

Tümosan Motor ve Traktör Sanayi A.Ş.

and its Subsidiaries

Convenience Translation into English of Condensed
Consolidated Interim Financial Statements for the Nine-
Month Period Ended and Review Report 30 September 2020

(Originally Issued in Turkish)

Tümosan Motor ve Traktör Sanayi Anonim Şirketi
and its Subsidiaries

Table of contents

Consolidated Interim Statement of Financial Position
Consolidated Interim Statement of Profit or Loss
Consolidated Interim Statement of Other Comprehensive Income
Consolidated Interim Statement of Changes in Equity
Consolidated Interim Statement of Cash Flows
Notes to the Condensed Consolidated Interim Financial Statements

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

Consolidated Interim Statement of Financial Position

As at 30 September 2020

Monetary Unit: Turkish Lira ("TL")

	Notes	Non-Reviewed	Audited
Assets		30 September 2020	31 December 2019
Current assets			
Cash and cash equivalents	4	48.235.194	27.029.057
Financial investments	5	89.095.107	53.584.115
Trade receivables			
- Trade receivables from related parties	3	34.838.934	13.159.275
- Trade receivables from non-related parties	7	199.721.766	199.662.943
Other receivables			
- Other receivables from related parties	3	75.896.306	58.512.230
- Other receivables from non-related parties	8	16.899.929	2.095.368
Inventories	9	174.210.451	137.019.526
Prepaid expenses	10	25.974.746	19.534.662
Current tax assets	21	214.020	6.665
Other current assets	16	3.643.678	9.700.061
Total current assets		668.730.131	520.303.902
Non-current assets			
Financial investments		700.000	700.000
Trade receivables			
- Trade receivables from non-related parties	7	4.022.674	2.044.700
Property, plant and equipment	12	663.456.978	672.784.947
Intangible assets			
- Other intangible assets	13	2.220.737	5.338.211
Investment property	11	17.714.985	17.714.985
Prepaid expenses		2.957.285	--
Right of use assets		4.257.217	3.422.469
Total non-current assets		695.329.876	702.005.312
Total assets		1.364.060.007	1.222.309.214

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Interim Statement of Financial Position (*continued*)
As at 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

	<i>Notes</i>	Non-Reviewed	Audited
Liabilities		30 September 2020	31 December 2019
Short term liabilities			
Short term borrowings	6	175.646.928	213.195.094
Short term portion of long-term borrowings	6	32.673.172	939.354
Trade payables			
- <i>Trade payables to related parties</i>	3	2.898.573	8.523.417
- <i>Trade payables to non-related parties</i>	7	141.958.039	89.573.856
Payables related to employee benefits	15	7.217.949	3.652.293
Other payables			
- <i>Other payables to related parties</i>	3	2.360	21.318.467
- <i>Other payables to non-related parties</i>	8	3.962.343	3.939.781
Deferred income	10	23.801.380	15.587.050
Short term provisions			
- <i>Short term provisions for employee benefits</i>	15	1.841.154	1.679.593
- <i>Other provisions</i>	14	9.045.611	7.960.411
Liabilities from leasing transactions	2.3	50.717	83.457
Total short-term liabilities		399.098.226	366.452.773
Long term borrowings	6	169.820.107	67.333.062
Long term provisions			
- <i>Long term provisions for employee benefits</i>	15	4.863.534	3.946.890
Deferred tax liability	21	49.389.171	49.006.881
Liabilities from leasing transactions		3.895.657	3.984.804
Total long-term liabilities		227.968.469	124.271.637
Total liabilities		627.066.695	490.724.410
Equity attributable to the owners of the Company			
Paid-in share capital	17	736.993.312	731.584.804
Share premium		115.000.000	115.000.000
Share premium		13.074.563	13.074.563
Accumulated other comprehensive income			
- <i>Revaluation surplus</i>		539.751.879	539.751.879
- <i>Actuarial differences</i>		(1.592.764)	(938.817)
Restricted reserves		14.047.934	14.047.934
Retained earnings		50.649.245	85.009.286
Net loss for the period		6.062.455	(34.360.041)
Total equity		736.993.312	731.584.804
Total equity and liabilities		1.387.970.708	1.222.309.214

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

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

Consolidated Interim Statement of Profit or Loss

For the Nine-Month Period Ended 30 September 2020

Monetary Unit: Turkish Lira ("TL")

