

Tümosan Motor ve Traktör Sanayi A.Ş.

and its Subsidiaries

Convenience Translation into English Of Condensed
Consolidated Interim Financial Statements
for the Nine-Month Period Ended 30 September 2019
(Originally Issued in Turkish)

Tümosan Motor ve Traktör Sanayi Anonim Şirketi
and its Subsidiaries

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Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries

Consolidated Interim Statement of Financial Position

As at 30 September 2019

Monetary Unit: Turkish Lira ("TL")

	Notes	Non-Reviewed	Audited
ASSETS		30 September 2019	31 December 2018
Current Assets			
Cash and cash equivalents	4	4.794.436	5.541.685
Financial investments	5	75.988	5.304.054
Trade receivables			
-Trade receivables from related parties	3	8.212.389	5.786.570
-Trade receivables from non-related parties	7	150.622.031	156.530.887
Other receivables			
- Other receivables from related parties	3	103.174.428	44.245.862
- Other receivables from non-related parties	8	7.325.701	1.260.861
Inventories	9	175.194.777	178.235.863
Prepaid expenses	10	7.566.264	4.698.588
Current tax assets		5.337	--
Other current assets	16	9.215.434	20.938.773
Total Current Assets		466.186.785	422.543.143
Non-current assets			
Financial investment		700.000	--
Trade receivables			
-Trade receivables from non-related parties	7	--	4.677.728
Property, plant and equipment	12	394.436.094	260.268.082
Intangible assets			
- Other intangible assets	13	5.220.526	10.312.668
Investment property	11	17.714.985	11.643.262
Prepaid expenses		756.131	--
Deferred tax assets	21	--	129.985
Right of use assets	2.3	4.006.792	--
Total Non-Current Assets		422.834.528	287.031.725
Total Assets		889.021.313	709.574.868

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Interim Statement of Financial Position (*continued*)
As at 30 September 2019
Monetary Unit: Turkish Lira (“TL”)

	<i>Notes</i>	Non-Reviewed	Audited
LIABILITIES		30 September 2019	31 December 2018
Short term liabilities			
Short term borrowings	6	208.210.748	165.184.100
Short term portion of long-term borrowings	6	1.002.047	2.219.318
Trade payables			
- Trade payables to related parties	3	7.803.232	2.267.026
- Trade payables to non-related parties	7	106.577.402	100.913.974
Payables related to employee benefits	15	3.131.444	4.078.463
Other payables			
- Other payables to related parties	3	3.550.000	--
- Other payables to non-related parties	8	3.780.656	4.510.610
Deferred income	10	12.067.810	10.483.609
Short term provisions			
- Short term provisions for employee benefits	15	1.401.213	1.408.617
- Other provisions	14	4.660.566	7.355.102
Liabilities from leasing transactions	2.3	4.085.813	--
Total Short-Term Liabilities		333.201.802	298.420.819
Long term borrowings	6	16.134.517	409.738
Long term provisions			
- Short term provisions for employee benefits	15	5.272.089	2.981.247
Deferred tax liability	21	12.740.899	7.854.277
Total Long-Term Liabilities		34.147.505	11.245.262
Total Liabilities		390.418.436	309.666.081
Equity attributable to the owners of the Company			
Paid-in share capital		115.000.000	115.000.000
Share premium		13.074.563	13.074.563
Accumulated other comprehensive income			
- Not to be reclassified to profit or loss		296.141.688	172.764.682
- Actuarial differences		(1.748.117)	(252.156)
Restricted reserves		14.047.934	14.047.934
Retained earnings		84.943.167	107.505.258
Net loss for the period		(22.856.358)	(22.231.494)
Total Equity		498.602.877	399.908.787
Total Equity and Liabilities		889.021.313	709.574.868

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries

Consolidated Interim Statement of Profit or Loss

For the Nine-Month Period Ended 30 September 2019

Monetary Unit: Turkish Lira ("TL")

	Notes	Non-Reviewed	Non-Reviewed	Non-Reviewed	Non-Reviewed
		1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2018	1 July- 30 September 2018
Revenue	18	241.730.826	64.395.022	333.446.110	109.965.037
Cost of sales (-)	18	(205.500.545)	(53.350.909)	(278.576.392)	(89.968.760)
Gross Profit		36.230.281	11.044.113	54.869.718	19.996.277
General administrative expenses (-)	19	(16.118.816)	(6.049.567)	(13.595.637)	(2.417.929)
Marketing expenses (-)	19	(23.687.411)	(7.043.788)	(30.021.146)	(9.562.028)
Research and development expenses (-)	19	(13.820.608)	(5.275.740)	(15.182.983)	(7.734.411)
Other operating income		17.744.406	11.369.634	5.841.433	(431.410)
Other operating expenses (-)		(1.847.178)	2.068.577	(13.190.174)	(6.607.110)
Operating Loss		(1.499.326)	6.113.229	(11.278.789)	(6.756.611)
Gain from investment activities		3.690	3.690	255.753	28.713
Operating Loss Before Financial Expenses, net		(1.495.636)	6.116.919	(11.023.036)	(6.727.898)
Financial income	20	7.012.902	(2.108.997)	4.485.712	2.763.858
Financial expenses (-)	20	(36.643.635)	(11.881.065)	(9.970.122)	(4.609.879)
Financial Expenses, Net		(29.630.733)	(13.990.062)	(5.484.410)	(1.846.021)
Loss Before Tax		(31.126.369)	(7.873.143)	(16.507.446)	(8.573.919)
Tax income	21	8.270.011	3.095.580	3.664.420	1.960.436
- Current tax expense for the period		--	--	--	--
- Deferred tax income		8.270.011	3.095.580	3.664.420	1.960.436
Loss For The Period		(22.856.358)	(4.777.563)	(12.843.026)	(6.613.483)
Distribution of net profit or (loss) for the period					
Non-controlling interest		--	--	--	--
Equity holders of the Company		(22.856.358)	(4.777.563)	(12.843.026)	(6.613.483)
Number of shares	22	115.000.000	115.000.000	115.000.000	115.000.000
Earnings per share (TL)	22	(0,1988)	(0,0415)	(0,1117)	(0,0575)

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Interim Statement of Other Comprehensive Income
For the Nine-Month Period Ended 30 September 2019
Monetary Unit: Turkish Lira ("TL")

