

MENDERES TEKSTİL SANAYİ VE TİCARET A.Ş.
FINANCIAL STATEMENTS
AND AUDITORS' REPORT
FOR THE YEAR ENDED AT 31 DECEMBER 2019

CONTENTS	PAGE
Independent Auditor's Report	1-6
Consolidated Financial Statements	7-8
Consolidated Income Statements and Other Comprehensive Income Statements	9
Consolidated Changes in Equity Statements	10
Consolidated Cash Flows Statements	11-12
Notes to the Consolidated Financial Statements	13-90
NOTE 1 Organization and Nature of Activities.....	13-14
NOTE 2 Basis of Presentation of Financial Statements.....	15-36
NOTE 3 Segment Reporting.....	37-41
NOTE 4 Cash and Cash Equivalents	41-42
NOTE 5 Financial Investments.....	42
NOTE 6 Related Party Transactions	43-47
NOTE 7 Trade Receivables and Trade Payables.....	48-49
NOTE 8 Financial Borrowings.....	50-52
NOTE 9 Other Receivables and Payables.....	53
NOTE 10 Derivative Instruments.....	54
NOTE 11 Inventories.....	54
NOTE 12 Biological Assets.....	54
NOTE 13 Prepaid Expenses and Deferred Income.....	55
NOTE 14 Current Period Tax Income Assets.....	55
NOTE 15 Investments Valued with Equity Pick-up Method.....	56
NOTE 16 Investment Properties.....	57
NOTE 17 Tangible Fixed Assets	58-59
NOTE 18 Right of Use Assets	59
NOTE 19 Intangible Assets	60
NOTE 20 Provisions, Contingent Assets and Liabilities.....	61-63
NOTE 21 Short Term Provisions.....	64
NOTE 22 Employee Benefit Liabilities.....	65
NOTE 23 Other Current Assets and Liabilities.....	65
NOTE 24 Share Capital.....	65-67
NOTE 25 Sales and Cost of Sales.....	67-70
NOTE 26 Research and Development General Administrative Expenses and Marketing Expenses.....	71-72
NOTE 27 Other Operating Income/(Expenses).....	73
NOTE 28 Investment Activities Income / (Expenses).....	74
NOTE 29 Finance Income / (Expenses).....	75
NOTE 30 Tax Assets and Liabilities.....	76-79
NOTE 31 Earnings Per Share.....	79
NOTE 32 Financial Instruments.....	79
NOTE 33 Nature and Level of Risks Derived From Financial Instruments.....	80-88
NOTE 34 Financial Instruments (Fair Value Disclosures and Hedge Accounting Disclosures).....	89
NOTE 35 Other Issues Affecting the Consolidated Financial Statements Significantly or Required to be Disclosed for Clear, Understandable and Interpretable Presentation	90
NOTE 36 Subsequent Events.....	90

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Menderes Tekstil Sanayi ve Ticaret Anonim Şirketi

A) Independent Auditors' Report On The Consolidated Financial Statements

1- Limited Unqualified Opinion

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

According to our opinion, except the effects of the topics mentioned in Basis of Limited Unqualified Opinion part the accompanying consolidated financial statements reflect the Group's consolidated financial statement after 31 December 2019, consolidated financial performance of the accounting period of the same date and consolidated cash flows in accordance with the Turkish Accounting Standards of Turkey realistically with all the important aspects.

2- Basis of Limited Unqualified Opinion

As of 31 December 2019, the Company has corrected USD 9,228,663 of its receivables from Osman Akça Tarım Ürünleri Ürünleri İhracat İsl İhracat Sanayi ve Ticaret AS, which is explained in detail in Note 35 and is related to the faulty transactions carried out during the 2013 operating period. In accordance with IAS 8, the Group presented its consolidated financial statements three years comparatively.

The mentioned faulty transactions have been examined and it has been determined by us that the corrected principal amount of USD 9,228,663 should have been shown as USD 8,273,926. No amendment has been made to the attached consolidated financial statements regarding the determined difference.

The interest calculated for the principal receivable arose from faulty transactions made in 2013 have not been adjusted accordingly on 31 December 2019. We have calculated that unadjusted interest accrual amount together with differences in the principal balance, between our calculations and the Group' calculations, amounts to approximately TRY 77,870,105.

As of 31 December 2019, the Group's equity decreased by TRY 54,820,102 (23% of total equity) as a result of the correction of erroneous transactions. If the company had operated the principal balance and interest amount as USD until 31 December 2019 and the records were corrected by taking these into account, the equity of the company would decrease by approximately TRY 23,050,003 (13% of total equity).

Calculations related to the mentioned adjustment are based on foreign currency USD until 31 December 2019 and are calculated as reflecting exchange rate difference and interest in the related period. However, as of 31 December 2019 the foreign currency amount of the related receivable could not be determined except for the foreign currency position statement given by the Company. Additional liabilities regarding the calculation, if any, are not reflected in the attached consolidated financial statements.

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

3- Key Audit Matters

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

Revenue Recognition

For the accounting policies related to recognition of revenue and the details of significant accounting estimates and assumptions used, see Note 2.f Revenue.

Key Audit Matter	Auditor's response
<p>The main revenue gained by the Group consists of home textiles and farm products sales.</p> <p>Revenue is recognized in the financial statements on an accrual basis over the fair value of the consideration received or receivable as a result of the delivery, the amount of revenue can be reliably measured and it is probable that the economic benefits related to the transaction will flow to the Group. Net sales are presented by subtracted returns, discounts and commissions from sales of goods from sales of goods.</p> <p>Recognition of revenue and profit for the accounting period in which the product is sold depends on an appropriate assessment of whether it relates to the product sales contract. Due to the nature of the operations of the Group, the production is completed and the customer is invoiced but the obligation related to the commercial delivery scheme has not been provided yet, there may be cases where the risk and return are not due to the customer. It is also necessary to make evaluations on the correct turn of the revenue of the products in this situation in accordance with the principle of sales revolutions. Because of the complexity of the commercial contracts, accounting for each case is selected and the recognition of revenue as the key consideration is defined as the recognition of revenue to the financial statements in the right period requires significant considerations.</p>	<p>Our audit procedures for this item include the following:</p> <p>Evaluation of the effectiveness of key internal controls of revenue in the consolidated financial statements:</p> <p>Examination of the risk and return transfers through the sampling method and sales documents obtained for the selected sales transactions to evaluate the appropriateness of the revenue to the accounting policies and the receipt of the financial statements in the appropriate financial reporting period.</p> <p>By examining the provisions of the contracts with the customers regarding the terms of trade and delivery; evaluation of timing of receipt of financial statements for different shipment arrangements.</p> <p>Sending confirmation for selected trade receivables via sampling method and checking compliance with financial statements.</p> <p>Performing analytical observations to determine the existence of unusual operations.</p>

Recoverability of Trade Receivables

Accounting policies related to trade receivables and details of important accounting estimates and assumptions used are included in Note 2.f and Note 7 Trade Receivables.

Key Audit Matter	How to Perform of Matter in Audit
<p><i>Recoverability of Trade Receivables</i></p> <p>As of 31 December 2019, trade receivables of TRY 124,239,432 constitute a significant portion of the consolidated assets of the Group. Furthermore, the assessment of the recoverability of these assets involves significant level of management estimates. Such estimation includes considering the following for each customer-the amount of guarantees/colleateral held, past collection performance, creditworthiness and aging of receivables. The outcome of such estimates is very sensitive to changes in market conditions. Therefore recoverability of trade receivables is a key matter for our audit.</p> <p>Please refer to Notes 2.f, and Notes 7 to the consolidated financial statements for the Group's disclosures on trade receivables, including the related accounting policy and risk management policy.</p>	<p>We performed the following procedures in relation to the recoverability of trade receivables;</p> <p>Understanding the process of collection of trade receivables of the Group from non-related parties, evaluating the operational efficiency of internal controls within the process,</p> <p>Evaluating, understanding internal controls related to financial reporting towards credit risk, and testing the efficiency of internal controls,</p> <p>Understanding and evaluating the customer- debt follow-up process managed by the Finance Department,</p> <p>Comparison of collection turnover rate with previous year,</p> <p>Inquiries with management in relation to any disputes with customers or distributors and written inquiries with the Group's legal counsels on outstanding litigation in relation to trade receivables,</p> <p>Testing of trade receivable balances from non-related parties by sending confirmation letters via sample,</p> <p>Testing of collections made in the following period via sample,</p> <p>As a result of these studies regarding the reusability of non-trade receivables from related parties, there are not any significant findings.</p>

Valuation Method of Inventory

The detail of explanations including accounting policies related to Group's inventories and amount of these inventories is stated at Note 2 Inventories and Note 11 Inventories.

Key Audit Matter	Auditor's response
<p>Inventories are one of the most important assets in the financial statements of the Group. "Valuation Method of Inventory" is determined as the key audit matter because of that it is significant for the financial statements for period ended at 31 December 2019.</p> <p>The Group's stocks consist of textile products such as cotton, raw clothing and duvet, and agricultural products such as dried figs, grapes and dried apricots are accounted for with the lower of cost or net realizable value in accordance with TAS 2.</p> <p>In the our audit work, we have focused on this issue for the following reasons:</p> <p>Inventory cost calculation method is process costing and this system contains complex calculations and assumptions.</p> <p>Existing stock amounts which are based on costing works are calculated by experts within the Group.</p>	<p>We performed the following procedures for valuation method of inventory.</p> <p>Analytical evaluations and detailed tests related to the process of recording and valuation of the inventories were carried out.</p> <p>Physical presence of inventories was confirmed as a means of counting accompanied by the experts within the Group.</p> <p>The mathematical conformity of the datas used in the valuation study were tested.</p> <p>Inventory valuation methods, technical data and the components they contain were evaluated and tested for their suitability.</p> <p>The relevance of the significant estimates used in the valuation was assessed and it was concluded that it was within an acceptable range.</p> <p>As a result of our works on stock valuation method, there are not any important findings.</p>

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

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

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

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

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

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

As part of an audit in accordance with IAS (of Turkey), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit, We remain solely responsible for our audit opinion.

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

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

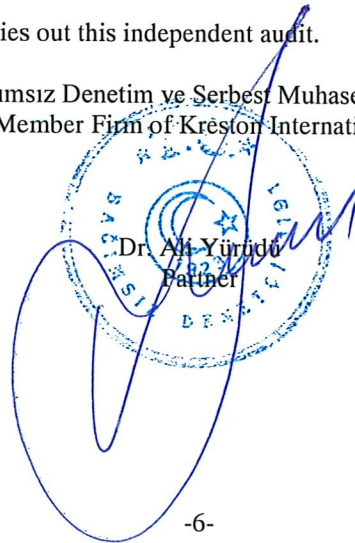
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws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

B) Report on Other Legal and Regulatory Requirements

- 1- Auditors report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 2 March 2020.
- 2- In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3- In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Dr. Ali Yürüdü is the person who carries out this independent audit.