	Notes	Non-Reviewed	Non-Reviewed	Non-Reviewed	Non-Reviewed
		1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Revenue	18	452.665.954	195.748.232	241.730.826	64.395.022
Cost of sales (-)	18	(348.654.098)	(141.702.198)	(205.500.545)	(53.350.909)
Gross profit		104.011.856	54.046.034	36.230.281	11.044.113
General administrative expenses (-)	19	(17.705.713)	(5.325.551)	(16.118.816)	(6.049.567)
Marketing expenses (-)	19	(36.367.673)	(16.643.913)	(23.687.411)	(7.043.788)
Research and development expenses (-)	19	(21.909.582)	(10.992.273)	(13.820.608)	(5.275.740)
Other operating income		14.605.758	5.432.510	17.744.406	11.369.634
Other operating expenses (-)		(11.222.873)	(7.752.678)	(1.847.178)	2.068.577
Operating loss		31.411.773	18.764.129	(1.499.326)	6.113.229
Gain from investment activities		--	--	3.690	3.690
Operating loss before financial Expenses, net		31.411.773	18.764.129	(1.495.636)	6.116.919
Financial income	20	21.384.515	10.440.873	7.012.902	(2.108.997)
Financial expenses (-)	20	(46.188.056)	(17.253.724)	(36.643.635)	(11.881.065)
Financial expenses, net		(24.803.541)	(6.812.851)	(29.630.733)	(13.990.062)
Loss before tax		6.608.232	11.951.278	(31.126.369)	(7.873.143)
Tax income	21	(545.777)	(3.146.188)	8.270.011	3.095.580
- Current tax expense for the period		--	--	--	--
- Deferred tax income		(545.777)	(3.146.188)	8.270.011	3.095.580
Loss for the period		6.062.455	8.805.090	(22.856.358)	(4.777.563)
Distribution of net profit or (loss) for the period					
Non-controlling interest		--	--	--	--
Equity Holders of The Company		6.062.455	8.805.090	(22.856.358)	(4.777.563)
Number of shares	22	115.000.000	115.000.000	115.000.000	115.000.000
Loss per share (tl)	22	0,0527	0,0766	(0,1988)	(0,0415)

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Consolidated Interim Statement of Other Comprehensive Income
For the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira ("TL")

	<i>Notes</i>	Non-Reviewed	Non-Reviewed
		1 January- 30 September 2020	1 January- 30 September 2019
Loss for the period		6.062.455	(22.856.358)
Total other comprehensive income			
Not to be reclassified to profit or loss			
-Property, plant and equipment revaluation		--	137.085.562
- Deferred tax income / (expenses)		--	(13.708.556)
- Actuarial gains / loss	<i>15</i>	(817.434)	(1.917.902)
- Deferred tax income / (expenses)	<i>21</i>	163.487	421.938
Total other comprehensive income		(653.947)	121.881.042
Total comprehensive income		5.408.508	99.024.684

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

Consolidated Interim Statement of Change in Equity

For the Nine-Month Period Ended 30 September 2020

Monetary Unit: Turkish Lira ("TL")

			<i>Accumulated Other Comprehensive Income</i>						
	<i>Paid-In Share Capital</i>	<i>Share Premium</i>	<i>Revaluation Reserves</i>	<i>Actuarial Differences</i>	<i>Restricted Reserves</i>	<i>Retained Earnings</i>	<i>Net Profit/Loss</i>	<i>Total</i>	
Balance at 1 January 2019	115.000.000	13.074.563	172.764.682	(252.156)	14.047.934	107.174.661	(22.231.494)	399.908.787	
Transfers	--	--	--	--	--	(22.231.494)	22.231.494	--	
Loss for the period	--	--	--	--	--	--	(22.856.358)	(22.856.358)	
Other comprehensive income	--	--	123.377.006	(1.495.961)	--	--	--	121.881.045	
Balance at 30 September 2019	115.000.000	13.074.563	296.141.688	(1.748.117)	14.047.934	84.943.167	(22.856.358)	498.602.877	
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	--	
Loss for the period	--	--	--	--	--	--	6.062.455	6.062.455	
Other comprehensive income	--	--	--	(653.947)	--	--	--	(653.947)	
Balance at 30 September 2020	115.000.000	13.074.563	539.751.879	(1.592.764)	14.047.934	50.649.245	6.062.455	736.993.312	

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

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

Consolidated Interim Statement of Cash Flow

For the Nine-Month Period Ended 30 September 2020

Monetary Unit: Turkish Lira ("TL")