	<i>Notes</i>	Non-Reviewed	Non-Reviewed	Non-Reviewed	Non-Reviewed
		1 January- 30 September 2019	1 July- 30 September 2019	1 January- 30 September 2019	1 July- 30 September 2019
Loss for the period		(22.856.358)	(4.777.563)	(12.843.026)	(6.613.483)
Total other comprehensive income					
Not to be reclassified to profit or loss					
-Property, plant and equipment revaluation		137.085.562	137.085.562	--	--
- Deferred tax income / (expenses)		(13.708.556)	(13.708.556)	--	--
- Actuarial gains / loss	<i>15</i>	(1.917.902)	(1.039.513)	270.849	76.923
- Deferred tax income / (expenses)	<i>21</i>	421.938	228.692	(59.587)	(16.923)
Total Other Comprehensive Income		121.881.042	122.566.185	211.262	60.000
Total Comprehensive Income		99.024.684	117.788.622	(12.631.764)	(6.553.483)

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries

Consolidated Interim Statement of Change in Equity

For the Nine-Month Period Ended 30 September 2019

Monetary Unit: Turkish Lira ("TL")

			<i>Accumulated Other Comprehensive Income</i>						
	<i>Paid-In Share Capital</i>	<i>Share Premium</i>	<i>Revaluation Reserves</i>	<i>Accumulated recalculation gains / losses of defined benefit plans</i>	<i>Restricted Reserves</i>	<i>Retained Earnings</i>	<i>Net Profit/Loss</i>	<i>Total</i>	
Balance at 1 January 2018	115.000.000	13.074.563	172.764.682	756.802	14.025.680	120.903.364	(13.083.016)	423.442.075	
Transfers	--	--	--	--	22.254	(13.105.270)	13.083.016	--	
Profit/(loss) for the period	--	--	--	--	--	--	(12.843.026)	(12.843.026)	
Other comprehensive income	--	--	--	211.262	--	--	--	211.262	
Balance at 30 September 2019	115.000.000	13.074.563	172.764.682	968.064	14.047.934	107.798.094	(12.843.026)	410.810.311	
Balance at 1 January 2019	115.000.000	13.074.563	172.764.682	(252.156)	14.047.934	107.505.258	(22.231.494)	399.908.787	
Accounting policy change (Note 2.3)	--	--	--	--	--	(330.597)	--	(330.597)	
Revised balance at 1 January 2019	115.000.000	13.074.563	172.764.682	(252.156)	14.047.934	107.174.661	(22.231.494)	399.908.787	
Transfers	--	--	--	--	--	(22.231.494)	22.231.494	--	
Profit/(loss) for the period	--	--	--	--	--	--	(22.856.358)	(22.856.358)	
Other comprehensive income	--	--	123.377.006	(1.495.961)	--	--	--	121.881.045	
Balance at 30 September 2019	115.000.000	13.074.563	296.141.688	(1.748.117)	14.047.934	84.943.167	(22.856.358)	498.602.877	

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries

Consolidated Interim Statement of Cash Flow

For the Nine-Month Period Ended 30 September 2019

Monetary Unit: Turkish Lira ("TL")

	<i>Notes</i>	Non-Reviewed	Non-Reviewed
		1 January- 30 September 2019	1 January- 30 September 2019
Net loss for the period		(22.856.358)	(12.843.026)
Adjustments to reconcile cash flows generated from operating activities:			
Depreciation and amortization	<i>11, 12, 13</i>	14.861.997	15.631.729
Provision for employee benefits	<i>15</i>	1.002.179	788.731
Provision for doubtful receivables	<i>7</i>	301.474	1.293.388
Investment property revaluation		(6.071.723)	--
Tax income	<i>21</i>	(8.270.011)	(3.664.420)
Interest income	<i>20</i>	(1.370.128)	(4.485.712)
Other Provisions	<i>14</i>	(2.694.536)	(420.617)
Provisions for unused vacation		(7.404)	1.853
Interest expenses	<i>20</i>	36.643.635	9.738.556
Operating cash flow before change in assets and liabilities			
Change in assets and liabilities			
Change in trade receivables and other receivables		(69.363.147)	(83.401.904)
Change in inventories		3.041.086	(47.233.863)
Change in prepaid expenses and other current assets and liabilities		8.099.532	12.260.348
Change in trade payables and other payables		26.243.375	31.782.901
Change in payables related employee benefits		(947.019)	1.096.533
Change in deferred income		1.584.201	(6.589.184)
Employee severance indemnity paid	<i>15</i>	(629.238)	(696.030)
Taxes received / (paid)		--	83.663
Net cash used from operations		(20.432.085)	(86.657.054)
Investing activities			
Change in financial investments		4.528.066	8.802
Purchase of property, plant and equipment and intangible assets	<i>12, 13</i>	(7.133.626)	(11.798.406)
Sales of property, plant and equipment	<i>12</i>	281.321	289.036
Net cash generated / (used) in investing activities		(2.324.239)	(11.500.568)
Financing activities			
Financial borrowings, net		57.534.156	108.623.423
Payments related to leasing agreements		(251.574)	--
Interest received		1.370.128	4.485.712
Interest paid		(36.643.635)	(9.738.556)
Net cash provided from financing activities		22.009.075	103.370.579
Net increase/(decrease) in cash and cash equivalents		(747.249)	5.212.957
Cash and cash equivalents at the beginning of the period	<i>4</i>	5.541.685	922.601
Cash and cash equivalents at the end of the period	4	4.794.436	6.135.558

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Interim Consolidated Financial Statements
As at and for the Nine-Month Period Ended 30 September 2019
Monetary Unit: Turkish Lira (“TL”)

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Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2019
Monetary Unit: Turkish Lira (“TL”)

1 Organization and Nature of Operation

Tümosan Motor ve Traktör Sanayi A.Ş. (formerly known as Alçelik Çelik Yapı İnşaat Sanayi ve Ticaret Anonim Şirketi) (“Tümosan” or “the Company”), was established in 1975 to produce engine parts, transfer organs and similar equipment, but then concentrated its activities on diesel engine and tractor production. Tümosan, which is the first diesel engine producer of Turkey, along with providing diesel engines to tractors produced under the same brand, produced diesel engines for many years for other companies producing diesel vehicles.

The Company was taken into the scope and program of privatization on 18 August 1998 and the shares belonging to Mechanics and Chemistry Institution Corporation were transferred to Directorate of Privatization Administration and it was decided that privatization procedures shall be completed within a year.

Four companies participated in the privatization tender of the Company held on 24 July 2000 and at the end of the tender, Anadolu Joint Venture Group took the first place when Konya Selçuklu Joint Venture Group took the second place. At the end of the tender, since the sale contracts forwarded respectively to the ventures could not be signed within the specified time frame, their indemnities were recorded as revenue and the tender could not be concluded positively.