ATA Uluslararası Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Member Firm of Kreston International



2 March, 2020
Istanbul

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019

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

		<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
		<i>Current</i>	<i>Revised(*)</i>	<i>Revised (*)</i>
ASSETS	Footnote	Period	Prior Period	Prior Period
	References	31.12.2019	31.12.2018	31.12.2017
Current Assets		731,777,880	623,370,937	550,854,553
Cash and Cash Equivalents	4	30,933,504	30,662,280	37,228,665
Financial Investments	5	-	705,432	-
<i>Time deposit</i>	5	-	705,432	-
Trade Receivables		124,239,432	157,251,225	76,534,871
<i>Trade Receivables from Related Parties</i>	6-7	46,036,187	49,486,060	15,669,883
<i>Trade Receivables from Third Parties</i>	7	78,203,245	107,765,165	60,864,988
Other Receivables		13,888,782	8,385,846	71,165,075
<i>Other Receivables from Related Parties</i>	6-9	6,367,331	2,746,157	33,849,851
<i>Other Receivables from Third Parties</i>	9	7,521,451	5,639,689	37,315,224
Derivative Financial Instruments	10	-	7,400	74,004
<i>Derivative Financial Instruments for Traiding</i>	10	-	7,400	74,004
Inventories	11	466,218,932	342,597,916	303,103,924
Biological Assets	12	3,814,567	3,047,901	4,209,447
Prepaid Expenses	13	5,172,751	7,605,012	2,781,682
Current Tax Assets	14	601,656	507,116	5,854,147
Other Current Assets	23	86,908,256	72,600,809	49,902,738
Non-Current Assets		798,537,085	712,640,187	592,768,776
Financial Investments	5	-	5,962,871	9,650,000
Other Receivables		155,520	187,210	132,990
Investments Valued by Equity Pick-up Method	15	161,886,255	166,386,966	159,847,474
Investment Properties	16	66,075,000	60,500,000	58,000,000
Tangible Assets	17	487,389,051	428,973,447	337,424,407
Right of Use Assets	18	947,363	-	-
Intangible Assets	19	9,994,902	6,369,506	3,357,317
<i>Computer Software</i>		301,389	5,039	16,242
<i>Capitalized Development Expenses</i>		9,475,815	6,112,551	2,886,289
<i>Other Intangible Assets</i>		217,698	251,916	454,786
Prepaid Expenses	13	34,666,257	6,142,314	8,623,313
Deferred Tax Assets	30	37,422,737	38,117,873	15,733,275
TOTAL ASSETS		1,530,314,965	1,336,011,124	1,143,623,329

(*) See Also Note 2.c

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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2019

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

		<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
			<i>Revised(*)</i>	<i>Revised(*)</i>
LIABILITIES	Footnote References	Current Period 31.12.2019	Prior Period 31.12.2018	Prior Period 31.12.2017
Current Liabilities		827,606,353	704,033,522	500,304,030
Financial Borrowings	8	384,853,677	318,096,151	210,823,715
<i>Financial Borrowings to Third Parties</i>		<i>384,853,677</i>	<i>318,096,151</i>	<i>210,823,715</i>
<i>- Bank Loans</i>	8	<i>384,853,677</i>	<i>318,096,151</i>	<i>210,823,715</i>
Current Installments of Long Term Financial Borrowings	8	148,034,318	129,548,095	109,158,744
<i>Current Installments of Long Term Financial Borrowings to Third Parties</i>		<i>148,034,318</i>	<i>129,548,095</i>	<i>109,158,744</i>
<i>- Bank Loans</i>		<i>143,584,954</i>	<i>126,895,872</i>	<i>106,070,257</i>
<i>- Leasing Payables</i>		<i>3,865,231</i>	<i>2,652,223</i>	<i>3,088,487</i>
<i>- Other Current Installments of Long Term Financial Borrowings</i>		<i>584,133</i>	-	-
Trade Payables		267,149,534	175,216,695	113,451,488
<i>Trade Payables to Related Parties</i>	6-7	-	6,741,396	56,905
<i>Trade Payables to Third Parties</i>	7	267,149,534	168,475,299	113,394,583
Employee Benefit Liabilities	22	13,910,161	16,307,751	14,843,236
Other Payables		2,452,989	56,160,052	37,998,083
<i>Other Payables to Related Parties</i>	6-9	85,050	48,673,689	35,611,926
<i>Other Payables to Third Parties</i>	9	2,367,939	7,486,363	2,386,157
Derivative Financial Instruments	10	-	44,900	770,333
<i>Derivative Financial Instruments for Trading</i>	10	-	44,900	770,333
Financial Borrowings	13	4,032,874	3,848,745	6,477,159
Current Tax Liabilities of Period Profit	30	-	356,393	4,236,865
Current Provisions		7,172,800	4,454,740	2,544,407
<i>Provision for employee benefits</i>	21	6,735,719	3,897,322	2,125,159
<i>Other current provisions</i>	21	437,081	557,418	419,248
Non-Current Liabilities		521,646,259	432,944,489	347,178,408
Long Term Borrowings	8	468,143,313	393,782,034	314,743,532
<i>Long Term Borrowings to Third Parties</i>		<i>468,143,313</i>	<i>393,782,034</i>	<i>314,743,532</i>
<i>- Bank Loans</i>	8	<i>464,022,276</i>	<i>389,292,689</i>	<i>314,600,926</i>
<i>- Leasing Payables</i>		<i>3,659,549</i>	<i>4,489,345</i>	<i>142,606</i>
<i>- Other Long Term Borrowings</i>		<i>461,488</i>	-	-
Deferred Income	13	-	-	207,724
Long Term Provisions		48,560,363	35,840,240	31,436,701
<i>Long Term Provisions for Employee Benefits</i>	21	48,560,363	35,840,240	31,436,701
Deferred Tax Liabilities	30	4,942,583	3,322,215	790,451
Equity		181,062,353	199,033,113	296,140,891
Parent Company's Equity		196,126,309	209,759,217	297,093,659
Paid in Capital	24.1	250,000,000	250,000,000	250,000,000
Inflationary Adjustments of Shareholder's Equity	24.2	485,133	485,133	485,133
Effect of mergers involving undertakings or businesses subject to common control	3	(25,567,435)	(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	<i>(28,816)</i>	<i>239,108</i>	<i>878,779</i>
Restricted Reserves	24.4	10,460,462	10,209,777	10,209,777
<i>Legal Reserves</i>	24.4	<i>10,460,462</i>	<i>10,209,777</i>	<i>10,209,777</i>
Retained Earnings / Losses	24.5	(25,858,051)	61,087,405	8,929,682
Net Profit / (Loss) for the Period		(13,364,984)	(86,694,771)	52,157,723
Minority Interests	24.6	(15,063,956)	(10,726,104)	(952,768)
TOTAL LIABILITIES AND EQUITY		1,530,314,965	1,336,011,124	1,143,623,329

(*) See Also Note 2.c

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
FOR THE YEAR END 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Audited</i>	<i>Audited</i>
			<i>Revised(*)</i>
	Footnote References	Current Period 01.01- 31.12.2019	Prior Period 01.01- 31.12.2018
Revenue	25.1	1,460,741,970	1,162,330,679
Cost of Sales (-)	25.2	(1,308,844,129)	(995,919,908)
Gross Profit / (Loss)		151,897,841	166,410,771
General Administrative Expenses (-)	26.3	(24,053,919)	(22,821,845)
Marketing Expenses (-)	26.2	(38,070,654)	(29,497,421)
Research and Development Expenses (-)	26.1	(4,321,458)	(3,250,180)
Other Operating Income	27.1	44,008,901	62,865,816
Other Operating Expenses (-)	27.2	(27,749,123)	(37,052,467)
Operating Profit / (Loss)		101,711,588	136,654,674
Income from Investment Activities	28.1	15,605,345	113,808
Expenses from Investment Activities (-)	28.2	(354,381)	(8,130,578)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	28.3	7,019,289	6,539,492
Operating Activity Profit/(Loss) Before Financial Expense		123,981,841	135,177,396
Financial Income	29.1	59,025,819	149,063,659
Financial Expenses (-)	29.2	(198,326,629)	(402,576,361)
Operating Activity Profit/(Loss) Before Taxation		(15,318,969)	(118,335,306)
Operating Activity Tax Income/(Expense)			
Current Tax Income/(Expense)	30	-	(356,393)
Deferred Tax Income/(Expense)	30	(2,382,761)	19,693,452
Current Period Operating Activity Profit / (Loss)		(17,701,730)	(98,998,247)
Profit/(Loss) for the Period		(17,701,730)	(98,998,247)
Distribution of the Period Income/(Loss)			
Minority Interests	24.6	(4,336,746)	(12,303,476)
Parent Company's Shares		(13,364,984)	(86,694,771)
Earnings Per Share	31	(0.0535)	(0.3468)
Other Comprehensive Income:			
Income (Expenses) not to be Reclassified on Profit or (Loss)			
- Defined Benefit Plans Re-Measurement Gains (Losses)		(336,287)	(796,913)
-Deferred Tax Income / (Expense)		67,257	159,382
Other Comprehensive Income		(269,030)	(637,531)
Total Comprehensive Income/(Expense)		(17,970,760)	(99,635,778)
Distribution of Total Comprehensive Income			
Minority Interests		(4,337,852)	(12,301,336)
Parent Company's Shares		(13,632,908)	(87,334,442)

(*) See Also Note 2.c

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 DECEMBER 2019 AND 2018
(Currency – Turkish Lira “TRY” unless expressed otherwise.)

					Accumulated Other Comprehensive Income and Expenses that will not be Reclassified to Profit or Loss						
	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 01.01.2018 (*)		250,000,000	485,133	(25,567,435)	878,779	10,209,777	41,407,192	54,489,806	331,903,252	(952,768)	330,950,484
Adjustment related to corrections		-	-	-	-	-	(32,477,510)	(2,332,083)	(34,809,593)	-	(34,809,593)
Balances revised at 01.01.2019	24	250,000,000	485,133	(25,567,435)	878,779	10,209,777	8,929,682	52,157,723	297,093,659	(952,768)	296,140,891
Transfers	24	-	-	-	-	-	52,157,723	(52,157,723)	-	-	-
Capital Increase		-	-	-	-	-	-	-	-	2,528,000	2,528,000
Total Comprehensive Income/(Loss)		-	-	-	(639,671)	-	-	(86,694,771)	(87,334,442)	(12,301,336)	(99,635,778)
- Profit/(Loss) for the Period	24	-	-	-	-	-	-	(86,694,771)	(86,694,771)	(12,303,476)	(98,998,247)
- Other Comprehensive Income/(Expense)	24	-	-	-	(639,671)	-	-	-	(639,671)	2,140	(637,531)
Balances at 31.12.2018	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
Balances reported at 01.01.2019 (*)	24	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 31.12.2018	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	-	-	-	-	250,685	(86,945,456)	86,694,771	-	-	-
Total Comprehensive Income/(Loss)		-	-	-	(267,924)	-	-	(13,364,984)	(13,632,908)	(4,337,852)	(17,970,760)
- Profit/(Loss) for the Period	24	-	-	-	-	-	-	(13,364,984)	(13,364,984)	(4,336,746)	(17,701,730)
- Other Comprehensive Income/(Expense)	24	-	-	-	(267,924)	-	-	-	(267,924)	(1,106)	(269,030)
Balances at 31.12.2019	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