	<i>Notes</i>	Non-Reviewed	Non-Reviewed
		1 January- 30 September 2020	1 January- 30 September 2020
Net loss for the period		6.062.455	(22.856.358)
Adjustments to reconcile cash flows generated from operating activities:			
Depreciation and amortization	<i>11, 12,13</i>	21.747.687	14.861.997
Provision for employee benefits	<i>15</i>	794.878	1.002.179
Provision for doubtful receivables	<i>7</i>	8.635.975	301.474
Investment property revaluation		--	(6.071.723)
Tax income	<i>21</i>	545.777	(8.270.011)
Interest income	<i>20</i>	(3.004.711)	(1.370.128)
Other provisions	<i>14</i>	1.085.200	(2.694.536)
Provisions for unused vacation		161.561	(7.404)
Impairment of inventory		350.494	--
Interest expenses	<i>20</i>	46.188.056	36.643.635
Operating cash flow before change in assets and liabilities			
Change in assets and liabilities			
Change in trade receivables and other receivables		(64.541.068)	(69.363.147)
Change in inventories		(37.541.419)	3.041.086
Change in prepaid expenses and other current assets and liabilities		(3.340.986)	8.099.532
Change in trade payables and other payables		25.465.794	26.243.375
Change in payables related employee benefits		3.565.656	(947.019)
Change in deferred income		8.214.330	1.584.201
Employee severance indemnity paid	<i>15</i>	(695.668)	(629.238)
Taxes received / (paid)		(207.355)	--
Net cash used from operations		13.486.656	(20.432.085)
Investing activities			
Change in financial investments		(35.510.992)	4.528.066
Purchase of property, plant and equipment and intangible assets	<i>12,13</i>	(9.479.847)	(7.133.626)
Sales of property, plant and equipment	<i>12</i>	177.603	281.321
Net cash generated / (used) in investing activities		(44.813.236)	(2.324.239)
Financing activities			
Financial borrowings, net		96.672.697	57.534.156
Payments related to leasing agreements		(956.635)	(251.574)
Interest received		3.004.711	1.370.128
Interest paid		(46.188.056)	(36.643.635)
Net cash provided from financing activities		52.532.717	22.009.075
Net increase/(decrease) in cash and cash equivalents		21.206.137	(747.249)
Cash and cash equivalents at the beginning of the period	<i>4</i>	27.029.057	5.541.685
Cash and cash equivalents at the end of the period	4	48.235.194	4.794.436

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Interim Consolidated Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

CONTENTS

1	Organization and Nature of Operation	8
2.2	Statement of Compliance to TAS	11
2.3	Changes in Accounting Policies	12
2.4	Restatement and Errors in the Accounting Policies and Estimates	13
2.5	Summary of Significant Accounting Policies	14
2.6	Going Concern	14
3	Related Parties Disclosures	15
4	Cash and Cash Equivalents	19
5	Financial Investments	19
6	Financial Borrowings	20
7	Trade Receivables and Payables	21
8	Other Receivables and Payables	22
9	Inventories	22
10	Prepaid Expenses and Deferred Income	23
11	Investment Property	23
12	Property, Plant and Equipment	24
13	Intangible Assets	25
14	Provisions, Contingent Assets and Liabilities	25
15	Employee Benefits	27
16	Other Assets and Liabilities	28
17	Capital, Reserves and Other Equity Components	29
18	Sales and Cost of Sales	30
19	Operating Expenses	30
20	Finance Income and Expenses	31
21	Taxation	31
22	Earnings Per Share	33
23	Financial Instruments – Risk Management and Fair Value	34
24	Subsequent Events	38

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

1 Organization and Nature of Operation

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

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

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

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

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

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

Headquarters:

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

Factory:

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

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

	30 September 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.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

1 Organization and Nature of Operation (continued)

As of 30 September 2020, the average number of personnel of the Company is 449 (31 December 2019: 494).

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 San. ve Tic. A.Ş.: Manufacturing of military weapons and their parts is engaged. (Former Title: Tümosan Savunma A.Ş)

The consolidated financial statements as of 30 September 2020 have been prepared by fully consolidating the subsidiaries stated below to the Company.

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

(a) Basis of Presentation of Financial Statements

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

Consolidated financial statements and their supplementary footnotes are presented in accordance with their formats in the "Financial Statement Samples and Usage Guide" published by the POA.

(b) Basis of measurement

The consolidated financial statements are prepared in TL based on historical cost except from financial assets and liabilities, lands, buildings and equipment at fair value recognized under property, plants and equipment’s measured at fair value.

