Tümosan Motor ve Traktör Sanayi A.Ş.

and Its Subsidiaries

Convenience Translation into English of
Consolidated Financial Statements
And Independent Auditors Report
As at and For The Year Ended
31 December 2020
(Originally Issued in Turkish)

Aksis Uluslararası Bağımsız Denetim Anonim Şirketi

11 March 2021

This report includes 5 pages of independent auditors' report and 66 pages of consolidated financial statements together with their explanatory notes

Tümosan Motor ve Traktör Sanayi Anonim Şirketi

and its Subsidiaries

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Tümosan Motor ve Traktör Sanayi Anonim Şirketi

A) Audit of the Consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Tümosan Motor ve Traktör Sanayi Anonim Şirketi (the "Company"), its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3) Key Audit Matters

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

Key Audit Matters	**How the matter was addressed in our audit**
Revenue Recognition The main activity of the Group is the manufacturing of "Tümosan" brand tractors with diesel engine and their authorized service activity. Revenue recognition has been identified as a key audit matter since it is an important measurement criteria in terms of evaluation of performance management and the results of the group strategy and inherently has risk of fraud and error. For the year ended 31 December 2020, the Group's sales amounts to TL 836.085.406 The accounting policies and balances related to revenue are disclosed in Note 2.5.i and Note 19.	During our audit, the following audit procedures have been applied to on the audit of the revenue: The design and implementation of the controls that are set for the management of the relevant process are examined. In this context, the Group's sales and delivery procedures have been audited. Trading and shipment provisions of related sales contracts signed with customers have been examined and the appropriateness of timing of revenue recognition in the financial statements has been examined. We have focused on substantive procedures for the products for which the invoices are issued but products have not been delivered. The customers which owned high-volume and high-risk transactions have been identified from the customer sales lists, sales in the specified period have been examined and the related samples have been selected from these population for audit procedures. The completeness and accuracy of these lists have been checked. In order to test the timing of revenue recognition and the related cut-off period, the contracts, the delivery conditions of the contracts, the delivery of products and the related accounting and other documents have been audited. In addition, the adequacy of the disclosures in Note 19-Revenue has been assessed according to TFRS 15. As a result of the procedures we have applied regarding the revenue recognition, we are not aware of any significant misstatement.

Key Audit Matters	**How the matter was addressed in our audit**
Tangible Fixed Assets	
Tangible fixed assets constitute 49% of the Group's assets**.** The fair values of the tangible fixed assets measured by the revaluation model of the Group have been determined by an authorized independent valuation firm included in the valuation companies list of the Capital Markets Board. Due to the fact that the tangible fixed assets included in the consolidated financial statements of the Group as of December 31, 2020 have a significant amount in terms of the consolidated financial statements, and some inputs and calculations used in the valuation studies have a complex structure, "tangible fixed assets" have been identified as the key audit matters. Explanations on accounting policies and amounts regarding tangible fixed assets are included in Note 2.5.b and Note 12.	During our audit, the following audit procedures were applied for tangible fixed assets. The valuation reports of the tangible fixed assets accounted with the revaluation model were examined, and it was checked whether the valuated amounts were transferred to the financial statements correctly. Depreciation amounts related to tangible fixed assets were checked by recalculation method, and it was evaluated whether the accounting estimates related to the useful life are reasonable. The lists of tangible fixed assets purchased in the tangible verification procedures have been provided. Purchase invoices of fixed assets selected with the sampling method were obtained and their control was ensured. As a result of the procedures, we have applied for tangible fixed assets, no material misstatement has been encountered.

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

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with Standards on Independent Auditing issued by the SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected.

Misstatements can arise from fraud or error. Misstatements 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 financial statements.

As part of an independent audit conducted in accordance with Standards on Independent Auditing issued by the SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

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

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

B) Other Responsibilities Arising from Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 11 March 2021.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2020, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

The responsible auditor who conducted and concluded this independent audit is Tayyip Yaşar.

T.C. BAĞIMSIZ DENETÇİ 152 1973

Tayyip Yaşar, YMM
Partner

11 March 2021
Istanbul, Turkey
Aksis Uluslararası Bağımsız Denetim A.Ş.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2020
Monetary Unit: Turkish Lira ("TL")

	Notes	Audited	Audited
ASSETS		**31 December 2020**	**31 December 2019**
Current Assets			
Cash and cash equivalents	*4*	55.360.472	27.029.057
Financial investments	*5*	101.434.582	53.584.115
Trade receivables			
-Trade receivables from related parties	*3*	*20.991.583*	*13.159.275*
-Trade receivables from non-related parties	*7*	*208.293.834*	*199.662.943*
Other receivables			
- Other receivables from related parties	*3*	*97.398.818*	*58.512.230*
- Other receivables from non-related parties	*8*	*5.827.520*	*2.095.368*
Inventories	*9*	178.414.943	137.019.526
Prepaid expenses	*10*	22.950.485	19.534.662
Current tax assets	*25*	286.845	6.665
Other current assets	*17*	18.822.867	9.700.061
Total Current Assets		**709.781.949**	**520.303.902**
Non-current assets			
Financial investment		700.000	700.000
Trade receivables			
-Trade receivables from non-related parties	*7*	*2.142.505*	*2.044.700*
Property, plant and equipment	*12*	711.052.811	672.784.947
Intangible assets			
- Other intangible assets	*13*	*4.989.435*	*5.338.211*
Investment property	*11*	17.714.985	17.714.985
Right of use assets	*14*	6.535.006	3.422.469
Total Non-Current Assets		**743.134.742**	**702.005.312**
Total Assets		**1.452.916.691**	**1.222.309.214**

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

	Notes	**Audited**	**Audited**
LIABILITIES		**31 December 2020**	**31 December 2019**
Short term liabilities			
Short term borrowings	*6*	198.732.059	213.195.094
Short term portion of long-term borrowings	*6*	33.223.480	939.354
Trade payables			
- Trade payables to related parties	*3*	*1.008.421*	*8.523.417*
- Trade payables to non-related parties	*7*	*161.535.845*	*89.573.856*
Payables related to employee benefits	*16*	4.824.192	3.652.293
Other payables			
- Other payables to related parties	*3*	--	*21.318.467*
- Other payables to non-related parties	*8*	*5.157.720*	*3.939.781*
Deferred income	*10*	40.521.146	15.587.050
Current income tax liability	*25*	754.246	--
Short term provisions			
- Short term provisions for employee benefits	*16*	*2.252.768*	*1.679.593*
- Other provisions	*15*	*10.623.804*	*7.960.411*
Liabilities from leasing transactions	*14*	504.000	83.457
Total Short-Term Liabilities		**459.137.681**	**366.452.773**
Long term borrowings	*6*	83.071.721	67.333.062
Long term provisions			
- Short term provisions for employee benefits	*16*	*5.790.880*	*3.946.890*
Deferred tax liability	*25*	73.349.747	49.006.881
Liabilities from leasing transactions	*14*	6.986.449	3.984.804
Total Long-Term Liabilities		**169.198.797**	**124.271.637**
Total Liabilities		**628.336.478**	**490.724.410**
Equity attributable to the owners of the Company	***18***	**824.580.213**	**731.584.804**
Paid-in share capital		115.000.000	115.000.000
Share premium		13.074.563	13.074.563
Accumulated other comprehensive income			
- Income that will not be reclassified to profit or loss		*572.873.331*	*538.813.062*
Restricted reserves		14.047.934	14.047.934
Retained earnings		50.649.245	85.009.286
Net profit/(loss) for the period		58.935.140	(34.360.041)
Total Equity		**824.580.213**	**731.584.804**
Total Equity and Liabilities		**1.452.916.691**	**1.222.309.214**

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Statement of Profit or Loss
For the Year Ended 31 December 2020
Monetary Unit: Turkish Lira ("TL")

	Notes	Audited	Audited
		2020	**2019**
Revenue	*19*	836.085.406	367.150.171
Cost of sales (-)	*19*	(625.480.615)	(313.797.912)
Gross Profit		**210.604.791**	**53.352.259**
General administrative expenses (-)	*20*	(21.336.869)	(20.681.004)
Marketing expenses (-)	*20*	(72.480.748)	(34.380.375)
Research and development expenses (-)	*20*	(27.125.324)	(20.259.665)
Other operating income	*22*	25.690.406	29.791.747
Other operating expenses (-)	*22*	(7.801.338)	(8.875.629)
Operating Profit/(Loss)		**107.550.918**	**(1.052.667)**
Income from investing activities	*24*	18.496.704	--
Operating Profit/(Loss) Before Financial Expenses, Net		**126.047.622**	**(1.052.667)**
Financial income	*23*	18.125.833	12.127.136
Financial expenses (-)	*23*	(68.656.270)	(54.864.378)
Financial Expenses, Net		**(50.530.437)**	**(42.737.242)**
Profit/(Loss) Before Tax		**75.517.185**	**(43.789.909)**
Tax income/(expenses)	*25*	**(16.582.045)**	**9.429.868**
- Current tax expense for the period		(754.246)	--
- Deferred tax income/(expenses)		(15.827.799)	9.429.868
Profit/(Loss) For The Period		**58.935.140**	**(34.360.041)**
Distribution of net profit or (loss) for the period			
Non-controlling interest		**--**	--
Equity holders of the Company		58.935.140	(34.360.041)
Number of shares	*26*	**115.000.000**	**115.000.000**
Loss per share (TL)	*26*	**0,5125**	**(0,2988)**

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

	Notes	**Audited**	**Audited**
		31 December 2020	**31 December 2019**
Profit/(Loss) for the period		**58.935.140**	**(34.360.041)**
Total other comprehensive income			
Not to be reclassified to profit or loss			
-Property, plant and equipment revaluation	*12*	43.473.656	417.930.592
- Deferred tax expenses	*25*	*(8.694.731)*	*(50.943.395)*
- Actuarial differences	*16*	(898.320)	(851.481)
- Deferred tax income	*25*	*179.664*	*164.820*
Total Other Comprehensive Income		**34.060.269**	**366.300.536**
Total Comprehensive Income		**92.995.409**	**331.940.495**
Distribution of total comprehensive income			
Equity holders of the Company		92.995.409	331.940.495
Non-controlling interest		--	--