(*) See Also Note 2.c

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 DECEMBER 2019 AND 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Audited</i>	<i>Audited</i>
	Footnote	Current Period	Prior Period
	References	01.01- 31.12.2019	01.01- 31.12.2018
CASH FLOWS FROM THE OPERATING ACTIVITIES		9,670,818	3,229,035
Profit/(Loss) for the Period			
Current Period Operating Activity Profit / (Loss)		(17,701,730)	(98,998,247)
Adjustments Related with Net Profit/Loss for The Period		118,094,215	106,083,900
Adjustments for depreciation, amortisation expenses	17-18-19	33,950,177	26,966,656
Adjustments to Impairment (Cancellation)			
- Adjustments to Impairment (Cancellation) in Receivables	7	(928,529)	702,087
Adjustments related to impairment on other financial assets and investments	5	(3,687,129)	3,687,129
Adjustments related to the provisions			
- Adjustments for employee termination benefits	21-26.2-26.3	12,451,093	3,766,008
- Adjustment for provision for expenses and lawsuits	21	(120,337)	138,170
- Adjustment for other provisions or reversals	21	2,838,397	1,772,163
Adjustments for interest income and expense			
- Adjustments for interest expenses	8-30	5,457,902	5,660,589
- Unearned income from futures sale	27.1	4,357,742	3,406,468
- Deferred financial expense arise from forward purchasing	27.2	(4,036,997)	(2,299,450)
Adjustments for fair value income or loss			
- Adjustments for financial assets fair value losses /(profits)	16	(5,512,576)	4,443,449
- Adjustments for financial instruments fair value losses /(profits)	10-29	(37,500)	(658,829)
Adjustment for unrealized currency translation differences		78,065,757	96,891,786
Adjustments for retained earnings of investments subject to equity pick-up method			
- Adjustment for retained earnings of subsidiaries	15	(7,019,289)	(18,539,492)
Tax payments/returns	30	2,315,504	(19,852,834)
Changes in the Company Capital		(90,365,274)	23,854
Adjustments for increase/decrease in financial assets	5	10,355,432	(705,432)
Adjustments for increase/decrease in trade receivables			
- Adjustments for increase/decrease in trade receivables from related parties	6-7	3,449,873	(33,816,177)
- Adjustments for increase/decrease in trade receivables from third parties	7	26,132,707	(51,008,732)
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		(3,621,174)	31,103,694
- Adjustments for increase/decrease in other receivables from third parties related to the operations	9-14-23	(16,252,059)	14,270,275
Adjustments for increase/decrease in inventories	11	(123,621,016)	(39,493,992)
Adjustments related to the increase/decrease in biological assets	12	(766,666)	1,161,546
Adjustments for increase/decrease in prepaid expenses	13	(26,091,682)	(2,342,331)
Adjustments for increase/decrease in trade payables			
- Adjustments for increase/decrease in trade payables to related parties	6-7	(6,741,396)	6,684,491
- Adjustments for increase/decrease in trade payables to third parties	7	102,711,232	57,380,166
Increase/decrease in employee benefits liabilities	22	(2,397,590)	1,464,515
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	(48,588,639)	13,061,763
- Adjustments for increase/decrease in other payables from third parties related to the operations	9	(5,118,425)	5,100,206
Increase/decrease in deferred tax	13	184,129	(2,836,138)
Cash Flow from Operating Activities		10,027,211	7,109,507
Tax payments/returns	30	(356,393)	(3,880,472)

(*) See Also Not 2.c

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 DECEMBER 2019 AND 2018
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

		<i>Audited</i>	<i>Audited</i>
		Current Period	Prior Period
	Footnote	01.01-	01.01-
	References	31.12.2019	31.12.2018
NET CASH FLOW PROVIDED BY INVESTMENT ACTIVITIES		(83,505,464)	(116,471,334)
Proceeds from sale of property, plant, equipment and intangible assets			
- Proceeds from sale of tangible assets	17	9,072,897	21,242
Proceeds from purchase of property, plant, equipment and intangible assets			
- Proceeds from purchase of tangible assets	17	(99,370,270)	(117,823,092)
- Proceeds from purchase of intangible assets	19	(4,665,667)	(3,726,035)
Cash outflows from purchase of investment property	16	(62,424)	(6,943,449)
Dividends Received	30	11,520,000	12,000,000
CASH FLOW PROVIDED BY FINANCIAL ACTIVITIES		41,570,456	106,675,914
Cash inflows from share and other equity instrument issuance			
- Cash inflows from share issuance		-	2,528,000
Cash inflows from financial liabilities			
- Cash inflows from bank loans		825,091,394	1,063,812,925
Cash outflows from financial liabilities			
- Cash outflows for bank loans		(750,438,858)	(963,575,486)
- Cash outflows from other financial liabilities	8	(929,878)	-
Cash outflows from finance leases	8	383,212	3,910,475
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN EXCHANGE CURRENCY DIFFERENCES (A+B+C)		271,224	(6,566,385)
D. EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES ON CASH AND CASH EQUIVALENT		-	-
CASH AND CASH EQUIVALENTS NET INCREASE/DECREASE		271,224	(6,566,385)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	30,662,280	37,228,665
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	30,933,504	30,662,280

(*) See Also Note 2.c

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 DECEMBER 2019
(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 December 2019, 4,059 personnel are employed by the Company and average number of personnel is 3,982 for the period of 01.01-31.12.2019.

Company shares are traded in the Borsa İstanbul since 2000.

Production Capacity (Textile)

According to the capacity report from Denizli Industrial Chamber dated 28 May 2018, numbered 250 and valid until 31 May 2020, 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 DECEMBER 2019
(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

Capacity Report 2 (Pamukkale)

According to the capacity report from Denizli Industrial Chamber dated 01 December 2017, numbered 647 and valid until 01 December 2019, The Company production capacity is as follows:

Product	Unit	Quantity
Tomato	Ton	264
Pepper	Ton	96

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

As of 31 December 2019, 235 personnel are employed by the Company and the average number of personnel is 232 for the period of 01.01-31.12.2019.

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 December 2019, 35 personnel are employed by the Company and the average number of personnel is 36 for the period of 01.01-31.12.2019.

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 December 2019, 10 personnel are employed by the Company and the average number of personnel is 13 for the period of 01.01-31.12.2019.

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 March 2020. Boards of Directors have authority to change financial statements.

Currency Measurement and Reporting Currency

As of 31 December 2019 and 2018, 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 DECEMBER 2019
(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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019 and 2018, the capital structure of subsidiaries and participations are as follows:

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

	31.12.2019	31.12.2018
	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.)

	31.12.2019	31.12.2018
	Ratio %	Ratio %
Osman Akça Tarım Ürün. İth. İhr. San. ve Tic. A.Ş.	28.51	28.51
Rıza Akça	34.19	33.15
Dilek Göksan	17.10	16.58
Ahmet Bilge Göksan	17.10	16.58
Menderes Tekstil Pazarlama A.Ş.	3.10	3.10
Erbil Akça	-	2.09
	%100	%100

Smyrna Seracılık Ticaret A.Ş. (Subsidiary)

	31.12.2019	31.12.2018
	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)

	31.12.2019	31.12.2018
	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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

	31.12.2019	31.12.2018
	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)

	31.12.2019	31.12.2018
	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 2018.

The accounting policies applied in the preparation of the consolidated financial statements as of 1 January-31 December 2019 are consistent with those applied in the preparation of the consolidated financial statements as of 31 December 2018, except for the new TFRS 16 Leases standard, which are started to be valid as of 1 January 2019.

The Group applied IFRS 16-Leases effective from 1 January 2019 and financial statements effects of this standard is explained below; applied actual accounting policy is explained on Note 2.f.

In the application of IFRS 16 Leases Standard, the Group has benefited from the exemption which allows not to restate comparative information for prior periods with respect to classification and measurement(including impairment)changes. Differences in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 16 are recognized in net profit or loss for the period as of 1 January 2019.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(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;

31 December 2018	Reported	Adjustment	Revised
Liabilities			
Other Payables	7,608,981	48,551,071	56,160,052
Total	7,608,981	48,551,071	56,160,052
Equity			
Prior Year Profits	95,896,998	(34,809,593)	61,087,405
Net Loss for The Period	(72,953,293)	(13,741,478)	(86,694,771)
Total	22,943,705	(48,551,071)	(25,607,366)
31 December 2017	Reported	Adjustment	Revised
Liabilities			
Other Payables	3,188,490	34,809,593	37,998,083
Total	3,188,490	34,809,593	37,998,083
Equity			
Prior Year Profits	41,407,192	(32,477,510)	8,929,682
Net Loss for The Period	54,489,806	(2,332,083)	52,157,723
Total	95,896,998	(34,809,593)	61,087,405
01 January - 31 December 2018			
	Reported	Adjustment	Revised
Profit and Loss Statement			
Financial Expenses	(388,834,883)	(13,741,478)	(402,576,361)
Total		(13,741,478)	

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 December 2019 with financial statements dated 31 December 2018, 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 December 2019 with 01 January – 31 December 2018 comparatively

The Group has increased the other discounts accounted in revenue by TRY 1,309,919 on respectively 31 December 2019 has reduced the Energy Production Costs that it follows within the Cost of Sales by the same rate.

2.e. New and amended standards and interpretations

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

Standards, amendments and interpretations applicable as at 31 December 2019:

Explanations on the effects of the new TAS / TFRS on the financial statements:

- a) Title of TAS / TFRS,
- b) If any, the accounting policy change has been made in accordance with the relevant transitional provisions
- c) A description of the change in accounting policy,
- d) If any a description of the transitional provisions,
- e) the effects of transitional provisions, if any, on future periods,
- f) as much as possible, the amount of adjustment for the current and each previous period submitted
 - i. presented for each affected financial statement item; and
 - ii. If “IAS 33, Earnings per Share” standard is valid for the company, ordinary shares and diluted earnings per share should be recalculated.
- g) If possible, the correction amounts for the periods before the periods not presented and if the retroactive application is not possible for any period or periods, the events leading to this situation should be explained and the date and how the change in accounting policy was applied should be explained.

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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.

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.

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.

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

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.

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.

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 DECEMBER 2019
(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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 DECEMBER 2019
(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:

	31.12.2019	31.12.2018
USD	5.9402	5.2609
EUR	6.6506	6.0280
GBP	7.7765	6.6528
CHF	6.0932	5.3352

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 December 2019, such payments are calculated on the basis of 30 days' pay limited to a maximum of TRY 6,380 (31 December 2018: TRY 5,434) 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:

	31.12.2019	31.12.2018
Interest rate	% 11.76	% 23.44
Inflation rate	% 5.40	% 15.90
Discount rate	% 6.03	% 6.51

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 December 2019, deferred tax asset is recognized for temporary losses on taxable temporary differences amounting to TRY 18,364,982 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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 3 – SEGMENT REPORTING

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)
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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 December 2018	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
ASSETS					
Cash and Cash Equivalents	30,056,542	23,116	582,622	-	30,662,280
Financial Investments	-	-	705,432	-	705,432
Trade Receivables	96,803,342	55,265,340	5,182,543	-	157,251,225
Other Receivables	111,929,287	235,202	2,264,906	(106,043,549)	8,385,846
Derivative Financial Instruments	7,400	-	-	-	7,400
Inventories	278,730,274	63,162,684	704,958	-	342,597,916
Biological Assets	-	3,047,901	-	-	3,047,901
Prepaid Expenses	1,898,792	122,514	5,583,706	-	7,605,012
Current Tax Assets	61,558	441,287	4,271	-	507,116
Other Current Assets	56,400,272	5,106,423	11,094,114	-	72,600,809
Current Assets	575,887,467	127,404,467	26,122,552	(106,043,549)	623,370,937
Financial Investments	82,180,000	1,142,000	18,762,881	(96,122,010)	5,962,871
Other Receivables	54,859	15,682	116,669	-	187,210
Investments Valued by Equity Pick-up Method	166,386,966	-	-	-	166,386,966
Investment Properties	60,500,000	-	-	-	60,500,000
Tangible Assets	152,784,518	18,706,634	257,482,295	-	428,973,447
Intangible Assets	6,359,286	3,857	6,363	-	6,369,506
Prepaid Expenses	1,584,397	112,568	4,445,349	-	6,142,314
Deferred Tax Assets	22,597,459	656,676	19,321,563	(4,457,825)	38,117,873
Non-Current Assets	492,447,485	20,637,417	300,135,120	(100,579,835)	712,640,187
TOTAL ASSETS	1,068,334,952	148,041,884	326,257,672	(206,623,384)	1,336,011,124
LIABILITIES					
Financial Borrowings	314,667,597	3,428,554	-	-	318,096,151
Current Installments of Long Term Financial Borrowings	86,792,309	-	42,755,786	-	129,548,095
Trade Payables	150,145,300	17,077,534	7,993,861	-	175,216,695
Employee Benefits Liabilities	15,509,174	561,631	236,946	-	16,307,751
Other Payables	51,654,937	105,239,890	5,308,774	(106,043,549)	56,160,052
Derivative Financial Instruments	44,900	-	-	-	44,900
Deferred Income	1,208,817	225,932	2,413,996	-	3,848,745
Current Tax Liabilities of Period Profit	-	356,393	-	-	356,393
Current Provisions	4,011,803	148,729	294,208	-	4,454,740
Current Liabilities	624,034,837	127,038,663	59,003,571	(106,043,549)	704,033,522
Long Term Borrowings	109,587,898	-	284,194,136	-	393,782,034
Provisions For Long Term Employee Benefits	34,908,288	783,852	148,100	-	35,840,240
Deferred Tax Liabilities	1,794,780	670,046	5,315,214	(4,457,825)	3,322,215
Non-Current Liabilities	146,290,966	1,453,898	289,657,450	(4,457,825)	432,944,489
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 Business Mergers 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)	243,664	5,021	(11,573)	1,996	239,108
Restricted Reserves	10,147,245	62,532	127,759	(127,759)	10,209,777
Retained Earnings / Losses	88,400,030	(345,835)	(74,960,606)	47,993,816	61,087,405
Net Profit / Loss for the Period	(51,266,923)	7,827,605	(55,558,929)	12,303,476	(86,694,771)
Minority Interest	-	-	-	(10,726,104)	(10,726,104)
SHAREHOLDERS' EQUITY	298,009,149	19,549,323	(22,403,349)	(96,122,010)	199,033,113
TOTAL LIABILITIES AND EQUITY	1,068,334,952	148,041,884	326,257,672	(206,623,384)	1,336,011,124