(c) Correction of financial statements of hyperinflation periods

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

(d) Reporting and Functional Currency

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

(e) Comparative Information

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

2 Basis of Presentation of Financial Statements (continued)

2.1 Basis of Presentation (continued)

(f) Foreign currency transactions

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

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

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

	30 September 2020	31 December 2019
USD/TL	7,8080	5,9402
EUR/TL	9,1281	6,6506
GBP/TL	10,0309	7,7765
CHF/TL	8,4413	6,0932

(g) Basis of Consolidation

As at 30 September 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 30 September 2020 and 31 December 2019 for all subsidiaries directly controlled by the Group and included in the scope of consolidation:

Name	Rate of Control	
	30 September 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 TAS

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

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

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

The consolidated financial statements of the Group were approved by the management on 9 November 2020. 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

Changes in accounting policies or accounting errors are applied retrospectively and the consolidated financial statements of the previous periods are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. There is no material change in accounting estimates of the Group in the current period.

When a significant accounting error is identified, it is corrected retrospectively and the prior year consolidated financial statements are restated. The Group did not detect any significant accounting error in the current period.

As of 30 September 2020; the standards and interpretations issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted

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

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 23 January 2020, IASB issued Classification of Liabilities as Current or Non-Current which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, with the announcement published by the IASB in April 2020, is stated that this change included the postponement of the effective date for one year to 1 January 2023.

The Group is assessing the potential impact on its consolidated financial statement resulting from the application of the amendments to IAS 1.

2 Basis of Presentation of Financial Statements (continued)

2.3 Changes in Accounting Policies (continued)

Covid-19 related rent concession (Amendments to IFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends IFRS 16 Leases.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly. The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

The changes that become effective as of January 1, 2020 are as follows:

- I. The revised Conceptual Framework (Version 2018)
- II. Amendments to IFRS 3- Definition of a Business

The application of the amendment to IAS 1 and IAS 8 is not expected to have a significant effect on the consolidated financial statements of the Group.

- III. Amendments to IAS 1 and IAS 8 – Definition of Material

The application of the amendment to IAS 1 and IAS 8 is not expected to have a significant impact on the consolidated financial statements of The Group.

- IV. Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of this amendment did not have a significant impact on the consolidated financial statements of the Group.

2.4 Restatement and Errors in the Accounting Policies and Estimates

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

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

2.5 Summary of Significant Accounting Policies

The CMB has permitted publicly traded companies to apply the full set or condensed presentation of their interim financial statements in accordance with IAS 34 "Interim Financial Statements". Accordingly, the Company prepared the condensed presentation of the financial statements at the interim period ending 30 September 2020.

In respect of the relevant notification the required disclosures and notes that should be included in the annual financial statements prepared in accordance with IAS / IFRS are summarized or not presented in accordance with IAS 34. The accompanying condensed consolidated financial statements should be read together with audited consolidated financial statements as at and for the year ended 31 December 2019.

The significant accounting policies have been applied consistently by The Group in the preparation of these condensed consolidated interim financial statements as of and for the nine-month period ended 30 September 2020 with those financial statements as of and for the year ended 31 December 2019.

2.6 Going Concern

The Group has prepared its financial statements according to the going concern principle. The precautions taken against the Covid-19 pandemic which was declared as a pandemic by the World Health Organization (WHO) on March 11, 2020 caused disruptions in operations and negatively affected the economic conditions both on global scale and in our country. The Group management takes precautions to eliminate all possible effects of the pandemic on The Group’s operations. In addition, The Group management closely monitors all developments and continues detailed evaluations in order to minimize the possible effects of the Covid-19 pandemic on its operations, financial position, financial performance and cash flows.

The Covid-19 pandemic is not expected to have any significant impact on The Group’s financial statements and going concern.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira ("TL")

3 Related Parties Disclosures

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

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

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

<u>Related Party</u>	<u>Definition</u>
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
Ağa Maden İşletmeciliği San. Tic. Ltd. Şti. ("Ağa Maden")	Related Party
Albil Merkezi Hizmetler ve Ticaret A.Ş. ("Albil Merkezi Hizmetler")	Related Party
Birlikte Dağıtım A.Ş. ("Birlikte Dağıtım")	Related Party
Birun Otelcilik A.Ş. ("Birun Otelcilik")	Related Party
Kademe Atık Teknolojileri San.A.Ş. ("Kademe Atık")	Related Party
Platform Tur. Taş. Gıda İnş. Tem. Hiz. San.ve Tic. A.Ş. ("Platform Turizm")	Related Party
Reklam Piri Medya İletişim A.Ş. ("Reklam Piri")	Related Party
Albayrak 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. ("Albayrak Private")	Related Party
Kazzaz Kağıt Ticaret A.Ş. ("Kazzaz Kağıt")	Related Party
Yaşam Tekstil Turizm Sanayi ve Ticaret Ltd.Şti. ("Yaşam Tekstil")	Related Party
Ketebe Kitap ve Dergi Yayıncılığı A.Ş. ("Ketebe Kitap")	Related Party
Trabzon Liman İşletmeciliği A.Ş. ("Trabzon Liman")	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
Sistemli Dağıtım Hizmetleri A.Ş. ("Sistemli Dağıtım")	Related Party

