk. Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of profit/loss. Monetary liabilities of the Group exceed monetary assets of the Group; in case of exchange rate rise, the Group is exposed to foreign currency risk.

As of 31 March 2020, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 114,423,157 more/less. (%20 evaluation/devaluation : 228,846,312 TRY).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Foreign currency risk sensitivity

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 10% against USD				
1-USD net asset / liability	(30,430,827)	30,430,827	(30,430,827)	30,430,827
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(30,430,827)	30,430,827	(30,430,827)	30,430,827
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(84,649,800)	84,649,800	(84,649,800)	84,649,800
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(84,649,800)	84,649,800	(84,649,800)	84,649,800
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	657,372	(657,372)	657,372	(657,372)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	657,372	(657,372)	657,372	(657,372)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	98	(98)	98	(98)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	98	(98)	98	(98)
TOTAL (3+6+9+12)	(114,423,157)	114,423,157	(114,423,157)	114,423,157

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 20% against USD				
1-USD net asset / liability	(60,861,654)	60,861,654	(60,861,654)	60,861,654
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(60,861,654)	60,861,654	(60,861,654)	60,861,654
In the case of increasing / losing value of TRY by 20% against EUR				
4- EUR net asset / liability	(169,299,600)	169,299,600	(169,299,600)	169,299,600
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(169,299,600)	169,299,600	(169,299,600)	169,299,600
In the case of increasing / losing value of TRY by 20% against GBP				
7- GBP net asset / liability	1,314,746	(1,314,746)	1,314,746	(1,314,746)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	1,314,746	(1,314,746)	1,314,746	(1,314,746)
In the case of increasing / losing value of TRY by 20% against CHF				
10- CHF net asset / liability	196	(196)	196	(196)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	196	(196)	196	(196)
TOTAL (3+6+9+12)	(228,846,312)	228,846,312	(228,846,312)	228,846,312

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, if TRY evaluates / devaluates against foreign currency by 10% and all other variables remains the same, profit before tax which occurs as a result of the foreign exchange loss / gain arising from net foreign exchange exposure would have been TRY 104,178,841 more/less. (%20 evaluation/devaluation: 208,357,680 TRY).

Foreign currency risk sensitivity

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 10% against USD				
1-USD net asset / liability	(30,758,594)	30,758,594	(30,758,594)	30,758,594
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(30,758,594)	30,758,594	(30,758,594)	30,758,594
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(74,231,773)	74,231,773	(74,231,773)	74,231,773
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(74,231,773)	74,231,773	(74,231,773)	74,231,773
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	811,483	(811,483)	811,483	(811,483)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	811,483	(811,483)	811,483	(811,483)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	43	(43)	43	(43)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	43	(43)	43	(43)
TOTAL (3+6+9+12)	(104,178,841)	104,178,841	(104,178,841)	104,178,841

	Profit/ (Loss)		Shareholders' Equity	
	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY	Appreciation of foreign currency against TRY	Depreciation of foreign currency against TRY
In the case of increasing / losing value of TRY by 20% against USD				
1-USD net asset / liability	(61,517,187)	61,517,187	(61,517,187)	61,517,187
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(61,517,187)	61,517,187	(61,517,187)	61,517,187
In the case of increasing / losing value of TRY by 20% against EUR				
4- EUR net asset / liability	(148,463,545)	148,463,545	(148,463,545)	148,463,545
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(148,463,545)	148,463,545	(148,463,545)	148,463,545
In the case of increasing / losing value of TRY by 20% against GBP				
7- GBP net asset / liability	1,622,967	(1,622,967)	1,622,967	(1,622,967)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	1,622,967	(1,622,967)	1,622,967	(1,622,967)
In the case of increasing / losing value of TRY by 20% against CHF				
10- CHF net asset / liability	85	(85)	85	(85)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	85	(85)	85	(85)
TOTAL (3+6+9+12)	(208,357,680)	208,357,680	(208,357,680)	208,357,680

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Risk of intensification of sales

During the reporting periods ending on 31 March 2020 and 2019, the risk of intensification of the Group's sales is due to sales from textile sector operations.