Tümosan, which continued its activities in a more limited frame after the tender, was adhered to Sümer Holding on 7 February 2003. For privatization purposes, the second tender was held in 2004 and Tümosan was acquired by Alçelik Çelik Yapı İnşaat Sanayi ve Ticaret A.Ş. through asset sale and the takeover was completed on 1 July 2004.

26% of the Company’s shares were offered to public at Istanbul Stock Exchange on 5 December 2012. Since 5 December 2012, the shares of the Company are listed at Istanbul Stock Exchange.

The headquarters and factory of the Company is at the following addresses:

Headquarters:

Maltepe Mahallesi Londra Asfaltı Caddesi No:28/1 Topkapı, 34010, Zeytinburnu/İstanbul/Turkey

Factory:

Büyükkayacık Mahallesi Aksaray Çevre Yolu Caddesi No:7/1 Selçuklu/Konya/Turkey

Information regarding the Company’s shareholding interests and their shares is as follows:

	30 September 2019	31 December 2018
Name	Shareholding Rates %	Shareholding Rates %
Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.	60,87	60,87
Muzaffer Albayrak	1,74	1,74
Ahmet Albayrak	1,74	1,74
Bayram Albayrak	1,74	1,74
Nuri Albayrak	1,74	1,74
Kazım Albayrak	1,74	1,74
Mustafa Albayrak	1,74	1,74
Share publicly open in stock exchange	28,69	28,69
Total	100,00	100,00

The main shareholder of the Company is Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş. (“Ereğli Tekstil”) which is controlled by Albayrak Family.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
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1 Organization and Nature of Operation *(continued)*

As of 30 September 2019, the average number of personnel of the Company is 449 (31 December 2018: 494).

Subsidiaries Included in the Consolidation

Tümosan Döküm A.Ş.: The Company engages in all kinds of casting and machining operations and trading.

Tümosan Savunma A.Ş.: The Company engages to develop new products in defense and weapons, have R&D activities, contribute the production of existing products, and operate arms and related industry product purchases and sales.

The consolidated financial statements as of 30 September 2019 have been prepared by fully consolidating the subsidiaries stated below to the Company.

Company	Rate of Control	
	30 September 2019	31 December 2018
Tümosan Döküm A.Ş.	% 100	% 100
Tümosan Savunma A.Ş.	% 100	% 100

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2019
Monetary Unit: Turkish Lira (“TL”)

Basis of Presentation of Financial Statements

2.1 Basis of Presentation

(a) Basis of Presentation of Financial Statements

The consolidated financial statements and disclosures have been prepared in accordance with the communique numbered II-14, 1 “Communique” on the Principles of Financial Reporting in Capital Markets” (the Communique) announced by the Capital Markets Board” (“CMB”) on 13 June 2013 which is published on official Gazette numbered 28676. In accordance with Communique, the listed companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/IFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

Additionally, consolidated financial statements and footnotes have prepared in accordance with formats issued by CMB and POA effective for the financial statements asset and for the nine-month period ended 30 September 2019.

(b) Basis of measurement

The consolidated financial statements are prepared in TL based on historical cost except for financial assets and liabilities and lands recognized under property, plants and equipments measured at fair value.

(c) Correction of financial statements of hyperinflation periods

With the decision taken on 17 March 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with Turkish accounting standards. Accordingly, TAS 29 is not applied starting from 1 January 2005.

(d) Reporting and Functional Currency

The consolidated financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the functional and presentation currency of the Group is TL.

(e) Comparative Information

The consolidated financial statements are prepared including comparative information in order to enable readers to understand the trends in the financial position and performance of the Group. The change in presentation or reclassification of the financial statement items is applied retrospectively and the reclassifications made in the prior year financial information are disclosed in the notes to the financial statements.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
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2 Basis of Presentation of Financial Statements (continued)

2.1 Basis of Presentation (continued)

(f) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to the functional currency at the exchange rate ruling at the date. Foreign currency differences arising on translation of foreign currency transactions are recognized in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange rates prevailing at the balance sheet date are as follows:

	30 September 2019	31 December 2018
USD/TL	5,6591	5,2609
EUR/TL	6,1836	6,0280
GBP/TL	6,9487	6,6528
CHF/TL	5,6857	5,3352

(g) Basis of Consolidation

As at 30 September 2019 and 31 December 2018, the consolidated financial statements include the financial statements of the subsidiaries and Tümosan Motor ve Traktör Sanayi A.Ş.

(i) Subsidiaries

Subsidiaries are those entities on which the Group has the power to control. The Group controls the companies when it is incurred changeable returns due to relations of any companies or has a right to own these returns and has a power to affect these returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group to the date on which control is transferred out from the Group.

The table below demonstrates the rates of the effective ownership and the voting power held in terms of percentages (%) as of 30 September 2019 and 31 December 2018 for all subsidiaries directly controlled by the Group and included in the scope of consolidation:

Name	Rate of Control	
	30 September 2019	31 December 2018
Tümosan Döküm A.Ş.	% 100	% 100
Tümosan Savunma A.Ş.	% 100	% 100

2 Basis of Presentation of Financial Statements

2.1 Basis of Presentation *(continued)*

(g) Basis of Consolidation *(continued)*

(ii) Non- controlling interest

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

(iii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) Consolidation adjustments

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss statements.

2.2 Statement of Compliance to TAS

The accompanying consolidated financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) published by POA. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and related appendix and comments including POA’s Principle Decisions.

The accompanying consolidated financial statements have been prepared in accordance with TAS, in accordance with the Company's statutory records' classification and corrections, and the fact that the financial statements reflect the reality.

The Company and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in TL in accordance with the accounting principles as promulgated by the Turkish Commercial Code and tax legislation.

The consolidated financial statements of the Group were approved by the management on 19 August 2019. The General Assembly and certain regulatory bodies have the right to amend the financial statements after their publication.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
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Monetary Unit: Turkish Lira (“TL”)

2 Basis of Presentation of Financial Statements *(continued)*

2.3 Changes in Accounting Policies

The accounting policies used in the preparation of the financial statements for the period 1 January – 30 September 2019 have been applied in accordance with the financial statements prepared as of 31 December 2018, except for TFRS 16 “Leases”, which is effective from 1 January 2019.