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

31 December 2019	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Revenue	1,119,260,073	279,573,843	62,544,457	(636,403)	1,460,741,970
Cost of Sales (-)	(1,013,142,932)	(260,164,398)	(36,153,455)	616,656	(1,308,844,129)
GROSS PROFIT/LOSS	106,117,141	19,409,445	26,391,002	(19,747)	151,897,841
General Administrative Expenses (-)	(21,330,266)	(1,381,461)	(1,542,834)	200,642	(24,053,919)
Marketing Expenses (-)	(37,129,276)	(941,378)	-	-	(38,070,654)
Research and Development Expenses (-)	(4,321,458)	-	-	-	(4,321,458)
Other Operating Income	40,328,017	2,054,203	1,807,753	(181,072)	44,008,901
Other Operating Expenses (-)	(23,337,606)	(3,089,900)	(1,321,794)	177	(27,749,123)
OPERATING PROFIT/LOSS	60,326,552	16,050,909	25,334,127	-	101,711,588
Income from Investing Activities	6,201,687	-	9,403,658	-	15,605,345
Expense from Investing Activities(-)	(342,997)	-	(11,384)	-	(354,381)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	7,019,289	-	-	-	7,019,289
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	73,204,531	16,050,909	34,726,401	-	123,981,841
Financial Income (+)	45,755,650	129,582	17,116,724	(3,976,137)	59,025,819
Financial Expenses (-)	(124,648,533)	(2,723,075)	(74,931,158)	3,976,137	(198,326,629)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(5,688,352)	13,457,416	(23,088,033)	-	(15,318,969)
Operating Activity Tax Income / (Expense)	-	-	-	-	-
- Income/Expense Tax for the period	-	-	-	-	-
- Deferred Tax Income/Expense	(1,285,587)	(4,739)	(1,092,435)	-	(2,382,761)
PROFIT/(LOSS) FOR THE PERIOD	(6,973,939)	13,452,677	(24,180,468)	-	(17,701,730)

31 December 2018	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Revenue	908,686,509	215,102,845	38,946,755	(405,430)	1,162,330,679
Cost of Sales (-)	(767,769,059)	(203,780,111)	(24,742,560)	371,822	(995,919,908)
GROSS PROFIT/LOSS	140,917,450	11,322,734	14,204,195	(33,608)	166,410,771
General Administrative Expenses (-)	(19,688,654)	(1,685,635)	(1,509,127)	61,571	(22,821,845)
Marketing Expenses (-)	(28,122,991)	(1,374,430)	-	-	(29,497,421)
Research and Development Expenses (-)	(3,250,180)	-	-	-	(3,250,180)
Other Operating Income	58,419,360	2,217,989	2,290,038	(61,571)	62,865,816
Other Operating Expenses (-)	(35,154,965)	(738,270)	(1,159,232)	-	(37,052,467)
OPERATING PROFIT/LOSS	113,120,020	9,742,388	13,825,874	(33,608)	136,654,674
Income from Investing Activities	95,050	-	18,758	-	113,808
Expense from Investing Activities(-)	(4,443,449)	-	(3,687,129)	-	(8,130,578)
Shares of Profit/(Loss) from Investments Valued by Equity Pick-up Method	6,539,492	-	-	-	6,539,492
OPERATING PROFIT/LOSS BEFORE FINANCING EXPENSES	115,311,113	9,742,388	10,157,503	(33,608)	135,177,396
Financial Income (+)	106,577,580	-	45,511,760	(3,025,681)	149,063,659
Financial Expenses (-)	(282,854,130)	(1,667,073)	(121,080,839)	3,025,681	(402,576,361)
OPERATING ACTIVITY PROFIT/(LOSS) BEFORE TAXATION	(60,965,437)	8,075,315	(65,411,576)	(33,608)	(118,335,306)
Operating Activity Tax Income / (Expense)	-	-	-	-	-
- Income/Expense Tax for the period	-	(356,393)	-	-	(356,393)
- Deferred Tax Income/Expense	9,698,514	142,291	9,852,647	-	19,693,452
PROFIT/(LOSS) FOR THE PERIOD	(51,266,923)	7,861,213	(55,558,929)	(33,608)	(98,998,247)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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 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
- 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%
31 December 2018	Textile Sector	Agricultural Sector	Energy Sector	Elimination Between Sections	Total
Assets by Segments					
Investment Property	60,500,000	-	-	-	60,500,000
Total Tangible Assets (Net Book Value)	152,784,518	18,706,634	257,482,295	-	428,973,447
Total Intangible Assets (Net Book Value)	6,359,286	3,857	6,363	-	6,369,506
Purchases of Tangible and Intangible Assets	35,577,879	684,988	85,312,881	-	121,575,748
Purchases of Investment Property	6,943,449	-	-	-	6,943,449
Depreciation Expenses	16,080,161	2,300,316	8,586,179	-	26,966,656
Total Assets	89,074,201	4,710,043	4,954,815	-	98,739,059
Total Liabilities	573,862,149	226,458	327,780,504	-	901,869,111
Net Asset/ (Liability) Position of Foreign Currency Derivative Instruments Out of Financial Statements	21,683,386	-	-	-	21,683,386
Net Foreign Currency Asset/ Liabilities	(463,104,562)	4,483,585	(322,825,689)	-	(781,446,666)
Financial Payables	511,047,804	3,428,554	326,949,922	-	841,426,280
- USD	77,999,311	-	100,345,919	-	178,345,230
- EUR	431,298,219	-	226,604,003	-	657,902,222
- TRY	1,750,274	3,428,554	-	-	5,178,828
Export	762,947,773	31,997,132	-	-	794,944,905
Import	260,341,799	943,510	29,379,574	-	290,664,883
Total Debt	721,774,732	128,492,561	348,661,021	(110,501,374)	1,088,426,940
Cash Equivalents	(30,056,541)	(23,116)	(582,623)	-	(30,662,280)
Net Debt	691,718,191	128,469,445	348,078,398	(110,501,374)	1,057,764,660
Total Equity	346,560,220	19,549,323	(22,403,349)	(96,122,010)	247,584,184
Total Capital	1,038,278,411	148,018,768	325,675,049	(206,623,384)	1,305,348,844
Net Debt/Total Capital Ratio	67%	87%	107%		81%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(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	01.01-31.12.2019	01.01-31.12.2018
Germany	54%	47%
U.S.A	21%	24%
Italy	8%	9%
Netherlands	4%	4%
Russia	2%	1%
England	2%	3%
China	2%	2%
France	2%	3%
United Arab Emirates	1%	0%
Poland	1%	2%
Other	3%	5%
	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. As of 31 December 2019, the share of the largest buyers in the revenue from textile sector operations is 55.16 % and agriculture sector operations is 90.30 %. (31 December 2018: the largest one, textile sector, 47.37 %; agriculture sector, 85.61%) (Note 33)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 4 – CASH AND CASH EQUIVALENTS

As of 31 December 2019, 2018 and 2017, the details of cash and cash equivalents are as follows:

	31.12.2019	31.12.2018	31.12.2017
Cash	81,002	51,669	16,399
Banks	30,852,502	30,610,611	37,212,266
<i>Demand deposits</i>	5,783,889	19,278,109	10,162,266
<i>Time deposits</i>	25,068,613	11,332,502	27,050,000
	30,933,504	30,662,280	37,228,665

As of 31 December 2019, 2018 and 2017 maturity schedule of time deposits in the cash and cash equivalents are as follows:

	31.12.2019	31.12.2018	31.12.2017
Within 1 month	25,068,613	10,783,558	27,050,000
1-3 month	-	548,944	-
	25,068,613	11,332,502	27,050,000

As of 31 December 2019, effective interest rates of time deposits in TRY 11.04%’, (31.12.2018: in TRY 23.71% - 25.56%, in EUR 2.04%).

As of 31 December 2019, there is no deposit pledge on the Group's bank deposits. (31.12.2018: None.)

NOTE 5 – FINANCIAL INVESTMENTS

Short term financial investments

	31.12.2019	31.12.2018	31.12.2017
Time deposits longer than 3 months	-	705,432	-
	-	705,432	-

Long term financial investments

	31.12.2019	31.12.2018	31.12.2017
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	9,650,000	9,650,000
Provision for losses	-	(3,687,129)	-
	-	5,962,871	9,650,000

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 6 – RELATED PARTY TRANSACTIONS

i) Due from / to related parties:

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

	31.12.2019	31.12.2018	31.12.2017
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	43,494,527	48,174,281	-
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	2,881,678	1,525,849	1,710,839
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	-	3,082	-
Menderes Tekstil Pazarlama A.Ş.	-	92,405	14,054,101
Akçamen Tekstil A.Ş.	-	-	3,705
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	5,694	-	-
Unearned Interests	(345,712)	(309,557)	(98,762)
	46,036,187	49,486,060	15,669,883

b) Trade payables to related parties (Note 7):

	31.12.2019	31.12.2018	31.12.2017
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	-	1,112,514	43,733
Akça Solar Üretim Sanayi Ticaret A.Ş.	-	-	12,676
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	-	938
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	-	5,764,261	-
Unearned Interests	-	(135,379)	(442)
	-	6,741,396	56,905

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

	31.12.2019	31.12.2018	31.12.2017
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	-	33,844,833
Akça Holding A.Ş.(*)	6,367,331	2,746,057	-
Ali Atlamaz	-	100	-
Ahmet Bilge Göksan	-	-	5,018
	6,367,331	2,746,157	33,849,851

(*)The related amount, including the principal and maturity difference, was closed in February 2020

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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

	31.12.2019	31.12.2018	31.12.2017
Rıza Akça	85,050	87,218	802,333
Ahmet Bilge Göksan	-	35,400	-
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş. (*)	-	48,551,071	34,809,593
	85,050	48,673,689	35,611,926

(*) This amount consists of adjustments detailed in note 2.c

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

a) Sales to related parties:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	253,183,216	182,299,687
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	6,555,958	4,412,107
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	29,167	24,628
	259,768,341	186,736,422

b) Purchases from related parties:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	56,827,144	43,483,753
Akça Holding A.Ş.	-	58,770
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	25,022	4,642
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	3,932	2,875
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	3,183	10,110
	56,859,281	43,560,150

c) Fixed asset purchases from related parties(Tangible Fix Assets):

	01.01.- 31.12.2019	01.01.- 31.12.2018
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	7,945,000	-
	7,945,000	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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