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

3 Related Parties Disclosures (continued)

As of 30 September 2020, details regarding the related parties and significant balances are as follows:

30 September 2020	Receivables		Payables	
	Short-Term		Short-Term	
	Trade	Other	Trade	Other
Kademe Atık	19.448.355	--	1.894.005	--
Varaka Kağıt	11.998.873	--	--	--
Somali Liman	1.916.513	--	--	--
Mezra Ziraat	458.872	--	--	--
Yeşil Adamlar	244.508	--	--	--
Albayrak Holding	187.922	--	--	--
Yaşam Tekstil	171.863	--	217.122	--
Sistemli Dağıtım	134.328	--	--	--
Birun Otelcilik	80.886	--	1.252	--
Güneş Turizm	74.680	--	--	--
Albayrak92	63.178	--	--	--
Asist Oto	36.410	--	--	--
Dolu Akaryakıt	16.922	--	--	--
Ats Yedek Parça Platform	4.717	--	23.131	--
Ereğli Tekstil	908	--	163.278	--
Albil	--	75.896.306	--	2.360
Ketebe Kitap	--	--	339.184	--
Birlikte Dağıtım	--	--	29.500	--
Reklam Piri	--	--	210.375	--
	--	--	20.725	--
Total	34.838.934	75.896.306	2.898.573	2.360

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

3 Related Parties Disclosures (continued)

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

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

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

3 Related Party Disclosures (continued)

Purchases and Expenses

For the periods 1 January – 30 September 2020 and 1 January – 30 September 2019, purchases from the related parties are as follows:

Purchases	1 January- 30 September 2020		1 January- 30 September 2019	
	Purchasing of goods and commodities	Other	Purchasing of goods and commodities	Other
Kademe Atık	42.544.950	--	21.089.234	--
Dolu Akaryakıt	439.686	--	321.838	--
Albil	215.464	556.126	1.371.212	40.877
Birlikte Dağıtım	58.951	--	--	134.198
Yaşam Tekstil	52.341	--	--	--
Varaka Kağıt	20.551	--	--	--
Albayrak Holding	19.087	1.351.151	--	1.192.227
Platform	12.600	--	--	146.578
Reklam Piri	--	--	--	40.940
Total	43.363.631	1.907.277	22.782.284	1.554.820

Sales and Income

For the periods 1 January – 30 September 2020 and 1 January – 30 September 2019, sales to the related parties are as follows:

Sales	1 January- 30 September 2020		1 January- 30 September 2019	
	Sales of goods and commodities	Other	Sales of goods and commodities	Other
Kademe Atık	2.380.296	423.864	4.306.075	210.370
Ereğli Tekstil	1.375.000	557.711	2.445.365	--
Mezra İnşaat	6.525	-	--	--
Varaka Kağıt	449	1.029.318	1.064.898	--
Somali Limanı	--	--	1.367.405	--
Albayrak İnşaat	--	6.497	479.063	--
Yeşil Adamlar	--	--	14.066	--
Sistemli Dağıtım	--	2.363	3.202	--
Albayrak92	--	--	2.901	--
Yaşam Tekstil	--	44.311	--	--
Total	3.762.270	2.064.064	9.682.975	210.370

Benefits for Top Management

For the nine-month period ended 30 September 2020 Benefits provided to top management is TL 1.136.546. (1 January-30 September 2019 – TL 1.079.528)

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

4 Cash and Cash Equivalents

As of 30 September 2020 and 31 December 2019, cash and cash equivalents are as follows:

	30 September 2020	31 December 2019
Cash	25	25
Banks		
<i>-Demand Deposit</i>	<i>48.235.169</i>	<i>27.029.032</i>
Total	48.235.194	27.029.057

As of 30 September 2020 there is no account under any blockage or pledge (31 December 2019: None).