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

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

Consolidated Statement of Change in Equity

For the Year Ended 31 December 2020

Monetary Unit: Turkish Lira ("TL")

			Accumulated Other Comprehensive Income					
	Paid-In Share Capital	***Share Premium***	***Revaluation Reserves***	***Accumulated recalculation gains / losses of defined benefit plans***	***Restricted Reserves***	***Retained Earnings***	***Net Profit/Loss***	***Total***
Revised balance at 1 January 2019	**115.000.000**	**13.074.563**	**172.764.682**	**(252.156)**	**14.047.934**	**107.240.780**	**(22.231.494)**	**399.644.309**
Transfers	--	--	--	--	--	(22.231.494)	22.231.494	--
Profit/(loss) for the period	--	--	--	--	--	--	(34.360.041)	(34.360.041)
Other comprehensive income	--	--	366.987.197	(686.661)	--	--	--	366.300.536
-Actuarial differences	--	--	--	*(686.661)*	--	--	--	*(686.661)*
-Property, plant and equipment revaluation	--	--	*366.987.197*	--	--	--	--	*366.987.197*
Balance at 31 December 2019	**115.000.000**	**13.074.563**	**539.751.879**	**(938.817)**	**14.047.934**	**85.009.286**	**(34.360.041)**	**731.584.804**
Revised balance at 1 January 2020	**115.000.000**	**13.074.563**	**539.751.879**	**(938.817)**	**14.047.934**	**85.009.286**	**(34.360.041)**	**731.584.804**
Transfers	--	--	--	--	--	(34.360.041)	34.360.041	--
Profit/(loss) for the period	--	--	--	--	--	--	58.935.140	58.935.140
Other comprehensive income	--	--	34.778.925	(718.656)	--	--	--	34.060.269
- *Actuarial differences*	--	--	--	*(718.656)*	--	--	--	*(718.656)*
- *Property, plant and equipment revaluation*	--	--	*34.778.925*	--	--	--	--	*34.778.925*
Balance at 31 December 2020	**115.000.000**	**13.074.563**	**574.530.804**	**(1.657.473)**	**14.047.934**	**50.649.245**	**58.935.140**	**824.580.213**

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Statement of Cash Flow
For the Year Ended 31 December 2020
Monetary Unit: Turkish Lira ("TL")

	Notes	Audited	Audited
		31 December 2020	**31 December 2019**
Net profit/(loss) for the period		58.935.140	(34.360.041)
Adjustments to reconcile cash flows generated from operating activities:			
Depreciation and amortization	*12,13,14*	23.777.021	18.994.018
Provision for employee benefits	*16*	1.482.569	896.922
Provision for doubtful receivables	*7*	4.341.326	523.518
Investment property revaluation	*11*	--	(6.071.723)
Adjustments for fair value losses (gains)			
-Adjustments for fair value gains of financial assets	*24*	*(18.380.567)*	--
Tax income / expenses	*25*	16.582.045	(9.429.868)
Interest income	*23*	(18.125.833)	(12.127.136)
Other provisions	*15*	2.663.393	605.309
Provisions for unused vacation	*16*	573.175	270.976
Losses for inventories impairment	*9*	(3.285.614)	3.391.202
Interest expense from leasing transactions	*14*	952.509	1.126.565
Interest expenses	*23*	67.703.761	53.737.814
Operating cash flow before change in assets and liabilities			
Change in assets and liabilities			
Change in trade receivables and other receivables		(63.521.070)	(63.483.945)
Change in inventories		(38.109.803)	37.825.135
Change in prepaid expenses and other current assets and liabilities		(12.538.630)	(3.597.362)
Change in trade payables and other payables		44.346.465	15.663.911
Change in payables related employee benefits		1.171.899	(426.170)
Change in deferred income		24.934.096	5.103.441
Employee severance indemnity paid	*16*	(536.898)	(782.760)
Taxes received / (paid)	*25*	(280.180)	(6.665)
Net cash used from operations		**92.684.804**	**7.853.141**
Investing activities			
Change in financial investments		(29.469.900)	(48.980.061)
Purchase of property, plant and equipment and intangible assets	*12,13*	(17.811.380)	(8.501.109)
Sales of property, plant and equipment		295.414	216.992
Net cash generated / (used) in investing activities		**(46.985.866)**	**(57.264.178)**
Financing activities			
Financial borrowings, net		11.462.978	109.356.439
Payments related to leasing agreements		(1.349.345)	(1.145.268)
Interest received		18.125.833	12.127.136
Interest paid		(45.606.989)	(49.439.899)
Net cash provided from financing activities		**(17.367.523)**	**70.898.408**
Net increase/(decrease) in cash and cash equivalents		28.331.415	21.487.372
Cash and cash equivalents at the beginning of the period	*4*	27.029.057	5.541.685
Cash and cash equivalents at the end of the period	***4***	**55.360.472**	**27.029.057**

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

CONTENTS

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 İnstitution 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:

	31 December 2020	**31 December 2019**
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.

1 Organization and Nature of Operation *(continued)*

As of 31 December 2020, the average number of personnel of the Company is 551 (31 December 2019: 461).

Subsidiaries Included in the Consolidation

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

TTM Tümosan Teknoloji Mühendislik Sanayi ve Ticaret A.Ş.: The Company engages in R&D activities in technology and engineering, developing new products, making prototypes, providing technical consultancy and software development. (Former Title: Tümosan Savunma A.Ş.).

The consolidated financial statements as of 31 December 2020 have been prepared by fully consolidating the subsidiaries stated below to the Company.

	Rate of Control	
Company	**31 December 2020**	**31 December 2019**
Tümosan Döküm A.Ş.	%100	%100
TTM Tümosan Teknoloji Mühendislik San. ve Tic. A.Ş.	%100	%100

2 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 Financial Reporting Standards ("TFRS") and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA").

Consolidated financial statements are presented in accordance with the formats specified in the TFRS Taxonomies published by the KGK and the Financial Table Examples and User Guide published by the CMB.

(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 equipment measured at fair value.

(c) Correction of financial statements of hyperinflation periods

CMB, a decision which was taken on 17 March 2005, companies operating in Turkey and accepted by the CMB accounting and reporting principles ("CMB Financial Reporting Standards") of inflation accounting application, to be effective from January 1, 2005 for companies that prepare financial statements declared that it is not valid. Therefore, as of January 1, 2005, TAS No. 29 "Financial Reporting in Hyperinflationary Economies" has not been applied in the accompanying consolidated financial statements.

(d) Reporting and Functional Currency

The accompanying financial statements are presented in TL, which is the functional currency of the Group. All financial information is presented in TL unless otherwise stated.

(e) Comparative Information

The accompanying consolidated financial statements are prepared in comparison with the previous period in order to determine the financial status, performance and trends in cash flow of the Group. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and the related differences are explained in the relevant footnotes.

Foreign exchange gain classified under "financial income" amounting to TL 10.151.999 for the year ended 31 December 2019 has been classified under "other operating income".

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:

	31 December 2020	31 December 2019
USD/TL	7,3405	5,9402
EUR/TL	9,0079	6,6506
GBP/TL	9,9438	7,7765
CHF/TL	8,2841	6,0932

(g) Basis of Consolidation

As at 31 December 2020 and 31 December 2019, 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 31 December 2020 and 31 December 2019 for all subsidiaries directly controlled by the Group and included in the scope of consolidation:

	Rate of Control	
Name	**31 December 2020**	**31 December 2019**
Tümosan Döküm A.Ş.	%100	%100
TTM Tümosan Teknoloji Mühendislik San. ve Tic. 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 of 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 TFRS

The accompanying consolidated financial statements have been prepared in accordance with TFRS, with the classification and corrections made based on the legal records of the Company and its subsidiaries, in line with the principle that the financial statements reflect the truth.

The company and its subsidiaries keep their accounting records in accordance with the Uniform Chart of Accounts, Turkish Commercial Code and Turkish Tax Laws and prepare their legal financial statements in TL accordingly.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the management on 11 March 2021. The General Assembly and certain regulatory bodies have the right to amend the financial statements after their publication.

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

2.3 Changes in Accounting Policies

Accounting policy changes arising from the first application of a new TAS are applied retroactively or prospectively in accordance with the transition provisions of the said TAS. Significant accounting errors are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period when the change is made only for a period, and both in the period when the change is made and prospectively.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the company financial statements as at December 31, 2020 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, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

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

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

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

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

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

2.3 Changes in Accounting Policies *(continued)*

The new standards, amendments and interpretations *(continued)*

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

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

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

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021

- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

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

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

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

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

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

2.3 Changes in Accounting Policies *(continued)*

The new standards, amendments and interpretations *(continued)*

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

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

2.3 Changes in Accounting Policies *(continued)*

The new standards, amendments and interpretations *(continued)*

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

- For the TASG 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

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

2.3 Changes in Accounting Policies *(continued)*

The new standards, amendments and interpretations *(continued)*

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

2.4 Restatement and Errors in the Accounting Policies and Estimates

Significant changes in accounting policies and significant accounting errors detected are applied retrospectively and the financial statements of the previous period are rearranged. Changes in accounting estimates are applied in the current period if the change is related to only one period, and if they are related to future periods, they are applied both in the period in which the change is made and in the future period, prospectively. There has been no significant change in the accounting estimates of the company.

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

2.5 Summary of Significant Accounting Policies

(a) Financial instruments

Financial Assets

Financial assets are classified 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 of loss. The classification of financial assets is determined considering the Institute'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 Company'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. The Company's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables". 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 statement of income.

"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.

The 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 statement of income.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(a) Financial instruments *(continued)*

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.

The Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortized cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, The 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.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated historical costs less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets includes the following items:

- The material and direct labor costs;
- Expenses made in accordance to the Group's purpose which are directly attributable to assets.
- Expenses; in case of disposal of the asset, de-structuring, relocating and also restoration of the area
- Capitalized borrowing costs.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Properties and equipments have been recognized by using revaluation method. Increases of value are recognized under equity as "revaluation reserves".

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Property, plant and equipment of the subsidiaries and joint ventures that operate in Turkey and acquired before 1 January 2005 are stated at restated cost until 31 December 2004 less accumulated depreciation and permanent impairment losses. Property, plant and equipment of such entities acquired after 1 January 2005 are stated at cost, less accumulated depreciation and permanent impairment losses.