The sales activities of the Group are determined according to fluctuations in the domestic and overseas markets and competition conditions. It is taken care of to not to concentrate on a specific sector, country, person and Group in terms of dissolving risks. Even so, as of 31 March 2020, the share of the largest buyer in the revenue from textile sector operations is 60.74 % (31 March 2019: 60.18%). The customer mentioned is a major international supplier and the commercial relation between the customer and the Group has been maintained for many years.

The share of the largest buyers in the revenue from agriculture sector operations is 98.85%.(31 March 2019: 83.46%) Domestic sales of dried fruits (grape, fig and apricot) produced by Menderes as subcontractors are made in accordance with the "Sales Agreement" signed between Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş., the related party of the Group and Osman Akça exports these products to different customers abroad.

Percentage of total sales of two buyers with the largest share in total sales of the Group is given below:

Textile:

Customer	01.01.- 31.03.2020	01.01.- 31.03.2019
A Company	60.74%	60.18%
	60.74%	60.18%

Agriculture:

Customer	01.01.- 31.03.2020	01.01.- 31.03.2019
B Company	98.85%	83.46%
	98.85%	83.46%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 March 2020, amounts of assets and liabilities of the Group in foreign currency are as follows:

	31 March 2020				
	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	92,837,706	7,592,841	5,102,495	812,650	-
2a. Monetary Financial Assets (including cash and banks)	32,231,564	1,270,952	3,315,813	3,161	144
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current Assets (1+2+3)	125,069,270	8,863,793	8,418,308	815,811	144
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	11,308,577	142,243	1,438,908	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	11,308,576	142,243	1,438,908	-	-
9. Total Assets (4+8)	136,377,846	9,006,036	9,857,216	815,811	144
10. Trade Payables	122,065,607	17,109,520	1,466,386	-	-
11. Financial Liabilities	601,376,099	23,775,627	61,878,602	-	-
12a. Other monetary financial liabilities	8,215,205	14,321	1,009,796	103,775	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	731,656,911	40,899,468	64,354,784	103,775	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	557,084,772	14,822,587	63,825,474	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	557,084,772	14,822,587	63,825,474	-	-
18. Total Liabilities	1,288,741,683	55,722,055	128,180,258	103,775	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	(1,152,363,837)	(46,716,019)	(118,323,042)	712,036	144
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,152,363,836)	(46,716,019)	(118,323,042)	712,036	144
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	185,416,013	401,842	6,290,632	902,690	-
24. Imports(**))	135,579,285	11,435,745	9,658,876	1,166	150

(*) The Group has TRY 133,471,073 export for the period of 01.01.-31.03.2020

(**) The Group has TRY 241,152 import for the period of 01.01.-31.03.2020.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 MARCH 2020
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, amounts of assets and liabilities of the Group in foreign currency are as follows:

31 December 2019	TRY equivalent functional currency	USD	EUR	GBP	CHF
1. Trade Receivables	64,587,607	4,444,105	4,522,078	1,043,426	-
2a. Monetary Financial Assets (including cash and banks)	8,122,514	695,630	599,837	81	70
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	1,887,308	317,718	-	-	-
4. Current Assets (1+2+3)	74,597,429	5,457,453	5,121,915	1,043,507	70
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	32,843,043	-	4,938,358	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	32,843,043	-	4,938,358	-	-
9. Total Assets (4+8)	107,440,472	5,457,453	10,060,273	1,043,507	70
10. Trade Payables	172,839,503	24,200,265	4,373,303	-	-
11. Financial Liabilities	511,036,405	18,035,028	60,732,074	-	-
12a. Other monetary financial liabilities	113,836	8,017	9,956	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	683,989,744	42,243,310	65,115,333	-	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	465,239,128	14,994,543	56,561,595	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	465,239,128	14,994,543	56,561,595	-	-
18. Total Liabilities	1,149,228,872	57,237,853	121,676,928	-	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	(1,041,788,400)	(51,780,400)	(111,616,655)	1,043,507	70
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(1,043,675,707)	(52,098,118)	(111,616,655)	1,043,507	70
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	971,835,617	31,822,692	25,123,689	2,461,220	-
24. Imports(**)	514,580,730	77,623,883	10,800,934	20,735	18,557

(*) The Group has TRY 614,474,396 export for the period of 01.01.-31.12.2019

(**) The Group has TRY 539,176 import for the period of 01.01.-31.12.2019.