The Company has calculated the effects of TFRS 16, which is effective from 1 January 2019, and assessed that the effect is insignificant in terms of shareholders' equity in the opening financial statements and did not make any changes in the financial statements. The effect of the application as of 30 September 2019, is as follows

Assets	30 September 2019	1 January 2019
Right of use assets	4.006.792	3.756.367
Total	4.006.792	3.756.367

Liabilities	30 September 2019	1 January 2019
Payables from leasing transactions	4.085.813	4.086.954
Total	4.085.813	4.086.954

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however, the Group consolidated has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

As of 30 September 2019; standards issued but not yet effective and not early adopted

The revised Conceptual Framework

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

2 Basis of Presentation of Financial Statements *(continued)*

2.3 Changes in Accounting Policies *(continued)*

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

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.4 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. There has been no significant change in the Company's estimates.

2 Basis of Presentation of Financial Statements (*continued*)

2.5 Summary of Significant Accounting Policies

The CMB has permitted publicly traded companies to apply the full set or condensed presentation of their interim financial statements in accordance with TAS 34 "Interim Financial Statements". Accordingly, the Company prepared the condensed presentation of the financial statements at the interim period ending 30 September 2019.

In respect of the relevant notification the required disclosures and notes that should be included in the annual financial statements prepared in accordance with TAS / TFRS are summarized or not presented in accordance with TAS 34. The accompanying condensed consolidated financial statements should be read together with audited consolidated financial statements as at and for the year ended 31 December 2018.

The significant accounting policies have been applied consistently by the Group in the preparation of these condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2019 with those financial statements as of and for the year ended 31 December 2018.

3 Related Parties Disclosures

For the purpose of this report, the shareholders and key management personnel of the Group, the ultimate shareholders of the Group and the companies controlled by/associated with them are referred to as related parties.

The details between The Group and other related parties are as follows.

The related parties shown in the related party disclosures and the nature of the relation of the Group with these parties are as follows. These companies are presented as related parties which are controlled by Albayrak Family:

<u>Related Party</u>	<u>Definition</u>
Albayrak Turizm Seyahat İnşaat Tic. A.Ş. ("Albayrak İnşaat")	Controlling Shareholder
Ereğli Tekstil Turizm San. ve Tic. A.Ş. ("Ereğli Tekstil")	Shareholder
Albayrak Holding A.Ş. ("Albayrak Holding")	Related Party
Ağa Maden İşletmeciliği San. Tic. Ltd. Şti. ("Ağa Maden")	Related Party
Albil Merkezi Hizmetler ve Ticaret A.Ş. ("Albil Merkezi Hizmetler")	Related Party
Birlikte Dağıtım A.Ş. ("Birlikte Dağıtım")	Related Party
Birun Otelcilik A.Ş. ("Birun Otelcilik")	Related Party
Kademe Atık Teknolojileri San.A.Ş. ("Kademe Atık")	Related Party
Platform Tur. Taş. Gıda İnş. Tem. Hiz. San.ve Tic. A.Ş. ("Platform Turizm")	Related Party
Reklam Piri Medya İletişim A.Ş. ("Reklam Piri")	Related Party
Albayrak Company Somali Mogadisho Port Operation ("Somali Mogadisho Port")	Related Party
Varaka Kağıt Sanayi A.Ş. ("Varaka Kağıt")	Related Party
Yeşil Adamlar Atık Yönetimi ve Taşımacılık A.Ş. ("Yeşil Adamlar")	Related Party
Albayrak92 Private Ltd. ("Albayrak Private")	Related Party
Kazzaz Kağıt Ticaret A.Ş. ("Kazzaz Kağıt")	Related Party
Sistemli Dağıtım Hizmetleri A.Ş. ("Sistemli Dağıtım")	Related Party
Dolu Akaryakıt Pazarlama A.Ş. ("Dolu Akaryakıt")	Related Party
Trabzon Liman İşletmeciliği A.Ş. ("Trabzon Liman")	Related Party
Bayfa Geri Dön.Tur. Taş. San.ve Tic. Ltd. Şti ("Bayfa Geri")	Related Party

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3 Related Parties Disclosures (continued)

As of 30 September 2019, details regarding the related parties and significant balances are as follows:

30 September 2019	Receivables		Payables	
	Short-Term		Short-Term	
	Trade	Non-Trade	Trade	Non-Trade
Kademe Atık	7.323.031	--	6.983.744	--
Trabzon Liman	372.285	--	--	--
Yeşil Adamlar	244.508	--	--	--
Sistemli Dağıtım	136.768	--	--	--
Birun Otelcilik	80.886	--	1.252	--
Albayrak92 Private Ltd	25.824	--	--	--
Plaket	12.640	--	--	--
Dolu Akaryakıt	9.663	--	--	--
Ats Yedek Parça	4.717	--	608	--
Platform	908	--	73.854	--
Ereğli Tekstil(*)	--	97.655.965	--	--
Albil	--	--	509.820	--
Albayrak İnşaat(*)	--	393.319	--	--
Varaka Kağıt	--	3.757.739	--	3.550.000
Birlikte Dağıtım	--	--	132.694	--
Reklam Piri	--	--	101.260	--
Somali Mogadisho Port	--	1.367.405	--	--
Other	1.159	--	--	--
Total	8.212.389	103.174.428	7.803.232	3.550.000

As of 31 December 2018, details regarding the related parties and significant balances are as follows:

31 December 2018	Receivables		Payables	
	Short-Term		Short-Term	
	Trade	Non-Trade	Trade	Non-Trade
Kademe Atık	4.165.892	--	1.738.904	--
Albayrak92 Private Ltd	803.662	--	--	--
Trabzon Liman	372.285	--	--	--
Yeşil Adamlar	230.442	--	--	--
Birun Otelcilik	120.886	--	1.252	--
Sistemli Dağıtım	83.657	--	--	--
Dolu Akaryakıt	7.679	--	--	--
Platform	908	--	43.585	--
Ereğli Tekstil(*)	--	28.435.338	--	--
Albil	--	--	295.951	--
Albayrak İnşaat(*)	--	14.761.500	--	--
Varaka Kağıt	--	1.049.024	--	--
Birlikte Dağıtım	--	--	124.339	--
Reklam Piri	--	--	62.994	--
Other	1.159	--	--	--
Total	5.786.570	44.245.862	2.267.026	

(*) The Group's non-trade receivables from related parties are intra-group financing, are used in operational activities, and interest rates are exercised in market conditions.