(ii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(b) Property, plant and equipment*(continued)*

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is recognized on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation is recognized in profit or loss unless it is included in the carrying amount of another asset Leased assets are depreciated over the shorter of the lease term and the useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

In current period, expected remaining useful lives of major property, plant and equipment are as follows:

Explanations	Useful Life
Underground and Above Ground Layouts	7-11
Buildings	34-50
Machinery and equipment	1-25
Vehicles	1-6
Furniture and fixtures	1-26
Leasehold improvement	1-6

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(c) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.
The amortization rates applied by the Group are as follows:

Explanations	Useful Life
Rights	1-12
Development expenses	4-8

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Investment Property

Investment property is a land, building or part of a building or both held (by the owner or by the lessee under a finance lease) to earn rentals of for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. Investment properties are measured in accordance with fair value model. Related changes are recognized in profit or loss in the period.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects that the fair value of the property to be reliably determinable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Costs incurred during the acquisition and construction of these assets and subsequent expenditures are capitalized if it is probable that they will increase the future economic benefits obtained from that asset.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(e) Impairment of Assets

Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that one not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(f) Employee Benefits

(i) Severance Indemnities

In accordance with existing Turkish Labor Law in Turkey; The Group is obliged to pay certain amounts to employees who leave their jobs due to retirement. Provision for severance pay refers to the present value of the estimated possible liability in the future in case the employees of the Group retire. Provision for severance pay has been calculated as if all employees were entitled to such a payment, and it was reflected on an accrual basis in the financial statements. The provision for severance pay has been calculated according to the severance pay ceiling announced by the Government. As of 31 December 2020 and 2019, the severance pay ceilings are TL 7.117 and TL 6.380, respectively.

According to Turkey Financial Reporting Standards, companies are required to calculations based on actuarial valuations of the defined benefit plans. Accordingly, the basic statistical assumptions used as of December 31, 2020 and 2019 while calculating the probability of retirement estimates used to find the total liability in the attached financial statements are explained in Note 16.

Except for actuarial differences, all changes that occur in return for severance pay are recorded in profit or loss. Actuarial differences, on the other hand, are recorded in the "Actuarial gain / (loss)" account within other comprehensive income that cannot be reclassified to profit or loss and shown directly under equity.

(ii) Other short-term employee benefits

Short-term employee benefits are calculated without discount and identified as an expense when they are serviced. If expected payables are measurable reliably, they are recorded for the short-term vacation pay liabilities originated from the past services of employees. According to Turkish Business Law, if employment is terminated without due cause by the Company, the Company is subject to pay the gross amount of the dates of unused vacations employee considering the gross amount of salary

(g) Subsequent Events

Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected information.

The Group adjusts the amounts recognized in its consolidated financial statements to reflect adjusting events after the reporting period. Non adjusting events are disclosed in the notes to the consolidated financial statements, if material.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(i) Revenue

The company records the revenue in its financial statements as it fulfils or fulfils its performance obligation by transferring a promised good or service to its customer. When control of an asset passes (or passes) to the customer, the asset is transferred.

The company records the revenue in its financial statements in line with the following basic principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of the transaction price in the contracts
(d) Allocation of transaction price to the performance obligations
(e) Recognition of revenue when the performance obligations are satisfied

The company recognizes a contract with its customer as revenue if all the following conditions are met:

a) The parties of the contract have approved the contract (in written, oral or in accordance with other commercial practices) and undertake to perform their own actions,

b) The company can define rights related to the goods or services to be transferred by each party,

c) The company can define payment terms for the goods or services to be transferred,

d) The contract is commercial in essence,

e) It is possible that the company will collect a price for the goods or services to be transferred to the customer.

In assessing whether a consideration is likely to be collectible, an entity takes into account only the customer's intention and ability to pay that amount on time.

Service income is recorded in the period in which the service is provided. Service income within the scope of maintenance and repair contracts for more than one year is recognized by spreading evenly over the contract periods, and the amounts for future periods are reflected in the financial statements as deferred income.

If there is a significant financing cost in the sales, the fair value is determined by discounting the future collections with the implied interest rate included in the financing cost. The difference between their real values and nominal values is evaluated as interest income on an accrual basis.

Interest income is accrued in the relevant period at the rate of effective interest rate that reduces the remaining principal balance and the estimated cash inflows to be obtained from the relevant financial asset during its expected life to the registered value of the said asset.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(j) Government Subsidies and Incentives

Unconditional government grants received are recognized in profit or loss under other revenues if these incentives become receivable. Other government incentives are recorded as deferred income at fair value if there is sufficient assurance that the Group will meet the necessary conditions for the incentive and that this incentive will be received, and then they are systematically recognized under other income in profit or loss throughout the useful life of the asset.

The incentives given to the Group regarding the costs incurred are systematically recognized under other revenues in profit or loss in the periods when the costs occur.

(k) Related Parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with the Company (this includes Parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Company that gives it significant influence over the Company; or

(iii) has joint control over the Company;

(b) the party is an associate of the Company

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company as 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 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 is a post-employment benefit plan for the benefit of employees of the Company, or of

any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

finance costs. All borrowing costs are recognized in profit or loss using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(l) Finance income and finance cost

Finance income comprises interest income on funds invested, interest income on time deposits and receivables and foreign currency exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on borrowings, foreign currency exchange losses, and other finance costs. All borrowing costs are recognized in profit or loss using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(m) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Implementation details in Turkey are given in Note:24.

(ii) Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences related to initial recognition of goodwill

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

2.5 Summary of Significant Accounting Policies *(continued)*

(m) Taxation *(continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that is probable that future taxable profits will available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(iii) Tax Risk

The company takes into consideration whether it has the uncertain tax positions and tax surcharges and also interest surcharges. This assessment relate to the future events includes assumptions and judgments. Existence of new information about the Company's current tax liability will change the current tax expense which occurred during the term.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(n) Cash Flow Statement

Cash flows for the period are classified as cash flows from operations, investing activities and financing activities. Cash flows from operations are the cash flows generated from the principal activities of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (purchase of property, plant and equipment and intangible assets and financial investments).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Cash and cash equivalents are short term investments with high liquidity that comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

(o) Dividends

Dividend receivables are recorded as income in the period of declaration. Dividend payments are recognized in consolidated financial statements when a distribution of profit decided by General Assembly

(p) Reporting financial information according to departments

In the presentation of the Group's product or service group, there is no segment reporting due to the lack of a distinguishable operating segment with different characteristics from other fields of activity in terms of risk and return, and a distinct geographical segment with different risk and return characteristics.

(q) Gain or losses from investing activities

Investment income comprises gains from derivative financial instruments, gain from disposal of property and equipment and other gains.

Investment expense comprises losses from disposal of property and equipment and other losses.

(r) Other operating income and expenses

Other operating income comprises of allowance for bad debt receivables which are no longer required, provision for inventories which are no longer required, foreign exchange differences arising from financial instruments other than debt instruments, rediscount interest income and income from other activities.

Other operating expenses comprises of allowance for bad debt receivables, provision for inventories, foreign exchange differences arising from financial instruments other than debt instruments and other operating expenses.

Foreign exchange differences arising from financial instruments other than debt instruments are reported on a net basis for each Group entity.

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

2.5 Summary of Significant Accounting Policies *(continued)*

(s) Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values of trade and other receivables are determined as their costs and are assumed to approximate to their carrying value

2.6 Summary of Significant Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with TFRS requires management to make judgments, estimates and assumptions that affect both the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting judgements, estimates and assumptions used in preparing the consolidated financial statements, are consistent with the accounting judgements, estimates and assumptions used in preparing the consolidated financial statements as at 31 December 2019.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2.5 (b, c) Useful lives of property, plant and equipment and intangible assets and concession intangible assets
- Note 7 Impairment losses on trade receivables
- Note 11 Fair value of investment properties
- Note 12 Fair value of the land
- Note 15 Provisions, contingent assets and liabilities
- Note 16 Assumptions for provision of employment termination benefit
- Note 25 Tax assets and liabilities
- Note 27 Determination of fair value

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:

Related Party	Definition
Ereğli Tekstil Turizm San. ve Tic. A.Ş. ("Ereğli Tekstil")	Shareholder
Albayrak Turizm Seyahat İnşaat Tic. A.Ş. ("Albayrak İnşaat")	Related Party
Albayrak Holding A.Ş. ("Albayrak Holding")	Related Party
Albil Merkezi Hizmetler ve Ticaret A.Ş. ("Albil")	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")	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 Somali Liman İşletmeciliği ("Somali Liman")	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. ("Albayrak92")	Related Party
Bayfa Geri Dön.Tur. Taş. San.ve Tic. Ltd. Şti ("Bayfa Geri Dönüşüm")	Related Party
Sistemli Dağıtım Hizmetleri A.Ş. ("Sistemli Dağıtım")	Related Party
Trabzon Liman İşletmeciliği A.Ş. ("Trabzon Liman")	Related Party
Dolu Akaryakıt Pazarlama A.Ş. ("Dolu Akaryakıt")	Related Party
Mezra Ziraat A.Ş. ("Mezra Ziraat")	Related Party
Güneş Turizm Sanayi İnşaat ve Tic.A.Ş. ("Güneş Turizm")	Related Party
Ats Yedek Parça Servis San. ve Tic. Ltd. Şti. ("ATS Yedek Parça")	Related Party
Asist Oto Kiralama Turizm Ticaret A.Ş.("Asist Oto")	Related Party
Ketebe Kitap ve Dergi Yayıncılığı A.Ş. ("Ketebe Kitap")	Related Party
Alport Conakry S.A.("Alport Conakry")	Related Party

3 Related Parties Disclosures *(continued)*

As of 31 December 2020, details regarding the related parties and significant balances are as follows:

	Receivables		Payables	
31 December 2020	**Short-Term**		**Short-Term**	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**
Kademe	15.397.663	--	47.986	--
Varaka Kağıt	4.361.984	1.172.438	--	--
Mezra Ziraat	461.065	--	--	--
Albil	244.854	--	516.117	--
Yeşil Adamlar	244.508	--	--	--
Birun Otelcilik	79.634	--	--	--
Güneş Turizm	74.680	--	--	--
Albayrak92	59.396	--	--	--
Asist Oto	46.707	--	--	--
Dolu Akaryakıt	16.922	--	--	--
Ats Yedek Parça	4.109	--	--	--
Alport Conakry	--	--	256.918	--
Platform Turizm	--	--	14.868	--
Birlikte Dağıtım	--	--	56.916	--
Ereğli Tekstil(*)	--	96.226.380	2.360	--
Albayrak İnşaat	61	--	30.656	--
Reklam Piri	--	--	53.100	--
Ketebe Kitap	--	--	29.500	--
Toplam	**20.991.583**	**97.398.818**	**1.008.421**	--

As of 31 December 2019, details regarding the related parties and significant balances are as follows:

	Receivables		Payables	
31 December 2019	**Short-Term**		**Short-Term**	
	Trade	**Non-Trade**	**Trade**	**Non-Trade**
Kademe	10.713.027	--	7.329.494	--
Somali Liman	1.367.405	--	--	--
Trabzon Liman	372.285	--	--	--
Yeşil Adamlar	244.508	--	--	--
Albil	198.145	--	924.466	--
Sistemli Dağıtım	226.351	--	--	--
Albayrak92	25.824	--	--	--
Dolu Akaryakıt	9.663	--	--	--
Albayrak Holding	1.159	--	--	--
Platform Turizm	908	--	96.156	--
Varaka Kağıt (*)	--	6.952.971	--	6.135.932
Birlikte Dağıtım	--	--	27.127	--
Ereğli Tekstil(*)	--	37.684.730	2.360	--
Albayrak İnşaat(*)	--	13.874.529	--	15.182.535
Birun Otelcilik	--	--	1.252	--
Reklam Piri	--	--	142.562	--
Total	**13.159.275**	**58.512.230**	**8.523.417**	**21.318.467**

(*)Consists of amounts for financing purposes. Interest is calculated for this receivable in market conditions.

3 Related Party Disclosures *(continued)*

Purchases and Expenses

For the periods 1 January – 31 December 2020 and 1 January – 31 December 2019, purchases from the related parties are as follows:

	1 January- 31 December 2020			1 January- 31 December 2019			
Purchases	**Purchasing of goods and commodities**	**Rent**	**Other**	**Purchasing of goods and commodities**	**Rent**	**Fixed asset**	**Other**
Kademe	82.343.142	--	37.993	26.180.779	--	--	--
Albil	2.645.148	--	292.077	694.822	--	149.119	1.279.362
Dolu Akaryakıt	711.997	--	--	431.318	--	--	--
Platform	75.600	--	--	106.578	58.900	--	--
Reklam Piri	805	--	--	75.940	--	--	--
Varaka Kağıt	2.695.729	--	--	--	--	--	--
Albayrak Holding	--	1.351.151	--	--	1.192.227	--	--
Albayrak İnşaat	25.981	--	353.201	--	--	--	--
Total	**88.498.402**	**1.351.151**	**683.271**	**27.489.437**	**1.251.127**	**149.119**	**1.279.362**

Sales and Income

For the periods 1 January – 31 December 2020 and 1 January – 31 December 2019, sales to the related parties are as follows:

	1 January- 31 December 2020				1 January- 31 December 2019			
Sales	**Sales of goods and commodities**	**Interest**	**Rent**	**Other**	**Sales of goods and commodities**	**Interest**	**Rent**	**Other**
Albayrak İnşaat	57.200	--	--	9.447	48.562	--	--	430.501
Albil	--	--	--	374	--	--	--	--
Asist Oto	28.096	--	--	--	--	--	--	--
Ereğli Tekstil	20.809	15.085.262	--	559.560	725.042	6.189.619	--	1.571.664
Kademe	11.202.349	--	544.968	2.034.906	6.023.344	--	1.278.730	453.146
Mezra Ziraat	176.434	249.010	--	--	--	--	--	--
Platform Turizm	--	--	--	1.232	--	--	--	--
Varaka Kağıt	1.420.812	--	--	1.842.573	--	--	--	14.066
Somali Liman	--	--	--	--	1.367.405	--	--	--
Albayrak92	--	--	--	--	2.901	--	--	--
Yeşil Adamlar	--	--	--	--	--	--	--	14.066
Total	**12.905.700**	**15.334.272**	**544.968**	**4.448.092**	**8.167.254**	**6.189.619**	**1.278.730**	**2.483.443**

Benefits for Top Management

For the Year Ended 31 December 2020 Benefits provided to top management is TL 1.827.140, (2019: TL 1.653.425)

4 Cash and Cash Equivalents

As of 31 December 2020 and 31 December 2019, cash and cash equivalents are as follows:

	31 December 2020	31 December 2019
Cash	25	25
Banks		
-Demand Deposit	*55.360.447*	*27.029.032*
Total	**55.360.472**	**27.029.057**

As of 31 December 2020 there is no account under any blockage or pledge (31 December 2019: None).

The Group's exposure to interest rate risk, currency risk and related sensitivity analysis for its financial assets and liabilities is disclosed in Note 27.

5 Financial Investments

As of 31 December 2020 and 31 December 2019, short term financial investments are as follows:

Financial asset measured at fair value through profit or loss	31 December 2020	31 December 2019
Bonds (*)	60.066.775	53.496.345
Investment Funds(**)	41.367.807	--
Share Certificates	--	87.770
Total	**101.434.582**	**53.584.115**

(*) As of December 31, 2020, bonds consist of 1-year bonds issued by Ereğli Tekstil. The Group has recognized the related bonds at amortized cost. The nominal value of the related bonds is TL 60.000.000 and the reduced value is TL 60.066.775 (31 December 2019: Nominal value is TL 50.000.000, reduced value TL 53.496.365).

(**) As of 31 December 2020, the financial investments consist of Hedef Portföy hedge fund investments which are bought via Hedef Portföy Yönetimi A.Ş. Related investments are accounted for as financial assets at fair value through profit or loss. The total nominal number of the funds held by the Group is TL 72.263.649 and the fair value is TL 114.517.939. (31 December 2019: None).

6 Financial Borrowings

As of 31 December 2020 and 31 December 2019, financial borrowings of the Group are as follows:

	31 December 2020	31 December 2019
Short-Term Borrowings		
Short-Term Bank Loans	198.732.059	213.195.094
Short-Term Portion of Long-Term Loans	33.223.480	939.354
Total	**231.955.539**	**214.134.448**
Long-Term Borrowings		
Long-Term Loans	83.071.721	67.333.062
Total	**83.071.721**	**67.333.062**

Bank Loans

	31 December 2020		31 December 2019	
	Effective Int. Rate %	TL Amount	Effective Int. Rate %	TL Amount
Short-Term Borrowings	16,95-17,5%	198.732.059	11,5-16%	213.195.094
Short-Term Portion of Long-Term Borrowings	11,5-16,5%	33.223.480	11,5-17,18%	939.354
Long-Term Borrowings	11,5-16,5%	83.071.721		67.333.062
Total Borrowings		**315.027.260**		**281.467.510**

As of 31 December 2020, The Group has provided TL 417 million as real estate mortgages and TL 12.955.000 customer cheques for the borrowings. (31 December 2019; TL 400 million as real estate mortgages and TL 33.986.660 worth of customer cheques).

7 Trade Receivables and Payables

Short-Term Trade Receivables

As of 31 December 2020 and 31 December 2019, short-term trade receivables from non-related parties are as follows:

	31 December 2020	31 December 2019
Notes Receivables	124.880.527	111.706.404
Customer Current Accounts	77.830.371	89.297.710
Direct Debiting System Receivables (*)	16.608.302	5.418.481
Income Accruals	75.612	--
Allowance for Doubtful Receivables (**)	(11.100.978)	(6.759.652)
Total	**208.293.834**	**199.662.943**

(*) The direct debt system ("DBS") is a system to guarantee the purchase and sale payments between the company and the dealer. The dealer purchases goods from the Company within the DBS limit defined by the bank. At the end of the term, the dealer makes the payment to the third party bank and makes the payment to the Company at the bank.

(**) The movement table of the Group regarding the provision for doubtful trade receivables is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
At 1 January	(6.759.652)	(6.236.134)
Provision for the Year	(4.143.085)	(401.049)
Expected Credit Loss	(198.241)	(122.469)
At 31 December	**(11.100.978)**	**(6.759.652)**

Long-Term Trade Receivables

As of 31 December 2020 and 31 December 2019, long-term trade receivables from non-related parties are as follows:

	31 December 2020	31 December 2019
Notes Receivables	2.142.505	2.044.700
Total	**2.142.505**	**2.044.700**

Short-Term Trade Payables

As of 31 December 2020 and 31 December 2019, short-term trade payables to non-related parties are as follows:

	31 December 2020	31 December 2019
Supplier Current Accounts	113.572.702	73.923.982
Notes Payables	47.457.084	9.918.079
Other	506.059	5.731.795
Total	**161.535.845**	**89.573.856**

8 Other Receivables and Payables

Other Short-Term Receivables

As of 31 December 2020 and 31 December 2019, other short-term trade receivables from non-related parties are as follows:

	31 December 2020	31 December 2019
Tax Receivables	4.631.849	1.391.407
Receivables from Personnel	192.359	--
Deposits and Guarantees	670.203	--
Other	333.109	703.961
Total	**5.827.520**	**2.095.368**

Other Short-Term Payables

As of 31 December 2020 and 31 December 2019, other short-term trade payables to non-related parties are as follows:

	31 December 2020	31 December 2019
Deposit and Guarantees	4.374.540	3.189.489
Tax Payables	752.280	728.497
Others	30.900	21.795
Total	**5.157.720**	**3.939.781**

9 Inventories

As of 31 December 2020 and 31 December 2019, details of Inventories are as follows:

	31 December 2020	31 December 2019
Materials and Spare Parts	142.416.807	87.431.903
Finished Goods	15.779.760	41.054.998
Work in Progress	15.945.918	7.912.145
Goods in Transit	3.418.130	2.992.978
Other Inventories	1.521.653	1.587.321
Merchandise	853.951	847.071
Provision for Impairment (-)	(1.521.276)	(4.806.890)
Total	**178.414.943**	**137.019.526**

As of 31 December 2020 and 31 December 2019, there is no pledge or mortgage on inventories.