NOTE 34 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available markets information in Turkey and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented here in are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions are utilized for the current values of financial instruments which are predictable in practice;

Financial Assets

Monetary assets for which fair value approximates carrying value:

- Balances denominated in foreign currencies are converted at period exchange rates.
- The fair value of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying amounts in the financial statements.
- The carrying value of trade receivables, net of allowances for possible non-recovery of uncollectible are considered to approximate their fair values.

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

- The fair value of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- The fair values of long-term bank borrowings, which are denominated in foreign currencies and converted at period exchange rates, are considered to approximate their carrying values.
- The carrying amount of accounts payable and accrued expenses reported in the financial statements for estimated third party payer set TRY amounts approximates its fair values.

Capital Risk Management

In capital management, the Group aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Group follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount (as shown in balance sheet, trade and other payables and loans). Total capital, as shown in balance sheet, is calculated by adding up equity and net debt.

As of 31 March 2020 and 31 December 2019, net debt / total equity ratio is as follows:

	31.03.2020	31.12.2019
Total debts	1,524,777,224	1,349,252,612
Liquid assets	(37,544,113)	(30,933,504)
Net debt	1,487,233,111	1,318,319,108
Total equity	103,303,942	181,062,353
Total capital	1,590,537,053	1,499,381,461
Net Debt/Total Capital	94%	88%

NOTE 35 OTHER ISSUES AFFECTING THE CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR REQUIRED TO BE DISCLOSED FOR CLEAR, UNDERSTANDABLE AND INTERPRETABLE PRESENTATION

During the retrospective analysis, it was determined that in the financial transactions with Osman Akça Tarım Ürünleri İthalat İhracat Sanayi ve Ticaret A.Ş, which is a related party of the Group, the exchange rate differences calculated in TRY were inadvertently added to the USD balance in the currency valuation made in the March, June, and September 2013.

As a result of the period ended on 31 December 2013, the amount of liability, which should have been shown as USD 8,555,320 was increased by USD 9,228,663 and reported as USD 17,783,982.

As a result of the correction of the USD 9,228,663 principal receivable that occurred in favor of the Company due to incorrect currency evaluations performed during the 2013 operating period, a total of TRY 54,820,102 including TRY 19,696,735 principal and foreign exchange difference and TRY 35,123,367 foreign exchange difference adjustment in other years, was retrospectively corrected (Note: 35). The summary of the differences resulting from the foreign currency valuation of the related balance as of previous periods is as follows;

NOTE 36 SUBSEQUENT EVENTS

Possible effects of COVID-19 (Coronavirus), which affects the whole world, are closely monitored in all respects, and necessary actions are taken to ensure that our Company is affected in the least possible way. Due to the coronavirus, there may be disruptions in the Company's procurement, production and sales processes in parallel with the developments / slowdowns in the sector in which the Company operates and in general economic activity. In this context, production activities have been temporarily suspended in our company between 23.03.2020 and 30.03.2020, during this period our employees were granted annual paid leave of absence in return their right to annual leave. Afterwards, our company has switched to short work model between the dates 01.04.2020-30.06.2020 with working in a lower capacity for a period of 3 (three) months. However, it has been decided to switch to full time work model to be able to keep up with the abroad orders appointed time of June and July 2020. Applications have been made to the authorized institutions and organizations to quit the short-time working allowance for all our departments, and as of 11 May 2020, short-time working allowance has been quitted.

Predictions are not precise about how long coronavirus will continue and how far it will spread, in the world and in Turkey. As the severity and duration of the effects become clear, it will be possible to make a more clear and healthy assessment for the medium and long term. In this context, since the economic effects of the epidemic are uncertain as of the reporting date, the effects on the Company's operations and financial statements cannot be reasonably estimated.