	01.01.- 31.12.2019	01.01.- 31.12.2018
Akça Holding A.Ş.	5,962,871	-
	5,962,871	-

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.- 31.12.2019	01.01.- 31.12.2018
Benefits provided to senior management	830,749	725,116
	830,749	725,116

b Service expenses paid to related parties:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Akça Holding A.Ş.	893,941	710,485
Ak-San Sigorta Aracılık Hizmetleri Ltd. Şti.	1,509,554	1,614,785
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	22,050	-
Menderes Tekstil Pazarlama A.Ş.	-	264,559
	2,425,545	2,589,829

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

c Rent income from related parties:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	144,533	105,000
Akça Holding A.Ş.	129,480	104,400
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	119,400	97,800
Menderes Tekstil Pazarlama A.Ş.	6,000	14,580
Akçamen Tekstil Sanayi Ticaret A.Ş.	6,000	6,000
Akça Solar Enerji Üretim Sanayi ve Ticaret A.Ş.	6,000	6,000
	411,413	333,780

d Rent expenses paid to related parties:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Aktur Araç Muayene İstasyon İşletmesi A.Ş.	30,000	-
Menderes Tekstil Pazarlama A.Ş.	-	13,983
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	-	35,660
	30,000	49,643

e Service income from related parties:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Akçasaraylı Tekstil Sanayi ve Ticaret Ltd. Şti.	-	196,924
Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.	-	165,891
	-	362,815

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

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	6,852,329	89,498
	6,852,329	89,498

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

g Interest income from related parties (Note 29.1):

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	2,329,638	1,512,328
Rıza Akça	-	119,338
Akça Holding A.Ş.	-	126,271
	2,329,638	1,757,937

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

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça T. Ürün. İth. İhr. San. ve Tic. A.Ş.	8,524,797	13,785,754
	8,524,797	13,785,754

I) Interest expense paid to related parties (Note 29.2):

	01.01.- 31.12.2019	01.01.- 31.12.2018
Osman Akça Tarım Ürünleri İthalat İhracat San. ve Tic. A.Ş.	-	199,388
Akça Holding A.Ş.	-	8,632
	-	208,020

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 7 – TRADE RECEIVABLES AND TRADE PAYABLES

Short Term Trade Receivables

	31.12.2019	31.12.2018	31.12.2017
Trade receivables	69,252,570	102,354,828	57,074,258
Cheques and notes	2,095,093	857,101	1,775,980
Unearned interest on trade receivables	(614,056)	(1,019,573)	(234,615)
Doubtful trade receivables	65,554	731,311	54,600
Provision for doubtful receivables (-)	(65,554)	(731,311)	(54,600)
Income accruals	7,469,638	5,572,809	2,249,365
Trade Receivables From Third Parties	78,203,245	107,765,165	60,864,988
Trade receivables from related parties (Note 6-i-a)	46,169,445	49,598,693	15,768,645
Income accruals from related parties (Note 6-i-b)	212,454	196,924	-
Unearned interests on related party receivables (Note 6-i-a)	(345,712)	(309,557)	(98,762)
Trade Receivables From Related Parties	46,036,187	49,486,060	15,669,883
Total Short-Term Trade Receivables	124,239,432	157,251,225	76,534,871

As of 31 December 2019, the average maturity of trade receivables are 23 days.(31 December 2018: 26 days).

Maturity schedule of notes receivables as of 31 December 2019, 2018 and 2017 are as follows:

	31.12.2019	31.12.2018	31.12.2017
1-30 days	167,033	282,889	369,641
31-60 days	215,590	221,757	130,023
61-90 days	799,192	352,455	783,952
91-120 days	272,068	-	357,864
121-150 days	641,210	-	134,500
	2,095,093	857,101	1,775,980

As of 31 December 2019, 2018 and 2017, provision for doubtful receivables movement schedule is as follows:

	31.12.2019	31.12.2018	31.12.2017
Opening balance	731,311	54,600	25,376
Collections made during the period	(665,757)	-	-
Offsetting of balances that can not be collected (*)	-	(25,376)	-
Provision for the period	-	702,087	29,224
Closing Balance	65,554	731,311	54,600

(*)The balances likely will not to be collected in the future and the reversed provisions are of settes with resciprocatively.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Short Term Trade Payables

	31.12.2019	31.12.2018	31.12.2017
Trade payables	234,316,122	138,354,448	78,888,027
Unearned interests on trade payables	(2,777,931)	(2,494,391)	(711,526)
Notes payables	25,893,282	25,110,523	32,079,030
Unearned interests on payables	(250,681)	(447,459)	(262,490)
Expense accruals	9,968,742	7,952,178	3,401,542
Trade Payables To Third Parties	267,149,534	168,475,299	113,394,583
Payables to related parties (Note 6-i-b)	-	6,876,775	57,347
Unearned interests on notes payables to related parties (Note 6-i-b)	-	(135,379)	(442)
Trade Payables to Related Parties	-	6,741,396	56,905
Total Short Term Trade Payables	267,149,534	175,216,695	113,451,488

As of 31 December 2019, the average maturity of trade payables are 61 days. (31 December 2018: 52 days).

As of 31 December 2019, the surety bond amounting to USD 19,963,413 (TRY 118,586,666) and EUR 337,922 (TRY 2,007,324) were given for trade payables of the Group by bank. (31.12.2018: USD 10,889,271 (57,287,367 TRY) (Note 20).

As of 31 December 2019, 2018 and 2017, maturity breakdown of notes payables are as follows:

	31.12.2019	31.12.2018	31.12.2017
1 – 30 days	13,498,290	14,410,310	17,767,877
31 – 60 days	10,520,205	8,969,892	13,089,558
61 – 90 days	1,874,787	1,730,321	966,595
91 – 120 days	-	-	110,000
121 – 150 days	-	-	145,000
	25,893,282	25,110,523	32,079,030

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 8 – FINANCIAL BORROWINGS

	31.12.2019	31.12.2018	31.12.2017
Short Term Borrowings:			
TRY borrowings	21,213,539	5,095,587	3,503,889
USD borrowings	60,766,162	51,438,106	75,667,574
EUR borrowings	302,820,056	261,479,217	131,617,629
Credit card liabilities(TRY)	53,920	83,241	34,623
Short Term Financial Borrowings	384,853,677	318,096,151	210,823,715
Lease Payables:			
EUR lease payables, net	3,865,231	2,652,223	3,088,487
Operating lease payable			
Operating lease payables,net	584,133	-	-
Bank Borrowings:			
USD borrowings	46,365,510	25,529,285	20,630,124
EUR borrowings	97,219,444	101,366,587	85,440,133
Current Installments of Long-Term Borrowings	148,034,318	129,548,095	109,158,744
Long Term Lease Payables:			
EUR lease payables, net	3,659,549	4,489,345	142,606
Operating lease payable			
Operating lease payables,net	461,488	-	-
Long Term Bank Borrowings:			
TRY borrowings	2,442,695	-	-
USD borrowings	89,070,587	101,377,839	72,293,457
EUR borrowings	372,508,994	287,914,850	242,307,469
Long Term Financial Borrowings	468,143,313	393,782,034	314,743,532
Total Financial Liabilities	1,001,031,308	841,426,280	634,725,991

As of 31 December 2019, 2018 and 2017, maturity analysis of borrowings and other financial borrowings are as follows:

	31.12.2019	31.12.2018	31.12.2017
Within 3 months	205,725,724	158,900,348	70,172,095
Between 3 - 12 months	322,712,907	286,091,675	246,721,877
Between 1 - 5 years	356,864,778	315,201,366	219,308,025
More than 5 years	107,157,498	74,091,323	95,292,901
	992,460,907	834,284,712	631,494,898

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

As of 31 December 2019, 2018 and 2017, maturity schedule of long term bank borrowings are as follows:

	31.12.2019	31.12.2018	31.12.2017
Between 1-2 years	169,246,045	110,679,143	77,780,327
Between 2-3 years	77,388,571	74,622,689	65,875,654
Between 3-4 years	54,897,437	55,500,280	43,360,747
Between 4-5 years	47,894,727	36,528,683	32,932,446
Between 5-6 years	35,718,984	30,897,320	20,481,876
Between 6-7 years	32,408,892	25,632,442	18,777,534
Between 7-8 years	27,154,840	22,282,547	16,233,843
Between 8-9 years	11,262,512	17,848,149	16,128,924
Between 9-10 years	4,803,941	9,416,470	12,058,651
Between 10-11 years	3,246,327	3,006,684	5,475,217
Between 11-12 years	-	2,878,282	2,747,853
Between 12-13 years	-	-	2,747,854
	464,022,276	389,292,689	314,600,926

As of 31 December 2019, effective interest rates for TRY, USD and EUR bank loans are 10.19%, 6.32% and 3.09% (31.12.2018: USD 6.01% and EUR 3.59%).

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 801,629,990), 25,000,000 EUR (TRY 166,265,000) and 97,310,000 TRY.

As of 31 December 2019, 2018 and 2017, the details of financial leasing borrowings of Group are as follows:

	31.12.2019	31.12.2018	31.12.2017
Short term lease payables	4,067,742	2,956,939	3,141,855
Cost of deferred lease payables (-)	(202,511)	(304,716)	(53,368)
	3,865,231	2,652,223	3,088,487
	31.12.2019	31.12.2018	31.12.2017
Long term lease payables	3,712,415	4,708,360	144,074
Cost of deferred lease payables (-)	(52,866)	(219,015)	(1,468)
	3,659,549	4,489,345	142,606

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 December 2018, the repayment schedule of lease payables are as follows:

	Lease payables	Cost of deferred lease payables	Total liabilities
Between 0 – 1 years	2,956,939	(304,716)	2,652,223
Between 1 – 2 years	2,703,306	(173,955)	2,529,351
Between 2 – 3 years	2,005,054	(45,060)	1,959,994
	7,665,299	(523,731)	7,141,568

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

	31.12.2019	31.12.2018
Operating lease payables	1,045,621	-
	1,045,621	-

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

	31.12.2019	31.12.2018
Between 0 – 1 years	584,133	-
Between 1 – 2 years	322,235	-
Between 2 – 3 years	139,253	-
	1,045,621	-

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other Current Receivables

	31.12.2019	31.12.2018	31.12.2017
Deposit and guarantees given	678,326	302,146	56,591
VAT return receivables	6,839,591	4,960,569	2,267,619
Other receivables	3,534	376,974	34,991,014
Other Receivables from Third Parties	7,521,451	5,639,689	37,315,224
Receivables from shareholders (Note 6-i-c)	6,367,331	2,746,157	33,844,833
Receivables from related parties (Note 6-i-c)	-	-	5,018
Other Receivables From Related Parties	6,367,331	2,746,157	33,849,851
Total Other Current Receivables	13,888,782	8,385,846	71,165,075

Other Non-Current Receivables

	31.12.2019	31.12.2018	31.12.2017
Deposits and guarantees given	155,520	187,210	132,990
	155,520	187,210	132,990

Other Current Payables

	31.12.2019	31.12.2018	31.12.2017
Deposit and guarantees received	22,400	372,897	56,576
Taxes and funds payable	2,337,550	2,598,637	2,328,568
Liabilities from tax base increase regarding to Law 7143	-	510,018	-
Notes payable given as advance	-	4,000,000	-
Other various debts	7,989	4,811	1,013
Other Payables to Third Parties	2,367,939	7,486,363	2,386,157
Payables to shareholders (Note 6-i-d)	85,050	122,618	802,333
Payables to related parties (Note 6-i-d)	-	48,551,071	34,809,593
Other Payables to Related Parties	85,050	48,673,689	35,611,926
Total Other Current Payables	2,452,989	56,160,052	37,998,083

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 10 – DERIVATIVE INSTRUMENTS

	31.12.2019	31.12.2018	31.12.2017
Income accrual of forward exchange	-	7,400	74,004
	-	7,400	74,004
	31.12.2019	31.12.2018	31.12.2017
Expense accrual of forward exchange	-	44,900	770,333
	-	44,900	770,333

NOTE 11 – INVENTORIES

	31.12.2019	31.12.2018	31.12.2017
Raw materials	191,876,939	140,788,159	131,380,411
Semi-finished products	174,959,398	123,914,118	130,845,618
Finished goods	27,181,623	16,245,387	11,866,835
Trade goods	348,368	906,815	794,336
Other inventories	1,425,775	195,040	251,259
Agricultural products (Figs, Apricot and Grape)	70,426,829	60,548,397	27,965,465
	466,218,932	342,597,916	303,103,924

All inventories of the Group are covered by insurance coverage.