(*) The movement chart of the group's low value of stocks is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	4.806.890	1.415.688
Within the Period (Cancelled) / Realized Provision	(3.285.614)	3.391.202
At 31 December	**1.521.276**	**4.806.890**

10 Prepaid Expenses and Deferred Income

Prepaid Expenses

Short-Term Prepaid Expenses

As of 31 December 2020 and 31 December 2019, prepaid expenses from non-related parties in non-current assets are as follows:

	31 December 2020	31 December 2019
Advances Given	20.934.187	13.922.696
Prepaid Expenses	1.711.327	5.337.035
Advances to Personnel	220.521	--
Job Advances	84.450	274.931
Total	**22.950.485**	**19.534.662**

Deferred Income

Short-Term Deferred Income

As of 31 December 2020 and 31 December 2019, deferred income from non-related parties are as follows:

	31 December 2020	31 December 2019
Advances Received	40.521.146	15.587.050
Total	**40.521.146**	**15.587.050**

11 Investment Property

As of 31 December 2020 and 31 December 2019, details of investment properties are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Net Carrying Value		
Balance at 1 January	17.714.985	11.643.262
Revaluation of Investment Property (*)	--	6.071.723
End of the Period Net Carrying Value	**17.714.985**	**17.714.985**
Accumulated Depreciation		
Balance at 1 January	--	--
Current Period Depreciation Change	--	--
End of the Period	**--**	**--**
Balance 1 January	**17.714.985**	**11.643.262**
End of the Period Net Carrying Value	**17.714.985**	**17.714.985**

(*) The fair value of the investment property of the subsidiary in Bakırköy World Trade Center is RM Ritim Gayrimenkul Değerleme A.Ş. determined by Fair value as of December 31, 2019 was determined using the market value method.

12 Property, Plant and Equipment

Movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2020 is as follows

	Land	Land Improvements	Buildings	Machinery, Plant and Equipment	Motor Vehicles	Furniture and Fixtures	Leasehold Improvements	Total
Cost								
Balance at 1 January 2020	441.714.280	7.154.000	91.348.677	121.430.250	7.318.958	20.093.447	12.082.048	701.141.660
Revaluation	--	--	--	30.005.141	--	--	--	30.005.141
Additions	--	--	2.933.412	9.548.403	632.188	1.719.143	9.087	14.842.233
Disposals	(220.000)	--	--	--	(167.431)	(9.961)	--	(397.392)
Balance at 31 December	**441.494.280**	**7.154.000**	**94.282.089**	**160.983.794**	**7.783.715**	**21.802.629**	**12.091.135**	**745.591.642**
Accumulated Depreciation								
Balance at 1 January 2020	--	(156.284)	(2.520.945)	--	(6.391.517)	(13.720.966)	(5.567.001)	(28.356.713)
Revaluation	--	--	--	13.468.515	--	--	--	13.468.515
Current Period Depreciation Change	--	(639.260)	(1.386.193)	(13.468.515)	(1.141.434)	(1.919.119)	(1.198.091)	(19.752.612)
Disposals	--	--	--	--	92.242	9.737	--	101.979
Balance at 31 December 2020	**--**	**(795.544)**	**(3.907.138)**	**--**	**(7.440.709)**	**(15.630.348)**	**(6.765.092)**	**(34.538.831)**
1 January 2020 Net Carrying Value	**441.714.280**	**6.997.716**	**88.827.732**	**121.430.250**	**927.441**	**6.372.481**	**6.515.047**	**672.784.947**
31 December 2020 Net Carrying Value	**441.494.280**	**6.358.456**	**90.374.951**	**160.983.794**	**343.006**	**6.172.281**	**5.326.043**	**711.052.811**

There is a 417 million TL mortgage related to bank loans on the fixed assets of the Group (31 December 2019: 400 million TL mortgage).

12 Property, Plant and Equipment *(cont.)*

Movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2019 is as follows

	Land	Land Improvements	Buildings	Machinery, Plant and Equipment	Motor Vehicles	Furniture and Fixtures	Construction in Progress	Leasehold Improvements	Total
Cost									
Balance at 1 January 2019	198.820.280	337.287	14.182.488	87.995.846	7.789.144	19.068.630	1.619.000	11.963.450	341.776.125
Revaluation	242.769.000	6.816.713	75.995.142	27.030.284	--	--	--	--	352.611.139
Additions	125.000	--	1.171.048	4.623.120	--	1.035.720	162.000	118.598	7.235.486
Transfer	--	--	--	1.781.000	--	--	(1.781.000)	--	--
Disposals	--	--	--	--	(470.186)	(10.903)	--	--	(481.089)
Balance at 31 December	**441.714.280**	**7.154.000**	**91.348.677**	**121.430.250**	**7.318.958**	**20.093.447**	**--**	**12.082.048**	**701.141.661**
Accumulated Depreciation									
Balance at 1 January 2019	--	(64.884)	(2.471.161)	(57.617.815)	(5.517.628)	(11.481.603)	--	(4.367.134)	(81.520.225)
Revaluation	--	81.748	764.635	64.473.070	--	--	--	--	65.319.453
Current Period Depreciation Change	--	(173.148)	(814.419)	(6.855.255)	(1.128.860)	(2.248.490)	--	(1.199.867)	(12.420.039)
Disposals	--	--	--	--	254.971	9.126	--	--	264.097
Balance at 31 December 2019	**--**	**(156.284)**	**(2.520.945)**	**--**	**(6.391.517)**	**(13.720.967)**	**--**	**(5.567.001)**	**(28.356.714)**
1 January 2019 Net Carrying Value	**198.820.280**	**272.403**	**11.711.327**	**30.378.031**	**2.271.516**	**7.587.027**	**1.619.000**	**7.596.316**	**260.255.900**
31 December 2019 Net Carrying Value	**441.714.280**	**6.997.716**	**88.827.732**	**121.430.250**	**927.441**	**6.372.480**	**--**	**6.515.047**	**672.784.947**

13 Intangible Assets

Intangible assets consist development costs, rights and licenses, and accumulated depreciation. For the periods ended 31 December 2020 and 31 December 2019, movement of intangible assets are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Net Carrying Value		
Balance at 1 January	44.953.356	43.687.733
Additions	2.969.147	1.265.623
End of the Period	**47.922.503**	**44.953.356**
Accumulated Amortization		
Balance at 1 January	(39.615.145)	(33.375.065)
Current Period Depreciation Change	(3.317.923)	(6.240.080)
End of the Period	**(42.933.068)**	**(39.615.145)**
Balance 1 January	**5.338.211**	**10.312.668**
End of the Period Net Carrying Value	**4.989.435**	**5.338.211**

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

14 Leasing Transactions

The Group reflects a right of use and a lease liability in the financial statements at the date when the lease actually started within the scope of TFRS 16.

The right of use asset is first accounted for using the cost method and includes:

a) The first measurement amount of the lease liability,

b) All initial direct costs used by the Group.

While applying the cost method, the Group measures the existence of the right to use, over accumulated depreciation, accumulated impairment losses and corrected cost according to the reassessment of the lease liability.

The Group applies depreciation provisions in TAS 16 Property, Plant and Equipment while subjecting the right of use to depreciation.

Right of use assets

As of 31 December 2020, the right of use assets and depreciation expenses in the relevant period are as follows:

	1 January 2020	Additions	31 December 2020
Cost			
Buildings	4.006.792	3.819.024	7.825.816
Total	**4.006.792**	**3.819.024**	**7.825.816**
Accumulated Depreciation			
Buildings	(584.323)	(706.487)	(1.290.810)
Total	**(584.323)**	**(706.487)**	**(1.290.810)**
Carrying Value	**3.422.469**	**3.112.537**	**6.535.006**

14 Leasing Transactions *(continued)*

Right of use assets *(continued)*

As of 31 December 2019, the right of use assets and depreciation expenses in the relevant period are as follows:

	1 January 2019	TFRS 16 first adoption	Additions	31 December 2019
Cost				
Buildings	--	4.006.792	--	4.006.792
Total	**--**	**4.006.792**	**--**	**4.006.792**
Accumulated Depreciation				
Buildings	--	(250.424)	(333.899)	(584.323)
Total	**--**	**(250.424)**	**(333.899)**	**(584.323)**
Carrying Value	**--**	**3.756.368**	**(333.899)**	**3.422.469**

Liabilities from rental procedures

Liabilities from rental procedures for the year ended December 31, 2020 is as follows

	31 December 2020	31 December 2019
Liabilities From Leasing Transactions (Short Term)	504.000	83.457
Liabilities From Leasing Transactions (Long Term)	6.986.449	3.984.804
Total	**7.490.449**	**4.068.261**

For the year ended December 31, 2019 the movements of liabilities arising from lease transactions are as follows:

	31 December 2020	31 December 2019
Balance at 1 January	4.068.261	--
TFRS 16 First Adoption	--	4.086.964
Payments	(1.349.345)	(1.145.268)
Interest Expenses (Note 23)	952.509	1.126.565
Additions	3.819.024	--
Total	**7.490.449**	**4.068.261**

15 Provisions, Contingent Assets and Liabilities

a) Provisions

As of 31 December 2020 and 31 December 2019, details of provisions are as follows:

	31 December 2020	31 December 2019
Warranty Provisions (*)	6.731.467	3.319.916
Provision for Litigation(**)	3.892.337	4.640.495
Short-Term Provisions	**10.623.804**	**7.960.411**

(*) Movement of warranty provisions is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	3.319.916	5.835.467
Current Period Change	3.411.551	(2.515.551)
Balance at 31 December	**6.731.467**	**3.319.916**

(**) Movement of Litigation Provisions is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	4.640.495	1.519.635
Current Period Change	(748.158)	3.120.860
Balance at 31 December	**3.892.337**	**4.640.495**

15 Provisions, Contingent Assets and Liabilities *(continued)*

b) Guarantee – Pledge – Mortgage - Warranty ("Collaterals")

As of 31 December 2020 and 31 December 2019 the Group's guarantee/pledge/mortgage positions are as follows:

Collaterals given by Group (TL Equivalents)	**31 December 2020**	**31 December 2019**
A. The total amount of collaterals given on behalf of its own legal entity.	27.623.871	34.174.215
B. The total amount of collaterals given favour 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. (*)	918.570.395	694.503.676
D. The total amount of other collaterals given	--	
i. The total amount of collaterals given in favour of the parent companies.	--	--
ii. The total amount of collaterals given in favour of other group companies which are not in the scope of B and C.	--	--
iii. The total amount of collaterals given in favour of third parties other than the parties stated in item C.	--	--
Total	**946.194.266**	**728.677.891**

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

	31 December 2020	**31 December 2019**
Turkish Lira	946.039.814	704.250.867
USD (TL Equivalent)	135.000	162.310
EURO (TL Equivalent)	19.452	24.264.714
Total	**946.194.266**	**728.677.891**

(*) An agreement was signed between the Group and the Ziraat Bank "Bank" in December 2010. Within the scope of this agreement, in the event that the customer who purchased tractors by using credit through the Bank for the tractors sold through Tümosan tractor dealers (Dealers) cannot repay this loan; Bank, the differences between tractor for execution by Turkey related income obtained from the sale of Insurance and Reinsurance Companies of tractors sold 75% of the insurance value determined by the Union has the right to demand from the group. However, the Company reflects the difference demanded by the Bank to the relevant dealer who sells one-to-one tractors. Therefore, although the above-mentioned guarantee is a guarantee given to the bank by the Company, the liability is ultimately transferred to the Dealer.