5 Financial Investments

As of 30 September 2020 and 31 December 2019, short term financial investments are as follows:

Financial asset measured at fair value through profit or loss	30 September 2020	31 December 2019
Bonds (*)	55.187.856	53.496.345
Share certificates	--	87.770
Investment Funds	33.907.251	--
Total	89.095.107	53.584.115

(*) As of 31 September 2020, financial investments consist of 9 months comprised bonds which are issued by Ereğli Tekstil. The Group accounted the related bonds as financial asset measured at fair value through profit or loss. Related bonds’ nominal values are TL 50.000.000 and amortized value is TL 55.187.856. (31 December 2019; TL 400 million as real estate mortgages and TL 20.049.691 worth of customer cheques).

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

6 Financial Borrowings

As of 30 September 2020 and 31 December 2019, financial borrowings of the Group are as follows:

	30 September 2020	31 December 2019
Short-Term Bank Loans	175.646.928	213.195.094
Short-Term Portion of Long-Term Loans	32.673.172	939.354
Total	208.320.100	214.134.448

Long-Term Loans	169.820.107	67.333.062
Total	169.820.107	67.333.062

Bank Loans

	30 September 2020		31 December 2019	
	Effective Int. Rate %	TL Amount	Effective Int. Rate %	TL Amount
Short-Term Borrowings	16,95-17,5%	175.646.928	11,5-16%	213.195.094
Short-Term Portion of Long-Term Borrowings	15,5-40,5%	32.673.172	11,5-17,18%	939.354
Long-Term Borrowings	15,5-40,5%	169.820.107		67.333.062
Total Borrowings		378.140.207		281.467.510

As of 30 September 2020, The Group has provided TL 417 million as real estate mortgages and TL 22.622.991 customer cheques for the borrowings. (31 December 2019; TL 400 million as real estate mortgages and TL 33.986.660 worth of customer cheques).

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

7 Trade Receivables and Payables

Short-Term Trade Receivables

As of 30 September 2020 and 31 December 2019, short-term trade receivables from non-related parties are as follows:

	30 September 2020	31 December 2019
Notes Receivables	139.331.269	89.297.710
Customer Current Accounts	63.451.202	111.706.404
Direct Debiting System Receivables	12.165.424	5.418.481
Assessment of Income	169.498	--
Allowance for Doubtful Receivables (-)	(15.395.627)	(6.759.652)
Total	199.721.766	199.662.943

Long-Term Trade Receivables

As of 30 September 2020 and 31 December 2019, long-term trade receivables from non-related parties are as follows:

	30 September 2020	31 December 2019
Notes Receivables	4.022.674	2.044.700
Total	4.022.674	2.044.700

Short-Term Trade Payables

As of 30 September 2020 and 31 December 2019, short-term trade payables to non-related parties are as follows:

	30 September 2020	31 December 2019
Supplier Current Accounts	87.513.121	73.923.982
Notes Payables	37.337.426	9.918.079
Other	17.107.492	5.731.795
Total	141.958.039	89.573.856

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

8 Other Receivables and Payables

Other Short-Term Receivables

As of 30 September 2020 and 31 December 2019, other short-term trade receivables from non-related parties are as follows:

	30 September 2020	31 December 2019
Tax Receivables	15.920.728	1.391.407
Other	979.201	703.961
Total	16.899.929	2.095.368

Other Short-Term Payables

As of 30 September 2020 and 31 December 2019, other short-term trade payables to non-related parties are as follows:

	30 September 2020	31 December 2019
Deposit and Guarantees	3.074.986	3.189.489
Tax Payables	860.357	728.497
Others	27.000	21.795
Total	3.962.343	3.939.781

9 Inventories

As of 30 September 2020 and 31 December 2019, details of Inventories are as follows:

	30 September 2020	31 December 2019
Materials and Spare Parts	126.170.041	87.431.903
Finished Goods	34.167.270	41.054.998
Work in Progress	11.347.537	7.912.145
Goods in Transit	3.805.891	2.992.978
Merchandise	2.058.585	847.071
Other Inventories	1.117.523	1.587.321
Provision for Impairment (-)	(4.456.396)	(4.806.890)
Total	174.210.451	137.019.526

As of 30 September 2020 and 31 December 2019, there is no pledge or mortgage on inventories.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

10 Prepaid Expenses and Deferred Income

Prepaid Expenses

Short-Term Prepaid Expenses

As of 30 September 2020 and 31 December 2019, prepaid expenses from non-related parties in non-current assets are as follows:

	30 September 2020	31 December 2019
Advances Given	24.649.821	13.922.696
Prepaid Expenses for Future Months	930.559	5.337.035
Job Advances	394.366	274.931
Total	25.974.746	19.534.662