NOTE 12 – BIOLOGICAL ASSETS

Current Biological Assets

	31.12.2019	31.12.2018	31.12.2017
Biological assets (Tomato)	3,814,567	3,047,901	4,209,447
	3,814,567	3,047,901	4,209,447

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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 13 – PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses

	31.12.2019	31.12.2018	31.12.2017
Order advances given	1,925,611	5,505,036	1,338,845
Prepaid expenses	2,940,391	1,998,318	1,222,554
Advances given for business purposes	306,749	101,658	220,283
	5,172,751	7,605,012	2,781,682

Long Term Prepaid Expenses

	31.12.2019	31.12.2018	31.12.2017
Advances given for purchases of tangible assets	34,258,875	5,988,733	8,460,890
Prepaid expenses	407,382	153,581	162,423
	34,666,257	6,142,314	8,623,313

Short Term Deferred Income

	31.12.2019	31.12.2018	31.12.2017
Advances received	3,892,874	3,641,021	6,166,425
Deferred income	140,000	207,724	310,734
	4,032,874	3,848,745	6,477,159

Long Term Deferred Income

	31.12.2019	31.12.2018	31.12.2017
Deferred income	-	-	207,724
	-	-	207,724

NOTE 14 – ASSETS RELATED TO CURRENT PERIOD TAX

	31.12.2019	31.12.2018	31.12.2017
Prepaid taxes and funds	601,656	507,116	5,854,147
	601,656	507,116	5,854,147

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 15 – INVESTMENTS VALUED BY EQUITY PICK-UP METHOD

As of 31 December 2019, 2018 and 2017, the companies accounted by equity pick up method are as follows:

	31.12.2019	Share (%)	31.12.2018	Share (%)	31.12.2017	Share (%)
Aktur Araç Muayene İstasyon İşletmeleri A.Ş.	161,886,255	48%	166,386,966	48%	159,847,474	48%
	161,886,255		166,386,966		159,847,474	

In the current period, the Group has received dividend payments amounting to TRY 11,520,000 (31 December 2018: None).

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 December 2019, 2018 and 2017 are as follows:

Aktur Araç Muayene İstasyonları İşletmeciliği A.Ş.

	31.12.2019	31.12.2018	31.12.2017
Current assets	108,331,619	90,529,219	94,411,728
Non-current assets	266,237,399	290,447,948	321,266,819
Total Assets	374,569,018	380,977,167	415,678,547
Current liabilities	20,187,572	15,973,311	62,886,446
Non-current liabilities	17,118,414	18,364,343	19,776,531
Parent company’s equity	337,263,032	346,639,513	333,015,570
Total Assets	374,569,018	380,977,167	415,678,547
Sales, net	401,792,251	330,634,274	289,310,451
Cost of sales	(390,638,946)	(312,275,110)	(254,346,474)
Net profit / (loss)	21,651,249	20,632,006	40,939,559

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 16 – INVESTMENT PROPERTIES

	Lands	TOTAL
01 January 2018 opening balance	58,000,000	58,000,000
Additions	6,943,449	6,943,449
Fair value	(4,443,449)	(4,443,449)
31 December 2018 closing 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

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 2017	-	58,000,000
Addition	2,500,000	-
Value Decrease/increase	-	-
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

As of 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 DECEMBER 2019
(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 2018 opening balance	4,765,171	73,222,407	80,206,696	354,324,493	2,990,380	14,801,038	58,896,805	-	589,206,990
Additions	-	-	1,827,721	55,660,449	555,967	1,344,107	60,022,050	9,175	119,419,469
Disposals	-	-	-	(24,323)	(166,000)	-	-	-	(190,323)
Transfers	-	9,451,556	10,098,991	86,774,028	-	175,036	(108,095,988)	-	(1,596,377)
31 December 2018 closing 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
Accumulated Depreciation									
01 January 2018 opening balance	-	20,286,815	19,380,021	203,598,119	1,435,430	7,082,198	-	-	251,782,583
Additions	-	4,577,471	1,777,035	18,030,893	22,896	1,843,598	-	917	26,252,810
Disposals	-	-	-	(3,081)	(166,000)	-	-	-	(169,081)
31 December 2018 closing 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
31.12.2018, Net Book Value	4,765,171	57,809,677	70,976,352	275,108,716	2,088,021	7,394,385	10,822,867	8,258	428,973,447
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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, the depreciation expense of tangible assets for the period is TRY 31,881,769 (31 December 2018: TRY 26,252,810).

As of 31 December 2019, fixed assets are insured by TRY 14,182,700 , EUR 26,094,700 (TRY 173,545,412), USD 156,855,763 (TRY 931,754,603). (31 December 2018: TRY 8,143,929, EUR 22,789,500 (TRY 137,375,106), USD 132,369,954 (TRY 696,385,091).

Total amount of mortgage on lands and buildings for fixed assets of the Group given to financial institutions are USD 134,950,000 (TRY 801,629,990), EUR 25,000,000 (TRY 166,265,000) and TRY 97,310,000.

As of 31 December 2019, net book value of leasing machines is TRY 11,292,663 (31.12.2018: 8,859,513 TRY).

Borrowing cost in the period of 1 January – 31 December 2018 is added to construction in progress which is amounting to TRY 14,371,605 regarding to the borrowing of Akça Enerji Üretim Otoprodüktör Grubu A.Ş.'s power plant.

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

NOTE 18 – RIGHT OF USE ASSETS

Cost Value	Buildings	Plants	Vehicles	Total
31 December 2018 closing balance	-	-	-	-
Change in accounting policy	1,062,977	158,360	754,163	1,975,500
31 December 2019 closing balance	1,062,977	158,360	754,163	1,975,500
Accumulated Depreciation				
31 December 2018 closing balance	-	-	-	-
Change in accounting policy	544,607	127,568	355,962	1,028,137
31 December 2019 closing balance	544,607	127,568	355,962	1,028,137
31.12.2018, Net Book Value	--	--	--	--
31.12.2019, Net Book Value	518,370	30,792	398,201	947,363

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 19 – INTANGIBLE ASSETS

Cost Value	Rights	Research and Development Expenses	Other Intangible Assets	Total
01 January 2018 opening balance	501,522	2,910,544	885,257	4,297,323
Additions	-	2,129,658	-	2,129,658
Transfer	-	1,596,377	-	1,596,377
31 December 2018 closing 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
Accumulated Depreciation				
01 January 2018 opening balance	485,280	24,255	430,471	940,006
Additions	11,203	499,773	202,870	713,846
31 December 2018 closing 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)
31 December 2019 closing balance	401,778	1,358,073	819,000	2,578,851
31.12.2018, Net Book Value	5,039	6,112,551	251,916	6,369,506
31.12.2019, Net Book Value	301,389	9,475,815	217,698	9,994,902

As of 31 December 2019, the amortization expense of intangible assets for the period is TRY 1,040,271 (31 December 2018: TRY 713,846).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 20 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2019 and 31 December 2018, the Group's guarantee / security / mortgage (“GSM”) position are as follows:

Guarantees, security and mortgage “(GSM)” given by the Group	31.12.2019	31.12.2018
A. Total Amount of GSM given on behalf of legal entity	2,096,804,368	1,829,986,581
B. Total Amount of GSM given for partnerships which included in full consolidation	56,734,140	51,422,939
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	2,153,538,508	1,881,409,520

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 678,667,850), EUR 7,500,000 (TRY 49,879,500) and TRY 122,500,000 guarantee are provided by related parties (Akça Holding and Osman Akça) (31 December 2018: USD 114,250,000 (TRY 601,057,825), EUR 7,500,000 (TRY 45,210,000) and TRY 122,500,000).

As of 31 December 2019, 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	8,456,000	6.6506	56,237,474
AKA European Export&Trade Bank	EUR	8,530,680	6.6506	56,734,140
				112,971,614

As of 31 December 2019, 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	5.9402	801,629,990
Türkiye Vakıflar Bankası T.A.O	EUR	25,000,000	6.6506	166,265,000
				1,065,204,990

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, 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	14,937,545	1.0000	14,937,545
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	5.9402	45,760,331
Credit Guarantee	EUR	13,413,400	6.6506	89,207,158
Food, Agriculture Livestock Directorate	TRY	625,669	1.0000	625,669
Public Institutions	TRY	2,006,516	1.0000	2,006,516
Private Institutions	USD	30,000	5.9402	178,206
				167,499,467

As of 31 December 2019, 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	32,170,772	1.0000	32,170,772
Türkiye Vakıflar Bankası T.A.O.	EUR	4,950,000	6.6506	32,920,470
Türkiye Vakıflar Bankası T.A.O.	USD	4,530,000	5.9402	26,909,106
Türkiye Finans Katılım Bankası A.Ş.	TRY	58,000	1.0000	58,000
Halk Bank A.Ş.	TRY	125,000	1.0000	125,000
Halk Bank A.Ş.	USD	1,000,000	5.9402	5,940,200
Halk Bank A.Ş.	EUR	3,500,000	6.6506	23,277,100
Denizbank A.Ş.	USD	1,796,500	5.9402	10,671,569
Denizbank A.Ş.	EUR	3,963,400	6.6506	26,358,988
Türkiye Finans Katılım Bankası A.Ş.	USD	407,000	5.9402	2,417,661
Odeabank A.Ş.	EUR	1,000,000	6.6506	6,650,600
				167,499,466

As of 31 December 2019, 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	19,963,413	5.9402	118,586,666
Türkiye Vakıflar Bankası T.A.O	EUR	264,719	6.6506	1,760,540
İşbankası A.Ş	USD	337,922	5.9402	2,007,323
		20,566,054		122,354,529

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2019, 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	5.9402	53,461,800
Eximbank A.Ş.	USD	25,000,000	5.9402	148,505,000
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	5.9402	56,431,900
Odea Bank A.Ş.	TRY	33,000,000	1.0000	33,000,000
Şekerbank A.Ş.	USD	3,750,000	5.9402	22,275,750
Şekerbank A.Ş.	TRY	2,500,000	1.0000	2,500,000
Şekerbank A.Ş.	EUR	7,500,000	6.6506	49,879,500
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	5.9402	386,113,000
Turkland Bank A.Ş.	TRY	15,000,000	1.0000	15,000,000
Arap Türk Bankası A.Ş.	USD	2,000,000	5.9402	11,880,400
				851,047,350

As of 31 December 2019, details of the guarantee notes given are as follows:

Guarantee Notes Given	FX Currency	FX Amount	FX Rate	TRY Equivalent
Eximbank	USD	570,000	5.9402	3,385,914
Eximbank	EUR	1,453,500	6.6506	9,666,647
				13,052,561

As of 31 December 2019, bank details of the bonds are as follows:

Bond	FX Currency	FX Amount	FX Rate	TRY Equivalent
Türk Eximbank	USD	7,365,000	5.9402	43,749,573
Türk Eximbank	EUR	28,314,195	6.6506	188,306,385
Türkiye Cumhuriyeti Merkez Bankası	EUR	12,250,000	6.6506	81,469,850
				313,525,808

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 21 –PROVISIONS

Other Short Term Provisions

	31.12.2019	31.12.2018	31.12.2017
Provision for the lawsuits	437,081	557,418	419,248
Provision for unused vacation	6,735,719	3,897,322	2,125,159
	7,172,800	4,454,740	2,544,407

	31.12.2019	31.12.2018	31.12.2017
Unused vacation provisions at beginning of period	3,897,322	2,125,159	1,683,347
Provisions during the period	2,838,397	1,772,163	441,812
Closing balance	6,735,719	3,897,322	2,125,159

Long Term Provisions for Employee Benefits

	31.12.2019	31.12.2018	31.12.2017
Provision for severance pay	48,560,363	35,840,240	31,436,701
	48,560,363	35,840,240	31,436,701

For the period of 01 January – 31 December 2019, the average personnel number including subcontractors employed by the Group is 4,285. (01.01-31.12.2018: 4,115). The rate of retirement probability used is 97%. (01.01-31.12.2018: % 99).