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3 Related Party Disclosures (continued)

Purchases and Expenses

For the periods 1 January – 30 September 2019 and 1 January – 30 September 2018, purchases from the related parties are as follows:

Purchases	1 January- 30 September 2019		1 January- 30 September 2018	
	Purchasing of goods and commodities	Other	Purchasing of goods and commodities	Other
Kademe Atık	21.089.234	--	32.809.650	460
Albil	1.371.212	40.877	1.170.386	--
Dolu Akaryakıt	321.838	--	--	--
Reklam Piri	--	40.940	27.394	--
Birlikte Dağıtım	--	134.198	123.157	--
Albayrak Holding	--	1.192.227	--	1.004.403
Platform	--	146.578	--	35.060
Total	22.782.284	1.554.820	34.130.587	1.039.923

Sales and Income

For the periods 1 January – 30 September 2019 and 1 January – 30 September 2018, sales to the related parties are as follows:

Sales	1 January- 30 September 2019		1 January- 30 September 2018	
	Sales of goods and commodities	Other	Sales of goods and commodities	Other
Kademe Atık	4.306.075	210.370	4.105.229	222.881
Ereğli Tekstil	2.445.365	--	--	5.655.721
Somali Mogadisho Portu	1.367.405	--	--	--
Varaka Kağıt	1.064.898	--	--	903.478
Albayrak İnşaat	479.063	--	--	1.973.499
Yeşil Adamlar	14.066	--	27.972	--
Sistemli Dağıtım	3.202	--	77.483	39.600
Albayrak92	2.901	--	3.589	--
Birun Otelcilik	--	--	106.944	--
Bayfa Geri Dönüşüm	--	--	95.000	--
Total	9.682.975	210.370	4.416.217	8.795.179

Benefits for Top Management

For the nine-month period ended 30 September 2019 Benefits provided to top management is TL 1.079.528. (1 January-30 September 2018 – TL 981.229)

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4 Cash and Cash Equivalents

As of 30 September 2019 and 31 December 2018, cash and cash equivalents are as follows:

	30 September 2019	31 December 2018
Cash	25	25
Banks		
<i>-Demand Deposit</i>	<i>4.794.411</i>	<i>5.541.660</i>
Total	4.794.436	5.541.685

As of 30 September 2019 there is no account under any blockage or pledge (31 December 2018: None).

5 Financial Investments

As of 30 September 2019 and 31 December 2018, short term financial investments are as follows:

Financial asset measured at fair value through profit or loss	30 September 2019	31 December 2018
Bonds (*)	75.988	62.288
Share Certificates	--	5.241.766
Total	75.988	5.304.054

(*) As of 31 December 2018, financial investments consist of 3 months comprised bonds which are issued by Ereğli Tekstil. The Group accounted the related bonds as financial asset measured at fair value through profit or loss. Related bonds’ nominal values are TL 5.400.000 and amortized value is TL 5.288.219.

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6 Financial Borrowings

As of 30 September 2019 and 31 December 2018, financial borrowings of the Group are as follows:

	30 September 2019	31 December 2018
<u>Short-Term Borrowings</u>		
Short-Term Bank Loans	208.210.748	165.184.100
Short-Term Portion of Long-Term Loans	1.002.047	2.219.318
Total	209.212.795	167.403.418
<u>Long-Term Borrowings</u>		
Long-Term Loans	16.134.517	409.738
Total	16.134.517	409.738

Bank Loans

	30 September 2019		31 December 2018	
	Effective Int. Rate %	TL Amount	Effective Int. Rate %	TL Amount
Short-Term Borrowings	16,50-17,5%	208.210.748	15,00-17,5%	165.184.100
Short-Term Portion of Long-Term Borrowings	17,04%	1.002.047	15,5-40,5%	2.219.318
Long-Term Borrowings	16,50%	16.134.517	15,5-40,5%	409.738
Total Borrowings		225.347.312		167.813.156

As of 30 September 2019, The Group has provided TL 400 million as real estate mortgages and TL 38.742.448 customer cheques for the borrowings. (31 December 2018; TL 12 million as real estate mortgages and TL 20.049.691 worth of customer cheques).

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7 Trade Receivables and Payables

Short-Term Trade Receivables

As of 30 September 2019 and 31 December 2018, short-term trade receivables from non-related parties are as follows:

	30 September 2019	31 December 2018
Customer Current Accounts	68.761.102	87.587.590
Notes Receivables	83.908.585	69.091.854
Assessment of Income	--	2.802
Direct Debiting System Receivables	4.489.952	6.087.577
Allowance for Doubtful Receivables (-) (*)	(6.537.608)	(6.236.134)
Total	150.622.031	156.530.887

Long-Term Trade Receivables

As of 30 September 2019 and 31 December 2018, long-term trade receivables from non-related parties are as follows:

	30 September 2019	31 December 2018
Notes Receivables	--	4.677.728
Total	--	4.677.728

Short-Term Trade Payables

As of 30 September 2019 and 31 December 2018, short-term trade payables to non-related parties are as follows:

	30 September 2019	31 December 2018
Supplier Current Accounts	50.679.363	59.594.334
Notes Payables	22.965.208	25.424.009
Other	32.932.831	15.895.631
Total	106.577.402	100.913.974

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8 Other Receivables and Payables

Other Short-Term Receivables

As of 30 September 2019 and 31 December 2018, other short-term trade receivables from non-related parties are as follows:

	30 September 2019	31 December 2018
Tax Receivables	6.802.605	810.208
Other	523.096	450.653
Total	7.325.701	1.260.861

Other Short-Term Payables

As of 30 September 2019 and 31 December 2018, other short-term trade payables to non-related parties are as follows:

	30 September 2019	31 December 2018
Deposit and Guarantees	3.496.000	3.926.900
Tax Payables	262.861	560.480
Others	21.795	23.230
Total	3.780.656	4.510.610

9 Inventories

As of 30 September 2019 and 31 December 2018, details of Inventories are as follows:

	30 September 2019	31 December 2018
Materials and Spare Parts	98.366.590	88.991.172
Finished Goods	60.421.619	69.581.121
Goods in Transit	8.888.665	8.228.517
Work in Progress	6.757.077	10.686.584
Other Inventories	909.851	1.429.619
Merchandise	1.266.663	734.538
Provision for Impairment (-)	(1.415.688)	(1.415.688)
Total	175.194.777	178.235.863

As of 30 September 2019 and 31 December 2018, there is no pledge or mortgage on inventories.