16 Employee Benefits

Payables Related to the Employee Benefits

As of 31 December 2020 and 31 December 2019, Payables Related to the Employee Benefits are as follows:

	31 December 2020	31 December 2019
Wages and Salaries	2.776.534	2.192.100
Social Security Withholdings Payable	1.283.784	921.601
Staff Payroll Taxes	763.874	538.592
Total	**4.824.192**	**3.652.293**

Short-Term Provisions for Employee Benefits

As of 31 December 2020 and 31 December 2019, Short-Term Provisions for Employee Benefits are as follows:

	31 December 2020	31 December 2019
Provision for Unused Vacation	2.252.768	1.679.593
Total	**2.252.768**	**1.679.593**

(*) Movement of short – term provisions is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	1.679.593	1.408.617
Current Period Change	573.175	270.976
Balance at 31 December	**2.252.768**	**1.679.593**

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 31 December 2020 and 31 December 2019, Long-Term Provisions for Employee Benefits are as follows:

	31 December 2020	31 December 2019
Provision for Employment Termination Benefits	5.790.880	3.946.890
Total	**5.790.880**	**3.946.890**

In accordance with existing legislation in Turkey, Group a year of service that fills the time and whose jobs without depending on any valid reason, when called to duty for military service, dies, filling the length of service for retirement or have reached the retirement age of staff is obliged to pay for severance payments . The compensation to be paid is up to one month's salary for each year of service, and this amount is limited to TL 7.117 as of December 31, 2020 and TL 6.380 as of December 31, 2019.

16 Employee Benefits *(continued)*

Long-Term Provisions for Employee Benefits *(continued)*

Severance pay liability is not legally subject to any funding. Provision for severance pay is 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") stipulates the development of company liabilities by using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are as follows:

	31 December 2020	31 December 2019
Interest rate	13,20%	12,00%
The estimated wage increase rate	9,00%	7,50%
Net discount rate	3,85%	4,19%

The main assumption is that the maximum liability amount for each service year will increase in parallel with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Therefore, as of December 31, 2020, the provisions in the attached financial statements are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

The movements of the provision for severance pay during the year are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Balance at 1 January	**3.946.890**	**2.981.247**
Cost of Services	718.172	444.830
Interest Expense	764.396	452.092
Actuarial Gain/Loss	898.320	851.481
Paid	(536.898)	(782.760)
Balance at 30 September	**5.790.880**	**3.946.890**

17 Other Assets and Liabilities

As of 31 December 2020 and 31 December 2019, details of Other Assets and Liabilities are as follows:

	31 December 2020	31 December 2019
VAT	18.783.076	9.699.146
Other	39.791	915
Total	**18.822.867**	**9.700.061**

18 Capital, Reserves and Other Equity Components

Paid in Share Capital

As of 31 December 2020 and 31 December 2019, capital structure of the Group are as follows:

	31 December 2020		31 December 2019	
	Share Rate %	**Share Amount (TL)**	**Share Rate %**	**Share Amount (TL)**
Ereğli Tekstil	60,87%	70.000.000	60,87%	70.000.000
Publicly Listed	28,69%	33.000.000	28,69%	33.000.000
Other	10,44%	12.000.000	10,44%	12.000.000
Paid-in Capital	**100,00%**	**115.000.000**	**100%**	**115.000.000**

The capital of the Group has been fully paid as of December 31, 2020, and consists of 115.000.000 shares with a nominal value of TL 115.000.000 and each 1 TL. (December 31, 2019- Capital: TL 115.000.000 and 115.000.000 shares with 1 TL each).

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 31 December 2020 and 31 December 2019, other comprehensive income/expense not to be reclassified to profit or loss of the Group are as follows:

Actuarial Differences

	31 December 2020	31 December 2019
Actuarial Loss Arising From Defined Benefits Plan	(1.657.473)	(938.817)
Total	**(1.657.473)**	**(938.817)**

Revaluation Surplus for the Property, Plant and Equipment

	31 December 2020	31 December 2019
Revaluation Surplus	574.530.804	539.751.879
Total	**574.530.804**	**539.751.879**

19 Sales and Cost of Sales

Sales and Cost of Sales for the periods ended 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December2019
Domestic Sales	811.082.579	354.407.100
Foreign Sales	24.821.244	17.810.381
Other Income	3.352.498	414.134
Gross Sales	**839.256.321**	**372.631.615**
Sales Returns and Discounts (-)	(3.170.915)	(5.481.444)
Net Sales	**836.085.406**	**367.150.171**

Cost of Sales	1 January- 31 December 2020	1 January- 31 December 2019
Cost of Products Sold	(590.571.254)	(283.602.872)
-Personnel Expenses	*(18.821.242)*	*(7.303.681)*
-Depreciation Expenses	*(15.938.425)*	*(9.712.401)*
-Cost of other Sales	*(555.811.587)*	*(266.586.790)*
Cost of Merchandise Sold	(34.909.361)	(30.195.040)
Cost of Sales	**(625.480.615)**	**(313.797.912)**
Gross Profit	**210.604.791**	**53.352.259**

The distribution of sales on product basis are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Tractor Sales	761.419.561	304.637.077
Spare Part Sales	40.654.058	25.664.276
Engine Sales	17.347.048	11.355.846
Agricultural Machinery Sales	3.674.295	7.827.800
Heavy Construction Equipment Sales	2.734.849	6.368.603
Other	10.255.595	11.296.569
Total Sales	**836.085.406**	**367.150.171**

20 Operating Expenses

General Administrative Expenses

General and administrative expenses for the period ended 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Personnel Expenses	7.532.890	5.669.738
Depreciation and Amortization Expenses	6.537.432	8.375.204
Travel Expenses	1.075.228	187.627
Rent Expenses	382.529	689.833
IT Expenses	280.890	621.668
Financial and Legal Consultancy Expenses	101.092	553.026
Energy, Fuel and Water Expenses	93.717	286.770
Other Expenses	5.333.091	4.297.138
Total	**21.336.869**	**20.681.004**

Marketing Expenses

Marketing expenses for the period ended 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Premium and Commission Expenses	28.064.776	7.665.272
After-Sales Service Guarantee Expenses	27.834.422	11.004.199
Personnel Expenses	5.808.579	4.966.841
Sales Transportation Expenses	3.342.986	2.256.819
Depreciation and Amortization Expenses	1.301.164	906.413
Other	6.128.821	7.580.831
Total	**72.480.748**	**34.380.375**

Research and Development Expenses

Research Expenses for the period ended 31 December 2020 and 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Personnel Expenses	17.676.181	13.141.750
Raw Materials Expenses	1.841.680	435.656
Other	7.607.463	6.682.259
Total	**27.125.324**	**20.259.665**

21 Expense by Nature

Personnel expenses for the period ended 31 December 2020 and 31 December 2019 are as follows:

	1 January-31 December 2020	**1 January-31 December 2019**
Cost of Sales (Note:19)	18.821.242	7.303.681
Research and Development Expenses (Note:20)	17.676.181	13.141.750
General Administrative Expenses (Note:20)	7.532.890	5.669.738
Marketing Expenses (Note:20)	5.808.579	4.966.841
Total	**49.838.892**	**31.082.010**

Depreciation and amortization expenses for the period ended 31 December 2020 and 31 December 2019 are as follows:

	1 January-31 December 2020	**1 January-31 December 2019**
Cost of Sales (Note:19)	15.938.425	9.712.401
General Administrative Expenses (Note:20)	6.537.432	8.375.204
Marketing Expenses (Note:20)	1.301.164	906.413
Total	**23.777.021**	**18.994.018**

22 Other Operating Income/Expenses

Other Income

Other operating incomes for the period ended 31 December 2020 and 2019 are as follows:

Other Income	**1 January-31 December 2020**	**1 January-31 December 2019**
Exchange Difference Income	10.329.293	10.151.999
Provisions no Longer Required	4.536.711	--
Premium and Discount Income	2.190.404	3.107.193
Sales of Scrap and Raw Materials	1.656.493	907.895
Change in Fair Value of Investment Property	--	6.071.723
Research and Development Incentive	938.517	3.234.700
Rediscount Income	235.484	2.676.241
Other	5.803.504	3.641.996
Total	**25.690.406**	**29.791.747**

22 Other Operating Income/Expenses

Other Expenses

Other operating expenses for the period ended 31 December 2020 and 2019 are as follows:

Other Expenses	**1 January-31 December 2020**	**1 January-31 December 2019**
Provision Expenses	4.848.965	7.035.580
Tax Penalties	1.056.862	184.228
Donation and Grants	149.531	3.850
Other	1.745.980	1.651.971
Total	**7.801.338**	**8.875.629**

23 Finance Income and Expenses

Finance Income

Finance income for the Year Ended 31 December 2020 and 2019 are as follows:

	1 January-31 December 2020	**1 January-31 December 2019**
Interest income	18.125.833	12.127.136
Total	**18.125.833**	**12.127.136**

Finance Expenses

Finance expenses for the Year Ended 31 December 2020 and 2019 are as follows:

	1 January-31 December 2020	**1 January-31 December 2019**
Interest Expenses	67.703.761	53.737.814
Interest Expenses from Leasing Transactions (Note: 14)	952.509	1.126.564
Total	**68.656.270**	**54.864.378**

24 Income from Investing Activities

Income from investing activities for the period ended 31 December 2020 and 2019 are as follows:

	1 January-31 December 2020	**1 January-31 December 2019**
Increase in Fair Value of Investment Funds	18.380.567	--
Other	116.137	--
Total	**18.496.704**	**--**

25 Taxation

The corporate tax rate applied to the company operating in Turkey as of December 31, 2020 is 22% (December 31, 2019: 22%). The corporate tax rate is applied to the tax base that will be found as a result of adding the non-deductible expenses to the commercial earnings of the companies and deducting the exemptions stated in the tax laws.