Deferred Income

Short-Term Deferred Income

As of 30 September 2020 and 31 December 2019, deferred income from non-related parties are as follows:

	30 September 2020	31 December 2019
Advances Received	23.801.380	15.587.050
Total	23.801.380	15.587.050

11 Investment Property

As of 30 September 2020 and 31 December 2019, details of investment properties are as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Net Carrying Value		
Balance at 1 January	17.714.985	11.643.262
Current Period Depreciation Charge	--	6.071.723
End of the Period Net Carrying Value	17.714.985	17.714.985
Cost	17.714.985	17.714.985
Accumulated Depreciation	--	--
End of the Period Net Carrying Value	17.714.985	17.714.985

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

12 Property, Plant and Equipment

For the periods ended 30 September 2020 and 30 September 2019; movement of property, plant and equipment is summarized below:

	1 January - 30 September 2020	1 January - 30 September 2019
Net Carrying Value		
Balance at 1 January	672.784.947	260.268.082
Revaluation of Property, Plant and Equipment	--	137.085.562
Additions	9.169.308	6.649.768
Disposals	(177.603)	(281.321)
Current Period Depreciation Charge	(18.319.674)	(9.285.997)
End of the Period Net Carrying Value	663.456.978	394.436.094
Cost		
Cost	710.133.365	485.189.493
Accumulated Depreciation	(46.676.387)	(90.753.399)
End of the Period Net Carrying Value	663.456.978	394.436.094

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

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

13 Intangible Assets

Intangible assets consist development costs, rights and licenses, and accumulated depreciation. For the periods ended 30 September 2020 and 30 September 2019, movement of intangible assets are as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Net Carrying Value		
Balance at 1 January	5.338.211	10.312.668
Additions	310.539	483.858
Current period amortization charge	(3.428.013)	(5.576.000)
End of the Period Net Carrying Value	2.220.737	5.220.526
Cost	45.263.895	44.163.938
Accumulated amortization	(43.043.158)	(38.943.412)
End of the Period Net Carrying Value	2.220.737	5.220.526

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

14 Provisions, Contingent Assets and Liabilities

a) Provisions

As of 30 September 2020 and 31 December 2019, details of provisions are as follows:

	30 September 2020	31 December 2019
Warranty provisions	5.098.468	3.319.916
Provision for litigation (*)	3.947.143	4.640.495
Short-term provisions	9.045.611	7.960.411

(*) Movement of Litigation Provisions is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Balance at 1 January	4.640.495	1.519.635
Current period change	(693.352)	--
Balance at 30 September	3.947.143	1.519.635

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

14 Provisions, Contingent Assets and Liabilities (continued)

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

As of 30 September 2020 and 31 December 2019 the Group’s guarantee/pledge/mortgage positions are as follows:

Collaterals given by Group (TL Equivalent)	30 September 2020	31 December 2019
A. The total amount of collaterals given on behalf of its own legal entity.	65.750.500	34.174.215
B. The total amount of collaterals given favor of the companies in the scope of full consolidation.	--	--
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities. (*)	841.179.661	694.503.676
D. The total amount of other collaterals given	--	--
i. The total amount of collaterals given in favor of the parent companies.	--	--
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of B and C.	--	--
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C.	--	--
Total	906.930.161	728.677.891

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

	30 September 2020	31 December 2019
Turkish Lira	850.796.268	704.250.867
USD (TL Equivalent)	24.478.080	162.310
EURO (TL Equivalent)	31.655.813	24.264.714
Total	906.930.161	728.677.891

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

15 Employee Benefits

Payables Related to the Employee Benefits

As of 30 September 2020 and 31 December 2019, Payables Related to the Employee Benefits are as follows:

	30 September 2020	31 December 2019
Social security withholdings payable	2.608.798	921.601
Wages and salaries	3.978.438	538.592
Staff payroll taxes	630.713	2.192.100
Total	7.217.949	4.078.463

Short-Term Provisions for Employee Benefits

As of 30 September 2020 and 31 December 2019, Short-Term Provisions for Employee Benefits are as follows:

	30 September 2020	31 December 2019
Provision for unused vacation	1.841.154	1.679.593
Total	1.841.154	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 30 September 2020 and 31 December 2019, Long-Term Provisions for Employee Benefits are as follows:

	30 September 2020	31 December 2019
Provision for employment termination benefits	4.863.534	3.946.890
Total	4.863.534	3.946.890

In accordance with the current Turkish Labor Law, the Group is obliged to pay a certain amount of termination indemnity to the personnel whose employment has been terminated due to retirement or the reasons except, reassignment or bad behavior; who has to terminate employment for military service and who had served at least one year at the Group. The amount payable consists of one month's salary for each year of working. This amount is limited to TL 7.117 as of 30 September 2020 and TL 6.380 as of 31 December 2019.