For the period ended at 31 December 2019, 2018 and 2017 the movement schedule of severance pay provision is as follows:

	31.12.2019	31.12.2018	31.12.2017
Balance of 01 January	35,840,240	31,436,701	26,646,229
Increase in the period	18,082,812	9,310,122	8,923,350
Interest cost	2,331,624	1,943,306	1,638,121
Payments during the period	(8,030,600)	(7,646,802)	(5,503,545)
Actuarial profit/(loss)	336,287	796,913	(267,454)
Balance at the end of the period	48,560,363	35,840,240	31,436,701

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 22 – EMPLOYEE BENEFIT LIABILITIES

	31.12.2019	31.12.2018	31.12.2017
Due to personnel	10,038,352	12,930,451	9,266,735
Social security deductions payable	3,871,809	3,377,300	5,576,501
	13,910,161	16,307,751	14,843,236

NOTE 23 – OTHER CURRENT ASSETS AND LIABILITIES

Other Current Assets

	31.12.2019	31.12.2018	31.12.2017
VAT carried forward	86,908,256	72,600,809	49,902,738
	86,908,256	72,600,809	49,902,738

NOTE 24 – SHARE CAPITAL

24.1 Paid in Capital

As of 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 December 2019, 2018 and 2017 Group’s paid in capital is as follows:

Shareholders:	31.12.2019		31.12.2018		31.12.2017	
	Share (%)	TRY	Share (%)	TRY	Share(%)	TRY
Public Offered Shares	46.88%	117,189,944	46.88%	117,189,944	47.12%	117,790,000
Akça Holding A.Ş.	50.73%	126,829,500	50.73%	126,829,500	50.49%	126,225,000
Other	2.39%	5,980,556	2.39%	5,980,556	2.39%	5,975,000
Total	100.00%	250,000,000	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

	31.12.2019	31.12.2018	31.12.2017
Inflation adjustment of shareholders’ equity	485,133	485,133	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 DECEMBER 2019
(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)

	31.12.2019	31.12.2018	31.12.2017
Defined Benefit Plans Re-Measurement Gains (Losses)	(28,816)	239,108	878,779
	(28,816)	239,108	878,779

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.

	31.12.2019	31.12.2018	31.12.2017
Legal reserves	10,460,462	10,209,777	10,209,777
	10,460,462	10,209,777	10,209,777

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 DECEMBER 2019
(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.

	31.12.2019	31.12.2018	31.12.2017
Previous Years Profits/(Losses)	(25,858,051)	61,087,405	8,929,682
	(25,858,051)	61,087,405	8,929,682

24.6 Minority Interest

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)

The details of the minority interests as of 31 December 2018 are as follows:

31 December 2018	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	12,699,645	977,927	79.17%	20.83%	2,645,760	203,735	205,828
Tan Elektrik	2,363,555	(12,995,800)	67.90%	32.10%	(562,963)	(4,171,652)	(4,171,576)
Akça Enerji	(24,766,904)	(42,563,129)	80.42%	19.58%	(12,808,901)	(8,335,559)	(8,335,588)
					(10,726,104)	(12,303,476)	(12,301,336)

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 25 – SALES AND COST OF SALES

25.1 Sales

	01.01.- 31.12.2019	01.01.- 31.12.2018
Domestic sales	493,295,647	370,277,822
Export sales	971,835,616	794,944,905
Other sales	5,120,351	3,154,488
	1,470,251,614	1,168,377,215
Sales returns	(3,603,381)	(2,185,070)
Other discounts	(5,906,263)	(3,861,466)
Sales Income, (net)	1,460,741,970	1,162,330,679

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

25.2 Cost of Sales

	01.01.- 31.12.2019	01.01.- 31.12.2018
Direct material expenses	800,762,246	526,967,638
Direct labor expenses	162,006,419	137,155,701
General production expenses	74,951,650	66,266,692
Depreciation expenses	19,079,150	15,331,266
<u>Change in semi-finished goods</u>		
1. Beginning semi-finished goods(+)	123,914,118	130,845,618
2. Ending semi-finished goods (-)	(174,959,398)	(123,914,118)
Cost of finished goods produced	1,005,754,185	752,652,797
<u>Changes in finished goods inventory</u>		
1. Beginning inventory (+)	16,245,387	12,118,094
2. Ending inventory (-)	(27,181,623)	(16,245,387)
Cost of finished goods sold	994,817,949	748,525,504
<u>Cost of merchandises</u>		
1. Beginning merchandise inventory (+)	906,815	794,336
2. Purchases during the period (+)	9,677,271	12,415,439
3. Ending merchandise inventory (-)	(348,368)	(906,815)
Cost of merchandises sold	10,235,718	12,302,960
Cost of other service rendered	705,391	567,711
Cost of other sales	244,904,007	181,280,211
Cost of biological assets	19,602,513	26,225,466
Depreciation of biological assets	2,425,096	2,300,316
Energy costs	24,356,331	16,131,561
Energy depreciation	11,797,124	8,586,179
Cost of sales, net	1,308,844,129	995,919,908

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 01 January – 31 December 2019 and 2018, for each main production group, quantities of goods and services:

	Unit	01.01.- 31.12.2019	01.01.- 31.12.2018
Yarn	Kg	13,367,470	13,386,512
Raw Clothing	Mt2	127,366,149	121,262,183
Finishing Cloth	Mt2	184,300,926	154,889,537
Lining	Mt2	19,986,323	20,352,231
Linens, Sheets, Curtains, Pillows	Adet	22,697,705	18,579,671
Electricity	Kwh	184,901,526	180,034,345
Cotton Waste	Kg	586,998	488,537
Piece of Cloth	Kg	3,838,056	3,618,894
Yarn Waste	Kg	696,660	602,112
Textile Trash Powder	Kg	228,330	293,910
Pepper	Kg	-	27,117
Tomato	Kg	5,583,069	8,455,799
Dried Figs	Kg	3,122,653	2,880,390
Dried Apricot	Kg	867,951	590,636
Dried Grape	Kg	14,157,142	10,852,121

As of 01 January – 31 December 2019 and 2018, for each main sales group, quantities of goods and services:

	Unit	01.01.- 31.12.2019	01.01.- 31.12.2018
Yarn	Kg	1,105,105	457,756
Raw Clothing	Mt2	5,744	14,601
Finishing Cloth	Mt2	12,933,866	15,037,455
Lining	Mt2	19,573,452	19,174,566
Linens, Sheets, Curtains, Pillows	Adet	22,343,355	18,953,964
Electricity	Kwh	112,715,410	105,439,391
Cotton Waste	Kg	556,920	394,110
Piece of Cloth	Kg	3,781,000	3,612,550
Yarn Waste	Kg	696,660	602,112
Textile Trash Powder	Kg	228,330	293,910
Pepper	Kg	-	27,117
Tomato	Kg	5,637,019	8,455,799
Dried Figs	Kg	3,122,653	2,880,390
Dried Apricot	Kg	867,951	590,636
Dried Grape	Kg	14,157,142	10,852,121

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

	01.01.- 31.12.2019	01.01.- 31.12.2018
Research and development expenses	4,321,458	3,250,180
Marketing, sales and distribution expenses	38,070,654	29,497,421
General administrative expenses	24,053,919	22,821,845
	66,446,031	55,569,446

26.1 Research and Development Expenses

	01.01.- 31.12.2019	01.01.- 31.12.2018
Direct Material expenses	2,247,834	1,695,788
Personnel expenses	1,612,855	1,390,158
Other expenses	460,769	164,234
	4,321,458	3,250,180

26.2 Marketing Expenses

	01.01.- 31.12.2019	01.01.- 31.12.2018
Export expenses	25,032,837	18,915,125
Personnel expenses	9,209,436	8,246,711
Provision for severance pay expense	2,176,429	123,906
Depreciation expenses	190,299	91,191
Other expenses	1,461,653	2,120,488
	38,070,654	29,497,421

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

26.3 General Administrative Expenses

	01.01.- 31.12.2019	01.01.- 31.12.2018
Personnel expenses	11,751,489	7,292,925
Tax and duty expenses	1,844,965	1,486,381
Insurance expenses	1,671,498	1,428,932
Education and consultancy expenses	1,504,282	1,486,228
Provision for unused personnel leave	1,459,397	1,011,804
Shares in holding cost (*)	1,094,144	900,485
Travelling expenses	906,178	1,377,749
Provision for severance pay expense	680,661	319,179
Depreciation expenses	458,508	657,704
Office expenses	364,011	2,037,794
Capital market expenses	229,359	255,566
Membership expenses	226,915	246,021
Repair and maintenance expenses	153,846	608,568
Case expenses and lawsuit provision	6,314	154,563
Vehicle and office rental expenses	-	885,927
Provision for doubtful receivables	-	702,087
Other expenses	1,702,352	1,969,932
	24,053,919	22,821,845

(*) 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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 27 – OTHER OPERATING INCOME/ (EXPENSES)

27.1 Other Income From Operating Activities

	01.01.- 31.12.2019	01.01.- 31.12.2018
Foreign exchange gains related to commercial activities	31,051,503	50,315,354
Discount income / expenses on payables, net	4,357,742	3,406,468
Turnover premium income	2,627,119	1,477,571
Reversal of unnecessary provision	620,115	-
Rental income	500,030	486,382
Other income and profit	4,852,392	7,180,041
	44,008,901	62,865,816

27.2 Other Expenses From Operating Activities (-)

	01.01.- 31.12.2019	01.01.- 31.12.2018
Foreign exchange gains related to commercial activities from related parties	8,524,797	-
Foreign exchange gains related to commercial activities	11,372,704	33,687,088
Discount income /expenses on receivables,net	4,036,997	2,299,450
Donation expenses	2,846,677	-
Other expenses and losses	967,948	1,065,929
	27,749,123	37,052,467

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

NOTE 28 – INVESTMENT ACTIVITIES INCOME / EXPENSE

28.1 Income from Investment Activities

	01.01.- 31.12.2019	01.01.- 31.12.2018
Investment property valuation increase	5,512,576	-
Profit on sale of fixed assets	10,092,769	113,808
	15,605,345	113,808

28.2 Expenses from Investment Activities

	01.01.- 31.12.2019	01.01.- 31.12.2018
Investment property valuation decrease	-	4,443,449
Losses on sale of fixed assets	354,381	-
Subsidiary impairment	-	3,687,129
	354,381	8,130,578

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

	01.01.- 31.12.2019	01.01.- 31.12.2018
Shares related with investment valued by the equity pick-up method	7,019,289	6,539,492
	7,019,289	6,539,492

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

NOTE 29 – FINANCIAL INCOME / EXPENSES

29.1 Financial Income

	01.01.- 31.12.2019	01.01.- 31.12.2018
Foreign exchange income regarding financial activities	46,297,618	142,691,963
Foreign exchange income from related parties (6-iii-f)	6,852,329	89,498
Interest income	3,125,928	479,967
Maturity differences income from related parties (6-iii-g)	2,329,638	1,757,937
Foreign exchange income regarding financial activities	420,306	4,044,294
	59,025,819	149,063,659