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10 Prepaid Expenses and Deferred Income

Prepaid Expenses

Short-Term Prepaid Expenses

As of 30 September 2019 and 31 December 2018, prepaid expenses from non-related parties in non-current assets are as follows:

	30 September 2019	31 December 2018
Advances Given	5.833.196	3.553.898
Prepaid Expenses	1.492.579	964.142
Job Advances	240.489	180.548
Total	7.566.264	4.698.588

Deferred Income

Short-Term Deferred Income

As of 30 September 2019 and 31 December 2018, deferred income from non-related parties are as follows:

	30 September 2019	31 December 2018
Advances Received	12.067.810	10.483.609
Total	12.067.810	10.483.609

11 Investment Property

As of 30 September 2019 and 31 December 2018, details of investment properties are as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
Net Carrying Value		
Balance at 1 January	11.643.262	1.920.218
Revaluation of Investment Property(*)	6.071.723	
Current Period Depreciation Change	--	(35.608)
End of the Period Net Carrying Value	17.714.985	1.884.610
Cost	17.714.985	2.373.804
Accumulated Depreciation	--	(489.194)
End of the Period Net Carrying Value	17.714.985	1.884.610

(*) Increases in value are accounted for in other income from main activities.

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12 Property, Plant and Equipment

For the periods ended 30 September 2019 and 30 September 2018; movement of property, plant and equipment is summarized below:

	1 January - 30 September 2019	1 January - 30 September 2018
Net Carrying Value		
Balance at 1 January	260.268.082	259.586.304
Revaluation of Property, Plant and Equipment	137.085.562	--
Additions	6.649.768	11.085.065
Disposals	(281.321)	(289.036)
Current Period Depreciation Charge	(9.285.997)	(8.567.948)
End of the Period Net Carrying Value	394.436.094	261.814.385
Cost		
Cost	485.189.493	340.456.445
Accumulated Depreciation	(90.753.399)	(78.642.060)
End of the Period Net Carrying Value	394.436.094	261.814.385

(*) Increases in value are accounted for in other comprehensive income from main activities.

There is a TL 400 million mortgage related to bank loans on the fixed assets of the Group (31 December 2018: TL 12 million mortgage).

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13 Intangible Assets

Intangible assets consist development costs, rights and licenses, and accumulated depreciation. For the periods ended 30 September 2019 and 30 September 2018, movement of intangible assets are as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
Net Carrying Value		
Balance at 1 January	10.312.668	18.813.898
Additions	483.858	713.341
Current Period Amortization Charge	(5.576.000)	(7.028.173)
End of the Period Net Carrying Value	5.220.526	12.499.066
Cost	44.163.938	43.677.733
Accumulated Amortization	(38.943.412)	(31.178.667)
End of the Period Net Carrying Value	5.220.526	12.499.066

There is no account under any blockage or pledge on intangible assets of the Group.

14 Provisions, Contingent Assets and Liabilities

a) Provisions

As of 30 September 2019 and 31 December 2018, details of provisions are as follows:

	30 September 2019	31 December 2018
Warranty Provisions (*)	3.140.931	5.835.467
Provision for Litigation	1.519.635	1.519.635
Short-Term Provisions	4.660.566	7.355.102

(*) Movement of Litigation Provisions is as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
Balance at 1 January	5.835.467	8.923.360
Current Period Change	(2.694.536)	--
Balance at 30 September	3.140.931	8.923.360

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14 Provisions, Contingent Assets and Liabilities (continued)

b) Guarantee – Pledge – Mortgage - Warranty (“Collaterals”)

As of 30 September 2019 and 31 December 2018 the Group’s guarantee/pledge/mortgage positions are as follows:

Collaterals given by Group (TL Equivalents)	30 September 2019	31 December 2018
A. The total amount of collaterals given on behalf of its own legal entity.	451.045.461	46.262.774
B. The total amount of collaterals given favor of the companies in the scope of full consolidation.	--	--
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities. (*)	781.983.131	815.511.209
D. The total amount of other collaterals given	--	--
i. The total amount of collaterals given in favor of the parent companies.	--	--
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of B and C.	--	--
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C.	--	--
Total	1.233.028.592	861.773.983

Details regarding the letters of guarantee, pledges and mortgages in foreign currency are as follows:

	30 September 2019	31 December 2018
Turkish Lira	1.210.313.098	839.637.076
USD (TL Equivalent)	154.629	143.749
EURO (TL Equivalent)	22.560.865	21.993.158
Total	1.233.028.592	861.773.983

(*) An agreement was signed between the Group and Ziraat Bankası (“the Bank”) in December 2010. Within the scope of this agreement, the event that a customer who took a loan from the Bank to buy tractors sold by the Group through Tümosan tractor dealers (“Customers”), is not able to pay back this borrowing, the Bank holds the right to demand from the Group 75% of the difference between the income to be generated from the judicial sale of the tractors and the insurance fee set by the Turkish Association of Insurance and Reinsurance Companies. However, the Group reflects the difference which the Bank demands from the Company to the Dealer realizing the sale. Therefore, although the mentioned letter of guarantee is a guarantee given to the Bank by the Group, it is eventually transferred to the Customers.

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15 Employee Benefits

Payables Related to the Employee Benefits

As of 30 September 2019 and 31 December 2018, Payables Related to the Employee Benefits are as follows:

	30 September 2019	31 December 2018
Wages and Salaries	1.924.504	2.701.043
Social Security Withholdings Payable	791.483	792.889
Staff Payroll Taxes	415.457	584.531
Total	3.131.444	4.078.463

Short-Term Provisions for Employee Benefits

As of 30 September 2019 and 31 December 2018, Short-Term Provisions for Employee Benefits are as follows:

	30 September 2019	31 December 2018
Provision for Unused Vacation	1.401.213	1.408.617
Total	1.401.213	1.408.617

If labor contract has been terminated for any reason, The Group will be obliged to pay unused vacation payment to employee or beneficiaries based on the salary at the expire date. Provision for unused vacation is equal to which all employees have deserved and have not used them yet as of reporting date and have not been discounted, amount of total liability.

Long-Term Provisions for Employee Benefits

As of 30 September 2019 and 31 December 2018, Long-Term Provisions for Employee Benefits are as follows:

	30 September 2019	31 December 2018
Provision for Employment Termination Benefits	5.272.089	2.981.247
Total	5.272.089	2.981.247

In accordance with the current Turkish Labor Law, the Group is obliged to pay a certain amount of termination indemnity to the personnel whose employment has been terminated due to retirement or the reasons except, reassignment or bad behavior; who has to terminate employment for military service and who had served at least one year at the Group. The amount payable consists of one month's salary for each year of working. This amount is limited to TL 6.017 as of 30 September 2019 and TL 5.434 as of 31 December 2018.