The corporate tax rate was increased from 20% to 22% for 2018, 2019 and 2020 within the scope of the "Law on Amendments to Some Tax Laws and Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2018.

According to the Corporate Tax Law, 75% of the earnings arising from the sale of founding shares, usufruct shares and pre-emptive rights with the same duration as the participation shares owned by the institutions for at least two years and the earnings arising from the sale of the immovables owned for the same period after December 5, 2018. If 50% of it is recorded in equity accounts within five years from the date of sale, it becomes subject to tax exemption. The remaining 50% is subject to corporate tax.

In addition, there is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Turkey is being implemented via a representative or permanent resident institutions generating income with 15% withholding tax on dividends paid to non-resident institutions other than those made in Turkey. In the application of the withholding rates regarding the dividend distributions made to non-resident taxpayer institutions and real persons, the withholding rates included in the related Double Taxation Prevention Agreements are also taken into consideration.

According to the Turkish tax legislation, financial losses can be carried forward for five years to be offset from future corporate earnings, but financial losses cannot be carried back retrospectively.

To reconcile with the tax authorities about the tax payable in Turkey is not such an application. Corporate tax returns are submitted within four months following the end of the accounting period. Authorities competent for tax inspection can examine the tax returns and the underlying accounting records for five years, starting from the beginning of the year following the filing of the tax return, and make a re-assessment as a result of their findings.

Financial losses can be carried forward to the next taxable years from the year the loss occurred in order to be offset from the future corporate income. If financial losses are reported to the tax authorities for four consecutive tax periods, the tax authorities are entitled to unplanned audits.

Transfer Pricing Arrangement

The subject of transfer pricing is covered under the heading of "disguised profit distribution via transfer pricing" of the 13th article of the Corporate Tax Law. In the General Communiqué on disguised profit distribution via transfer pricing, published on November 18, 2007, the application details are specified.

25 Taxation *(continued)*

If taxpayers engage in the purchase and sale of products, goods or services with the relevant institutions, whose pricing is not based on the arm's length principle, then it will be concluded that the relevant profits are distributed implicitly through transfer pricing. Disguised profit distributions through this type of transfer pricing cannot be deducted from the tax base in terms of corporate tax.

Tax Expense

Tax income/ (expense) for the period ended 31 December 2020 and 31 December 2019 are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Income Tax Expense Recognized		
Current Period Tax Expense		
Current Tax Expense	(754.246)	--
Deferred Tax Income/(Expense)		
Arising from Tax Losses Carried Forward	--	10.444.940
Arising from Temporary Differences	(15.827.799)	(1.015.072)
	(16.582.045)	**9.429.868**
Recognized in Other Comprehensive Income		
Deferred Tax Income/(Expense):		
Tax Effects of Actuarial Differences	179.664	164.820
Tax Effect of Revaluation	(8.694.731)	(50.943.395)
Total Tax Effect Income/ (Expense)	**(8.515.067)**	**(50.778.575)**
Total Tax Income/(Expense)	**(25.097.112)**	**(41.348.707)**

25 Taxation *(continued)*

Current Period Tax Assets/Liabilities

The details of current tax assets/ (liabilities) in the records are as follows:

	31 December 2020	31 December 2019
Current Tax Assets	286.845	6.665
Current Tax Liabilities	(754.246)	--
Balance at 31 December	**(467.401)**	**6.665**

The movement of the current tax assets/ (liabilities) for the years ended 31 December is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	(6.665)	--
Calculated Corporate Tax	754.246	--
Paid Corporate Tax	(280.180)	(6.665)
Balance at 31 December	**467.401**	**(6.665)**

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 year ended 31 December 2020 and 2019. Related reconciliation details are as follows:

		2020		2019
Profit/(Loss) for the Period		58.935.140		(34.360.041)
Less: Current Period Tax Income/(Expense)		(16.582.045)		9.429.868
Profit/(Loss) Before Tax	**%**	**75.517.185**	**%**	**(43.789.909)**
Calculated Corporate Tax Via Statutory Rate	22%	(16.613.781)	22%	9.633.780
Non-Deductible Expenses	1%	(473.616)	(1)%	(325.998)
Different Tax Rates Effect	--	(90.861)	--	--
Used Tax Losses	(1)%	489.869	--	--
Other	--	106.344	0%	122.086
Total Tax Income/(Expense) Recognized in Profit or Loss	**22%**	**(16.582.045)**	**21%**	**9.429.868**

Deferred Tax

The Group accounts for the deferred tax asset and deferred tax liability for temporary timing differences arising from the differences between its tax base legal financial statements and financial statements prepared in accordance with TFRS. The aforementioned differences usually arise from the fact that some income and expense items take place in different periods in the tax base financial statements and financial statements prepared in accordance with TFRS, and these differences are stated on the next page.

The tax rate used for deferred tax assets and liabilities in the financial statements dated December 31, 2020 is 10-20%.

25 Taxation *(continued)*

Deferred tax *(continued)*

Deferred Tax Asset/Liabilities

As of 31 December 2020 and 31 December 2019, the items attributed to the deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Deferred Tax Assets and Liabilities	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Property, Plant and Equipment and Intangible Asset	1.081.377	990.124	(83.329.491)	(74.414.550)	(82.248.114)	(73.424.426)
Unused Vacation Provision	450.554	369.510	--	--	450.554	369.510
Rediscount on Trade Receivables and Payables	806.594	627.098	(313.617)	(33.017)	492.977	594.081
Provision for Doubtful Receivables	2.054.933	1.451.831	--	--	2.054.933	1.451.831
Warranty Provision	1.346.293	730.382	--	--	1.346.293	730.382
Employment Termination Indemnities	1.158.176	789.378	--	--	1.158.176	789.378
Impairment Adjustments	304.255	1.057.516	--	--	304.255	1.057.516
Provision for Litigation	778.468	1.020.909	--	--	778.468	1.020.909
Bank Loans	8.543.667	1.016.044	(8.132.587)	(1.100.000)	411.080	(83.956)
Leasing Transactions	191.089	13.523	--	(16.695)	191.089	(3.172)
Tax Losses Carried Forward	1.909.287	19.260.261	--	--	1.909.287	19.260.261
Other	109.602	--	(308.347)	(769.195)	(198.745)	(769.195)
Total Deferred Tax Assets/(Liabilities)	**18.734.295**	**27.326.576**	**(92.084.042)**	**(76.333.457)**	**(73.349.747)**	**(49.006.881)**
Set Off of Tax	(18.734.295)	(27.326.576)	18.734.295	27.326.576	--	--
Net Deferred Tax Assets/(Liabilities)	--	--	**(73.349.747)**	**(49.006.881)**	**(73.349.747)**	**(49.006.881)**

25 Taxation *(continued)*

Deferred tax *(continued)*

Assets and Liabilities Related with Deferred Tax

	31 December 2020	31 December 2019
Deferred Tax Asset	--	--
Deferred Tax Liabilities	(73.349.747)	(49.006.881)
Balance at 31 December	**(73.349.747)**	**(49.006.881)**

The movement of Deferred Tax liabilities are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	(49.006.881)	(7.724.292)
Recognized in Profit or Loss	(15.827.799)	9.429.868
IFRS 16	--	66.118
Recognized in Other Comprehensive Income	(8.515.067)	(50.778.575)
Balance at 31 December	**(73.349.747)**	**(49.006.881)**

26 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 - 31 December 2020	1 January - 31 December 2019
The Weighted Average Number of Shares in Existence During the Period (Each 1 TL)	115.000.000	115.000.000
Net Profit/Loss for the Period	58.935.140	(34.360.041)
Loss per share (TL)	**0,5125**	**(0,2988)**

27 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.

27 Financial Instruments - Risk Management and Fair Value *(continued)*

Credit Risk

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

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The details of maximum exposure to credit risk at the reporting date was:

	Trade Receivables		Other Receivables		Cash and Cash Equivalents
31 December 2020	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**
Maximum net credit risk as of balance sheet date (A+B+C+D)	**20.991.583**	**210.436.339**	**97.398.818**	**5.827.520**	**55.360.447**
- The part of maximum risk under guarantee with collateral etc.	--	357.886.150	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	20.991.583	210.436.339	97.398.818	5.827.520	55.360.447
B. Carrying value of financial assets that are past due but not impaired	--	--	--	--	--
C. Net book value of impaired assets	--	--	--	--	--
- Past due (gross carrying amount)	--	11.100.978	--	--	--
- Impairment (-)	--	(11.100.978)	--	--	--
- 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.	--	--	--	--	--
D. Off-balances sheet items with credit risk	--	--	--	--	--

27 Financial Instruments - Risk Management and Fair Value *(continued)*

Credit Risk*(continued)*

	Trade Receivables		**Other Receivables**		**Cash and Cash Equivalents**
31 December 2019	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**
Maximum net credit risk as of balance sheet date (A+B+C+D)	**13.159.275**	**201.707.643**	**58.512.230**	**2.095.368**	**27.029.032**
- The Part Of Maximum Risk Under Guarantee With Collateral Etc.	--	85.826.281	--	--	--
A. Net Book Value Of Financial Assets That Are Neither Past Due Nor Impaired	13.159.275	201.707.643	58.512.230	2.095.368	27.029.032
B. Carrying Value Of Financial Assets That Are Past Due But Not Impaired	--	--	--	--	--
C. Net Book Value Of Impaired Assets	--	--	--	--	--
- Past Due (Gross Carrying Amount)	--	6.759.652	--	--	--
- Impairment (-)	--	(6.759.652)	--	--	--
- 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.	--	--	--	--	--
D. Off-Balances Sheet Items With Credit Risk	--	--	--	--	--

27 Financial Instruments - Risk Management and Fair Value *(continued)*

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 Company'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 Company's reputation

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019 based on contractual undiscounted payments (including interest payments not due yet).