29.2 Financial Expenses (-)

	01.01.- 31.12.2019	01.01.- 31.12.2018
Foreign exchange losses	135,092,467	349,250,052
Interest expenses	41,551,046	28,042,845
Commission expenses of borrowings	8,589,611	5,108,061
Foreign expenses for related parties (6-iii-h)	8,524,797	13,785,754
Foreign exchange losses arising from forward contracts	1,858,292	4,036,678
Financial expenses from right of use assets	827,846	-
Maturity differences expenses	82,444	23,689
Interest expenses for related parties(6-iii-i)	-	208,020
Other financial expenses	1,800,126	2,121,262
	198,326,629	402,576,361

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 2019 is 22% (2018: 22%)

Permanent tax is calculated and accrued quarterly in Turkey. As of temporary tax periods, the effective corporation tax rate is 22% in 2019 (2018: 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 DECEMBER 2019
(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 DECEMBER 2019
(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:

	31.12.2019		31.12.2018	
	Cumulative temporary differences	Deferred tax / (liability)	Cumulative temporary differences	Deferred tax / (liability)
<u>Deferred tax assets:</u>				
Unearned interests on receivables	959,768	211,149	1,329,130	292,408
Severance pay provision	48,560,363	9,712,072	35,840,240	7,168,048
Unused vacation provisions	6,735,719	1,481,858	3,897,322	857,411
Reversal of capitalized financial expenses(except land, buildings)	75,396,642	15,079,328	74,496,306	14,899,261
Reversal of capitalized financial expenses (land, buildings)	31,432,118	3,143,212	27,929,218	2,792,922
Provision for Investment Property	-	-	4,443,449	444,345
Provision for losses on association	-	-	3,687,129	368,713
Deductible retained losses	18,364,982	4,040,296	37,557,346	8,262,616
Foreign exchange	2,403,629	528,798	3,503,545	770,780
Forward	-	-	37,500	8,250
Other	14,663,724	3,226,024	10,241,451	2,253,119
Deferred tax assets		37,422,737		38,117,873
<u>Deferred tax liabilities:</u>				
Tangible assets (land, building, land improvements and depreciations), net	14,330,502	2,866,100	6,970,022	1,394,005
Liability discounts	3,028,612	666,294	3,077,229	676,991
Adjustment related to financial debts	715,218	157,349	1,788,904	393,559
Investment property increase in value	1,069,127	106,913	-	-
Other	3,229,594	710,511	3,898,444	857,660
Insurance indemnity accrual	1,979,172	435,416	-	-
Deferred tax liabilities		4,942,583		3,322,215
Deferred tax assets / (liabilities), net		32,480,154		34,795,658

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 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

For the period ended at 31 December 2019 and 2018 movements of deferred tax assets and liabilities are as follows:

	01.01.- 31.12.2019	01.01.- 31.12.2018
Current corporation tax	-	(356,393)
Deferred tax assets/(liabilities), net	(2,382,761)	19,693,452
	(2,382,761)	19,337,059

Deferred Tax (Asset) / Liability Movements	01.01.- 31.12.2019	01.01.- 31.12.2018
Opening balance	34,795,658	14,942,824
Deferred tax income / (expense)	(2,382,761)	19,693,452
Actuarial (gain) / loss effect prior periods	67,257	159,382
Closing balance	32,480,154	34,795,658

NOTE 31 – EARNINGS PER SHARE

	01.01.- 31.12.2019	01.01.- 31.12.2018
Net profit / (loss) for the period	(13,364,984)	(86,694,771)
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)	(0.0535)	(0.3468)

NOTE 32 – FINANCIAL INSTRUMENTS

Financial assets	31.12.2019	31.12.2018
Liquid assets	30,933,504	30,662,280
Trade receivables	124,239,432	157,251,225
Other receivables	14,044,302	8,573,056
Financial assets	-	6,668,303
Financial liabilities		
Financial borrowings	993,506,528	834,284,712
Lease payables	7,524,780	7,141,568
Other payables	2,452,989	56,160,052
Trade payables	267,149,534	175,216,695

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 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(*)	Third 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	-	-	-	-	-
The part under guarantee with collateral etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
Past due (gross carrying amount)	-	65,554	6,367,331	-	-
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 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2018, 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
Maximum net credit risk as of balance sheet date (A+B+C+D+E)	49,486,060	107,765,165	2,746,157	5,639,689	9,713,893
The part of maximum risk under guarantee with collateral	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	49,486,060	107,765,165	2,746,157	5,639,689	9,713,893
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)	-	731,311	-	-	-
Impairment (-)	-	(731,311)	-	-	-
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 DECEMBER 2019
(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 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	-	-
- <i>Related parties</i>	-	-	-	-	-	-
- <i>Other parties</i>	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	-	-
- <i>Related parties</i>	85,050	85,050	85,050	-	-	-
- <i>Other parties</i>	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

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

As of 31 December 2018, Group's liquidity risk table is as follows:

31.December.18						
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	1,093,082,141	1,209,801,195	376,845,522	330,128,791	329,403,301	173,423,581
Financial borrowings	834,284,712	947,402,805	159,218,881	290,065,405	324,694,938	173,423,581
Financial leasing	7,141,568	7,665,300	843,607	2,113,330	4,708,363	-
Trade payables	175,216,695	178,293,924	146,766,135	31,527,789	-	-
- <i>Related parties</i>	6,741,396	6,876,775	6,876,775	-	-	-
- <i>Other parties</i>	168,475,299	171,417,149	139,889,360	31,527,789	-	-
Other liabilities	76,439,166	76,439,166	70,016,899	6,422,267	-	-
- <i>Related parties</i>	48,796,307	48,796,307	48,673,689	122,618	-	-
- <i>Other parties</i>	27,642,859	27,642,859	21,343,210	6,299,649	-	-
	1,093,082,141	1,209,801,195	376,845,522	330,128,791	329,403,301	173,423,581

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 December 2019, 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 1,964,183

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 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).

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(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 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

	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

As of 31 December 2018, if TRY evaluation / devaluation 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 78,106,988 more/less.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(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 20% against USD				
1-USD net asset / liability	(32,080,389)	32,080,389	(32,080,389)	32,080,389
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(32,080,389)	32,080,389	(32,080,389)	32,080,389
In the case of increasing / losing value of TRY by 20% against EUR				
4- EUR net asset / liability	(125,120,076)	125,120,076	(125,120,076)	125,120,076
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(125,120,076)	125,120,076	(125,120,076)	125,120,076
In the case of increasing / losing value of TRY by 20% against GBP				
7- GBP net asset / liability	986,413	(986,413)	986,413	(986,413)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	986,413	(986,413)	986,413	(986,413)
In the case of increasing / losing value of TRY by 20% against CHF				
10- CHF net asset / liability	78	(78)	78	(78)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	78	(78)	78	(78)
TOTAL (3+6+9+12)	(156,213,974)	156,213,974	(156,213,974)	156,213,974

	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	(16,040,195)	16,040,195	(16,040,195)	16,040,195
2-Part of hedged from USD risk (-)	-	-	-	-
3-USD net effect (1+2)	(16,040,195)	16,040,195	(16,040,195)	16,040,195
In the case of increasing / losing value of TRY by 10% against EUR				
4- EUR net asset / liability	(62,560,038)	62,560,038	(62,560,038)	62,560,038
5- Part of hedged from EUR risk (-)	-	-	-	-
6-EUR net effect (4+5)	(62,560,038)	62,560,038	(62,560,038)	62,560,038
In the case of increasing / losing value of TRY by 10% against GBP				
7- GBP net asset / liability	493,206	(493,206)	493,206	(493,206)
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	493,206	(493,206)	493,206	(493,206)
In the case of increasing / losing value of TRY by 10% against CHF				
10- CHF net asset / liability	39	(39)	39	(39)
11- Part of hedged from CHF risk (-)	-	-	-	-
12-CHF net effect(10+11)	39	(39)	39	(39)
TOTAL (3+6+9+12)	(78,106,988)	78,106,988	(78,106,988)	78,106,988

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

Risk of intensification of sales

During the reporting periods ending on 31 December 2019 and 2018, 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 international markets and competition conditions. It is paid attention to not to concentrate on a specific sector, country, person and Group in terms of dissolving risks. As of 31 December 2019, the rate of buyer has biggest portion in revenue from textile activities is 55.16 % and the rate of buyer has the biggest portion in the revenue from agricultural activities is 90.30 % (31 December 2018: the rate of buyer has the biggest portion in the revenue from textile is 47.37% and portion in the revenue from agricultural activities 85.61%).

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

Textile:

Customer	01.01.-31.12.2019	01.01.-31.12.2018
A Company	55.16%	47.37%
	55.16%	47.37%

Agriculture:

Customer	01.01.-31.12.2019	01.01.-31.12.2018
B Company	90.30%	85.61%
	90.30%	85.61%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(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.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

As of 31 December 2018, amounts of assets and liabilities of the Group in foreign currency are as follows:

	31 December 2018				
	TRY equivalent functional currency	USD	EURO	GBP	CHF
1. Trade Receivables	27,073,470	1,658,977	2,290,408	682,296	-
2a. Monetary Financial Assets (including cash and banks)	19,121,008	428,795	2,732,563	59,055	73
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	48,551,073	9,228,663	-	-	-
4. Current Assets (1+2+3)	94,745,551	11,316,435	5,022,971	741,351	73
5. Trade Receivables	-	-	-	-	-
6a. Monetary financial receivables	4,370,300	-	725,000	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-Current Assets (5+6+7)	4,370,299	-	725,000	-	-
9. Total Assets (4+8)	99,115,850	11,316,435	5,747,971	741,351	73
10. Trade Payables	65,380,084	10,878,574	1,351,857	-	-
11. Financial Liabilities	442,465,426	14,630,081	60,633,383	-	-
12a. Other monetary financial liabilities	241,565	2,972	37,480	-	-
12b. Other non-monetary financial liabilities	-	-	-	-	-
13. Current Liabilities (10+11+12)	508,087,075	25,511,627	62,022,720	-	-
14. Trade Payables	-	-	-	-	-
15. Financial Liabilities	393,782,036	19,270,057	48,507,663	-	-
16a. Other monetary financial liabilities	-	-	-	-	-
16b. Other non-monetary financial liabilities	-	-	-	-	-
17. Non-Current Liabilities (14+15+16)	393,782,036	19,270,057	48,507,663	-	-
18. Total Liabilities	901,869,111	44,781,684	110,530,383	-	-
19. Net asset/(liabilities) position of off-balance sheet derivative instruments(19a-19b)	21,683,386	2,975,800	1,000,000	-	-
19a. Off-balance sheet foreign currency derivative assets	28,386,825	4,250,000	1,000,000	-	-
19b. Off-balance sheet foreign currency derivative liabilities	6,703,439	1,274,200	-	-	-
20. Net foreign currency asset / liabilities (9-18+19)	(781,069,875)	(30,489,449)	(103,782,412)	741,351	73
21. Net foreign currency asset / liability position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(851,304,333)	(42,693,912)	(104,782,412)	741,351	73
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-
23. Exports(*)	794,944,905	41,299,737	24,826,279	2,508,761	-
24. Imports(**)	290,664,883	54,867,611	5,282,551	21,577	1,780

(*) The Group has TRY 428,229,918 export for the period of 01.01.-31.12..2018.

(**) The Group has TRY 2,515,516 import for the period of 01.01.-31.12..2018.

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira 'TRY' unless expressed otherwise.)

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 December 2019 and 31 December 2018, net debt / total equity ratio is as follows:

	31.12.2019	31.12.2018
Total debts	1,349,252,612	1,136,978,011
Liquid assets	(30,933,504)	(30,662,280)
Net debt	1,318,319,108	1,106,315,731
Total equity	181,062,353	199,033,113
Total capital	1,499,381,461	1,305,348,844
Net Debt/Total Capital	88%	85%

MENDERES TEKSTİL SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 DECEMBER 2019
(Currency - Turkish Lira ‘TRY’ unless expressed otherwise.)

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

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,