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15 Employee Benefits (continued)

Long-Term Provisions for Employee Benefits (continued)

Employee termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans.

Accordingly, the following actuarial assumptions were used in the calculation of total liabilities:

	30 September 2019	31 December 2018
Interest rate	15,50%	15,50%
The estimated wage increase rate	11,00%	11,00%
Net discount rate	4,05%	4,05%

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2019, the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Movements of employee termination benefits provisions are as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
Balance at 1 January	2.981.247	3.244.272
Cost of Services	586.883	374.804
Interest Expense	415.296	413.927
Actuarial Gain/Loss	1.917.902	(270.849)
Paid	(629.238)	(696.030)
Balance at 30 September	5.272.089	3.066.124

16 Other Assets and Liabilities

As of 30 September 2019 and 31 December 2018, details of Other Assets and Liabilities are as follows:

	30 September 2019	31 December 2018
VAT	9.156.617	20.933.134
Other	58.817	5.639
Total	9.215.434	20.938.773

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17 Capital, Reserves and Other Equity Components

Paid in Share Capital

As of 30 September 2019 and 31 December 2018, capital structure of the Group are as follows:

	30 September 2019		31 December 2018	
	Share Rate %	Share Amount (TL)	Share Rate %	Share Amount (TL)
Ereğli Tekstil (*)	60,87%	70.000.000	60,87%	70.000.000
Other	10,44%	12.000.000	10,44%	12.000.000
Publicly Listed	28,69%	33.000.000	28,69%	33.000.000
Paid-in Capital	100%	115.000.000	100%	115.000.000

All of the Group's capital has been paid in as of 30 September 2019 and comprises of 115.000.000 shares with a nominal value of TL 115.000.000 and each one worth TL 1 (31 December 2018: Capital: TL 115.000.000, each one with a value of TL 1, a total of 115.000.000 shares).

(*) Within the scope of repurchase commitment of Ereğli Tekstil, 4.285.492 shares of Ereğli Tekstil were sold on 15 March 2018 in the public offering of the Group. As a result of this sale, all shares purchased within the scope of repurchase commitment were sold. With this transaction, the share of Ereğli Tekstil in the capital is 60.87%.

Restricted Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. According to Article 519 of the Turkish Commercial Code ("TTK") numbered 6102, the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Other Comprehensive Income/Expense Not to Be Reclassified to Profit or Loss

As of 30 September 2019 and 31 December 2018, other comprehensive income/expense not to be reclassified to profit or loss of the Group are as follows:

Actuarial Differences

	30 September 2019	31 December 2018
Actuarial Loss Arising from Defined Benefits Plan	(1.748.117)	(252.156)
Total	(1.748.117)	(252.156)

Revaluation Surplus for the Property, Plant and Equipment

	30 September 2019	31 December 2018
Revaluation Surplus	329.046.320	191.960.758
Tax Effect	(32.904.632)	(19.196.076)
Total	296.141.688	172.764.682

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18 Sales and Cost of Sales

Sales and Cost of Sales for the periods ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Domestic Sales	235.386.648	326.161.917
Foreign Sales	11.345.092	9.455.060
Other Income Income	373.220	650.440
Gross Sales	247.104.960	336.267.417
Sales Returns and Discounts (-)	(5.374.134)	(2.821.307)
Net Sales	241.730.826	333.446.110
Cost of Sales (-)	(205.500.545)	(278.576.392)
Gross Profit	36.230.281	54.869.718

The distribution of sales on product basis are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Tractor Sales	210.838.020	300.662.110
Spare Part Sales	17.087.293	20.672.854
Engine Sales	5.264.281	5.427.929
Agricultural Machinery Sales	3.670.070	3.519.907
Equipment Sales	3.499.798	2.645.554
Heavy Construction Equipment Sales	1.022.139	201.307
Other	349.225	316.449
Total Sales	241.730.826	333.446.110

19 Operating Expenses

Operating expenses for the nine-month period ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Marketing Expenses	23.687.411	30.021.146
General and Administrative Expenses	16.118.816	13.595.637
Research and Development Expenses	13.820.608	15.182.983
Total	53.626.835	58.799.766

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20 Finance Income and Expenses

Finance Income

Finance income for the nine-month period ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Interest Income	1.370.128	4.485.712
Foreign Exchange Income	5.642.774	--
Total	7.012.902	4.485.712

Finance Expenses

Finance expenses for the nine-month period ended 30 September 2019 and 2018 are as follows:

	1 January- 30 September 2019	1 January- 30 September 2018
Interest Expenses	36.643.635	9.738.314
Foreign Exchange Loss	--	231.808
Total	36.643.635	9.970.122

21 Taxation

Tax Expense

Tax expenses for the nine-month periods ended 30 September 2019 and 2018 are as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
<u>Tax expense recognized in profit or loss</u>		
Current Tax Expense:		
Current Tax Expense	--	--
Deferred Tax Income / (Expense):		
Arising from Tax Losses Carried Forward	9.998.355	4.743.868
Arising from Temporary Differences	(1.728.344)	(1.079.448)
	8.270.011	3.664.420
<u>Recognized in Comprehensive Income</u>		
Deferred Tax Income/(Expense):		
Tax Effects of Actuarial Differences	421.938	(59.587)
Revaluation Tax of Property, Plant and Equipment	(13.708.556)	--
	(13.286.618)	(59.587)
Total Tax Effect Income/ (Expense)	(5.016.607)	3.604.833

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21 Taxation (continued)

The Reconciliation of the Effective Tax Rate

The tax provision is different from calculated value by using statutory tax rate via profit before tax for the nine-month periods ended 30 September 2019 and 2018. Related reconciliation details are as follows:

	1 January - 30 September 2019		1 January - 30 September 2018	
Loss for the Period	(22.856.358)		(12.843.026)	
Less: Current Period Tax Income	8.270.011		3.664.420	
Loss Before Tax	%	(31.126.369)	%	(16.507.446)
Calculated Corporate Tax Via Statutory Rate	22%	6.847.801	22%	3.631.638
Non-Deductible Expenses	(0,002)%	6.958	(6)%	94.732
Other	5%	1.415.252	4%	(61.950)
Total Tax Income/(Expense) Recognized in Profit or Loss	27%	8.270.011	21,8%	3.664.420

Deferred Tax

Deferred Tax Asset/Liabilities

As of 30 September 2019 and 31 December 2018, the deferred tax assets and liabilities are as follows:

	30 September 2019	31 December 2018
Deferred Tax Assets	--	129.985
Deferred Tax Liabilities	(12.740.899)	(7.854.277)
Total	(12.740.899)	(7.724.292)