31 December 2020	Carrying Value	Total Cash Outflows in accordance with contract or estimation (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Accordance With Contract Or Maturity					
Non-Derivative Financial Liabilities					
Bank Loans	315.027.260	345.428.698	--	241.601.730	103.826.968
Trade Payables	162.544.266	164.112.350	115.087.182	49.025.168	--
Payables Related To Employee Benefits	4.824.192	4.824.192	4.824.192	--	--
Other Payables	5.157.720	5.157.720	5.157.720	--	--
Total	**487.553.438**	**519.522.960**	**125.069.094**	**290.626.898**	**103.826.968**

31 December 2019	Carrying Value	Total Cash Outflows in accordance with contract or estimation (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Accordance With Contract Or Maturity					
Non-Derivative Financial Liabilities					
Bank Loans	281.467.510	287.645.496	--	73.171.976	214.473.520
Trade Payables	98.097.273	98.245.230	88.179.194	10.066.036	--
Payables Related To Employee Benefits	3.652.293	3.652.293	3.652.293	--	--
Other Payables	25.258.248	25.258.248	25.258.248	--	--
Total	**408.475.324**	**414.801.267**	**117.089.735**	**83.238.012**	**214.473.520**

It is not expected that the cash flow including maturity analysis could recognize significantly earlier and differently.

27 Financial Instruments – Risk Management and Fair Value *(continued)*

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 company's financial assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(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 31 December 2020, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2020			
	TL Equivalent	**USD**	**EURO**	**GBP**
1. Trade receivables	20.092.437	456.092	1.802.347	51.201
2a. Monetary assets (Including cash on hands and banks)	1.000.154	5.602	106.466	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	26.126.750	138.786	2.787.331	--
4. Current Assets (1+2+3)	**47.219.341**	**600.480**	**4.696.144**	**51.201**
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)	**47.219.341**	**600.480**	**4.696.144**	**51.201**
10. Trade payables	16.645.619	214.006	1.642.326	28.238
11. Financial liabilities	--	--	--	--
12a. Other monetary financial liabilities	3.973.526	229.937	253.741	--
12b. Other non-monetary financial liabilities	--	--	--	--
13. Short-Term Liabilities (10+11+12)	**20.619.145**	**443.943**	**1.896.067**	**28.238**
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)	**20.619.145**	**443.943**	**1.896.067**	**28.238**
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)	**26.600.196**	**156.537**	**2.800.077**	**22.963**
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**26.600.196**	**156.537**	**2.800.077**	**22.963**
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

27 Financial Instruments – Risk Management and Fair Value *(continued)*

Market Risk *(continued)*

(i) Currency Risk *(continued)*

As of 31 December 2019, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2019			
	TL Equivalent	**USD**	**EURO**	**GBP**
1. Trade receivables	35.170.312	1.796.406	3.683.773	--
2a. Monetary assets (Including cash on hands and banks)	33.628.587	519.782	4.592.214	
2b. Non-monetary financial assets	--	--	--	--
3. Other	2.926.689	492.692	--	--
4. Current Assets (1+2+3)	**71.725.588**	**2.808.880**	**8.275.987**	**--**
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)	**71.725.588**	**2.808.880**	**8.275.987**	**--**
10. Trade payables	8.785.126	39.598	1.232.766	45.171
11. Financial liabilities	19.602.660	3.300.000	--	--
12a. Other monetary financial liabilities	4.156.905	--	625.042	--
12b. Other non-monetary financial liabilities	155	25	1	--
13. Short-Term Liabilities (10+11+12)	**32.544.846**	**3.339.623**	**1.857.809**	**45.171**
14. Trade payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	19.603.658	3.300.168	--	--
16b. Other non-monetary financial liabilities	155	25	1	
17. Long-Term Liabilities (14+15+16)	**19.603.813**	**3.300.193**	**1**	**--**
18. Total Liabilities (13+17)	**52.148.659**	**6.639.816**	**1.857.810**	**45.171**
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)	**19.576.929**	**(3.830.936)**	**6.418.177**	**(45.171)**
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**19.577.239**	**(3.830.886)**	**6.418.179**	**(45.171)**
22. Fair value of foreign currency hedged financial assets	--		--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

27 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 31 December 2020 and 31 December 2019 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.

31 December 2020		
	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	114.905	(114.905)
2- Part of hedged from USD risk (-)		
3- USD net effect (1+2)	**114.905**	**(114.905)**
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	2.522.281	(2.522.281)
5- Part of hedged from EUR risk (-)		
6- EUR net effect (4+5)	**2.522.281**	**(2.522.281)**
In the case of change of GBP at 10% ratio compared to TL		
7- GBP net asset / liability	22.834	(22.834)
8- Part of hedged from GBP risk (-)		
9- GBP net effect (7+8)	**22.834**	**(22.834)**
TOTAL (3+6+9)	**2.660.020**	**(2.660.020)**

27 Financial Instruments – Risk Management and Fair Value *(continued)*

Market Risk *(continued)*

(i) Currency Risk *(continued)*

Currency Sensitivity (continued)

31 December 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	(2.275.623)	2.275.623
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	**(2.275.623)**	**2.275.623**
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	4.268.474	(4.268.474)
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	**4.268.474**	**(4.268.474)**
In the case of change of GBP at 10% ratio compared to TL		
7- GBP net asset / liability	(35.127)	35.127
8- Part of hedged from GBP risk (-)	--	--
9- GBP net effect (7+8)	**(35.127)**	**35.127**
TOTAL (3+6+9)	**1.957.724**	**(1.957.724)**

(ii) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in different amounts. This risk is managed through balancing the assets and liabilities exposed to interest rate risk and restricted use of derivative instruments.

As of 31 December 2020 and 31 December 2019, the interest rate risk table is presented below:

	Carrying Value	
	31 December 2020	**31 December 2019**
Fixed-Interest Instruments		
Other Receivables from Related Parties (Note: 3)	97.398.818	58.512.230
Financial Liabilities		
-Borrowings (Note: 6)	(315.027.260)	(281.467.510)

Fair value sensitivity analysis for fixed interest financial instruments:

The Group has not recognized any fixed interest financial assets or liabilities under financial assets whose fair value is reflected in profit / loss and has not developed any derivative products (interest rate swaps) as a hedging derivative according to the fair value hedge accounting model. For this reason, a change in interest rates will not have a profit or loss effect as of the report date.

27 Financial Instruments – Risk Management and Fair Value *(continued)*

Market Risk *(continued)*

Fair Value

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange. The fair value of borrowings with fixed interests is obtained by calculating their discounted cash flows using the market interest rate effective at the reporting date. The fair value of foreign currency denominated borrowings with variable interests is obtained by discounting the projected cash flows using estimated market interest rates.

31 December 2020	**Financial Assets at Amortized Cost**	**Financial Assets at Fair Value through Other Comprehensive Income**	**Amortized Financial Liabilities Cost**	**Carrying Value**
Financial assets				
Cash and Cash Equivalents	55.360.472	--	--	55.360.472
Trade Receivables	231.427.922	--	--	231.427.922
Other Receivables	103.226.338	--	--	103.226.338
Financial Investments – Long Term	60.066.775	41.367.807	--	101.434.582
Financial Liabilities				
Financial Liabilities	--	--	315.027.260	315.027.260
Trade Payables	--	--	162.544.266	162.544.266
Other Payables	--	--	5.157.720	5.157.720
Lease Payables	--	--	7.490.449	7.490.449
Payables Related To Employee Benefits	--	--	4.824.192	4.824.192

31 December 2019	**Financial Assets at Amortized Cost**	**Financial Assets at Fair Value through Other Comprehensive Income**	**Amortized Financial Liabilities Cost**	**Carrying Value**
Financial Assets				
Cash and Cash Equivalents	27.029.057	--	--	27.029.057
Trade Receivables	214.866.918	--	--	214.866.918
Other Receivables	60.607.598	--	--	60.607.598
Financial Investments – Long Term	--	54.284.115	--	54.284.115
Financial Liabilities				
Financial Liabilities	--	--	281.467.510	281.467.510
Trade Payables	--	--	98.097.273	98.097.273
Other Payables	--	--	25.258.248	25.258.248
Lease Payables	--	--	4.068.261	4.068.261
Payables Related To Employee Benefits	--	--	3.652.293	3.652.293

27 Financial Instruments – Risk Management and Fair Value *(continued)*

Market Risk *(continued)*

Fair Value *(continued)*

Fair value hierarchy

The table below analyses the valuation method of the financial instruments carried at fair value. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Input other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or in directly (i.e., derived from prices);

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets Measured At Fair Value Through Profit or Loss	41.367.807	--	--	41.367.807

Financial assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates that approximate the market rates at the reporting date.

The following methods and assumptions are used to estimate the fair value of each financial instrument when it is possible to determine the fair value.

Financial Assets

Fair values of cash and cash equivalents, accrued interest and other monetary assets are assumed to approximate their carrying amounts for the reason that they are short term and they are subject to immaterial credit risk. The carrying amounts of trade receivables less the related provisions for impairment are assumed to approximate their fair values

Financial Liabilities

The fair values of trade payables and other monetary liabilities, are expected to be equal to the carrying amounts of these liabilities for the reason that they are short term. The carrying amounts of trade payables are assumed to approximate their fair values.

28 Subsequent Events

Tumosan Teknoloji Mühendislik Sanayi Ticaret A.Ş. to be established as a 100% subsidiary of the Company and with a capital of 1.000.000 TL, through partial division of the R&D center for engine and tractor production and the R&D service business within the company. Applications were made to Capital Markets Board for partial division and the relevant applications were approved on 25.02.2021.