The movement of Deferred Tax assets/liabilities are as follows:

	1 January - 30 September 2019	1 January - 30 September 2018
Balance at 1 January	(7.724.292)	(14.656.692)
Recognized in Profit or Loss	8.270.011	3.664.420
Recognized in Other Comprehensive Income	(13.286.618)	(59.587)
Balance at 30 September	(12.740.899)	(11.051.859)

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22 Earnings Per Share

Earnings per share stated in the statement of profit or loss is calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the year. Companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

	1 January - 30 September 2019	1 January - 30 September 2018
The Weighted Average Number of Shares in Existence During the Period (Each 1 TL)	115.000.000	115.000.000
Net Loss for the period	(22.856.358)	(12.843.026)
Loss per share (TL)	(0,1988)	(0,1117)

23 Financial Instruments – Risk Management and Fair Value

Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management Policies

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Group's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity. There are not any changes in financial risk factors and credit risk management of the Group as compared to previous year.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and other investments.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or value of the Group's financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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23 Financial Instruments – Risk Management and Fair Value (continued)

Market Risk (continued)

(i) Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Group, Turkish Lira (“TL”).

As of 30 September 2019, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	30 September 2019			
	TL Equivalent	USD	EURO	GBP
1. Trade receivables	125.822.484	9.875.821	11.364.549	--
2a. Monetary assets (Including cash on hands and banks)	1.977.887	328.953	19.681	
2b. Non-monetary financial assets	622.590	13.843	88.286	
3. Other	5.576	19	886	--
4. Current Assets (1+2+3)	128.428.537	10.218.636	11.473.402	--
5. Trade receivables	--		--	--
6a. Monetary assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--
9. Total Assets (4+8)	128.428.537	10.218.636	11.473.402	--
10. Trade payables	46.482.439	309.182	7.197.494	50.456
11. Financial liabilities	--	--	--	--
12a. Other monetary financial liabilities	3.854.697	--	625.042	--
12b. Other non-monetary financial liabilities	33.810	5.748	208	12
13. Short-Term Liabilities (10+11+12)	50.370.946	314.930	7.822.744	50.469
14. Trade payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--
17. Long-Term Liabilities (14+15+16)	--	--	--	--
18. Total Liabilities (13+17)	50.370.946	314.930	7.822.744	50.469
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--
19a. Off-balance sheet foreign currency derivative assets	--	--	--	--
19b. Off balance sheet foreign currency derivative liabilities	--	--	--	--
20. Net foreign currency asset/liability position (9-18+19)	78.057.592	9.903.706	3.650.658	(50.469)
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	77.463.235	9.895.592	3.561.694	(50.456)
22. Fair value of foreign currency hedged financial assets	--		--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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23 Financial Instruments – Risk Management and Fair Value (continued)

Market Risk (continued)

(i) Currency Risk (continued)

As of 31 December 2018, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2018				
	TL Equivalent	USD	EURO	GBP	CNY
1. Trade receivables	60.822.474	8.712.800	2.485.949	--	--
2a. Monetary assets (Including cash on hands and banks)	7.160.704	1.314	1.186.760	--	--
2b. Non-monetary financial assets	--	--	--	--	--
3. Other	84.416	15.473	500	--	--
4. Current Assets (1+2+3)	68.067.594	8.729.587	3.673.210	--	--
5. Trade receivables	--	--	--	--	--
6a. Monetary assets	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--
7. Other	--	--	--	--	--
8. Non-Current Assets (5+6+7)	--	--	--	--	--
9. Total Assets (4+8)	68.067.594	8.729.587	3.673.210	--	--
10. Trade payables	5.491.476	--	863.099	43.324	641
11. Financial liabilities	226.171	--	37.520	--	--
12a. Other monetary financial liabilities	19.892.400	--	3.300.000	--	--
12b. Other non-monetary financial liabilities	2.885	--	479	--	--
13. Short-Term Liabilities (10+11+12)	25.612.932	--	4.201.098	43.324	641
14. Trade payables	--	--	--	--	--
15. Financial Liabilities	--	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--	--
17. Long-Term Liabilities (14+15+16)	--	--	--	--	--
18. Total Liabilities (13+17)	25.612.932	--	4.201.098	43.324	641
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--	--	--
19a. Off-balance sheet foreign currency derivative assets	--	--	--	--	--
19b. Off balance sheet foreign currency derivative liabilities	--	--	--	--	--
20. Net foreign currency asset/liability position (9-18+19)	42.454.661	8.729.587	(527.888)	(43.324)	(641)
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	42.373.130	8.714.114	(527.909)	(43.324)	(641)
22. Fair value of foreign currency hedged financial assets	--	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--	--

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23 Financial Instruments – Risk Management and Fair Value (continued)

Market Risk (continued)

(i) Currency Risk (continued)

Currency Sensitivity

A 10 percent strengthening of the TL against the following currencies at 30 September 2019 and 31 December 2018 would have increased / (decreased) equity and profit or loss, excluding tax effects, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

30 September 2019		
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In the case of change of USD at 10% ratio compared to TL;		
1- USD net asset / liability	5.584.775	(5.584.775)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	5.584.775	(5.584.775)
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	2.196.532	(2.196.532)
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	2.196.532	(2.196.532)
In the case of change of GBP at 10% ratio compared to TL		
7- GBP net asset / liability	(34.984)	34.984
8- Part of hedged from GBP risk (-)	--	--
9- GBP net effect (7+8)	(34.984)	34.984
TOTAL (3+6+9)	7.746.324	(7.746.324)

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23 Financial Instruments – Risk Management and Fair Value (continued)

Market Risk (continued)

(i) Currency Risk (continued)

Currency Sensitivity (continued)

31 December 2018		
	Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
In the case of change of USD at 10% ratio compared to TL;		
1- USD net asset / liability	4.584.408	(4.584.408)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	4.584.408	(4.584.408)
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	(318.224)	318.224
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	(318.224)	318.224
In the case of change of GBP at 10% ratio compared to TL		
7- GBP net asset / liability	(28.823)	28.823
8- Part of hedged from GBP risk (-)	--	--
9- GBP net effect (7+8)	(28.823)	28.823
In the case of change of CNY at 10% ratio compared to TL		
10- CNY net asset / liability	(49)	49
11- Part of hedged from CNY risk (-)	--	--
12- CNY net effect (10+11)	(49)	49
TOTAL (3+6+9+12)	4.237.313	(4.237.313)

24 Subsequent Events

None.