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

15 Employee Benefits (continued)

Long-Term Provisions for Employee Benefits (continued)

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

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

	30 September 2020	31 December 2019
Interest rate	12,00%	12,00%
The estimated wage increase rate	7,50%	7,50%
Net discount rate	4,19%	4,19%

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2020, the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Movements of employee termination benefits provisions are as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Balance at 1 January	3.946.890	2.981.247
Cost of services	405.180	586.883
Interest expense	389.698	415.296
Actuarial gain/loss	817.434	1.917.902
Paid	(695.668)	(629.238)
Balance at 30 September	4.863.534	5.272.089

16 Other Assets and Liabilities

As of 30 September 2020 and 31 December 2019, details of Other Assets and Liabilities are as follows:

	30 September 2020	31 December 2019
VAT	3.643.623	9.699.146
Other	55	915
Total	3.643.678	9.700.061

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira ("TL")

17 Capital, Reserves and Other Equity Components

Paid in Share Capital

As of 30 September 2020 and 31 December 2019, capital structure of the Group are as follows:

	30 September 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
Other	10,44%	12.000.000	10,44%	12.000.000
Publicly Listed	28,69%	33.000.000	28,69%	33.000.000
Paid-in Capital	100%	115.000.000	100%	115.000.000

All of the Group's capital has been paid in as of 30 September 2020 and comprises of 115.000.000 shares with a nominal value of TL 115.000.000 and each one worth TL 1 (31 December 2019: Capital: TL 115.000.000, each one with a value of TL 1, a total of 115.000.000 shares).

Restricted Reserves

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

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

As of 30 September 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

	30 September 2020	31 December 2019
Actuarial loss arising from defined benefits plan	(1.592.764)	(938.817)
Total	(1.592.764)	(938.817)

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

18 Sales and Cost of Sales

Sales and Cost of Sales for the periods ended 30 September 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
Domestic sales	439.970.308	235.386.648
Foreign sales	13.077.774	11.345.092
Other income	470.972	373.220
Gross sales	453.519.054	247.104.960
Sales returns and discounts (-)	(853.100)	(5.374.134)
Net sales	452.665.954	241.730.826
Cost of Sales (-)	(348.654.098)	(205.500.545)
Gross profit	104.011.856	36.230.281

The distribution of sales on product basis are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
Tractor sales	382.740.174	210.838.020
Spare part sales	32.164.612	17.087.293
Engine sales	10.353.693	5.264.281
Equipment sales	3.390.019	3.499.798
Heavy construction equipment sales	1.262.518	1.022.139
Agricultural machinery sales	--	3.670.070
Other	22.754.938	349.225
Total sales	452.665.954	241.730.826

19 Operating Expenses

Operating expenses for the nine-month period ended 30 September 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
Marketing expenses	36.367.673	23.687.411
General and administrative expenses	17.705.713	16.118.816
Research and development expenses	21.909.582	13.820.608
Total	75.982.968	53.626.835

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

20 Finance Income and Expenses

Finance Income

Finance income for the nine-month period ended 30 September 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
Interest Income	3.004.711	1.370.128
Foreign Exchange Income	18.379.804	5.642.774
Total	21.384.515	7.012.902

Finance Expenses

Finance expenses for the nine-month period ended 30 September 2020 and 2019 are as follows:

	1 January- 30 September 2020	1 January- 30 September 2019
Interest Expenses	46.188.056	36.643.635
Total	46.188.056	36.643.635

21 Taxation

Tax Expense

Tax expenses for the nine-month periods ended 30 September 2020 and 2019 are as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
<u>Tax expense recognized in profit or loss</u>		
Current tax expense:		
Current tax expense	--	--
Deferred tax income / (expense):		
Arising from Tax Losses Carried Forward	(5.069.858)	9.998.355
Arising from Temporary Differences	4.524.081	(1.728.344)
	(545.777)	8.270.011
<u>Recognized in Comprehensive Income</u>		
Deferred Tax Income/(Expense):		
Tax Effects of Actuarial Differences	163.487	421.938
<u>Recognized in Comprehensive Income</u>	--	(13.708.556)
	163.487	(13.286.618)
Total Tax Effect Income/ (Expense)	(382.290)	(5.016.607)

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

21 Taxation (continued)

The Reconciliation of the Effective Tax Rate

The tax provision is different from calculated value by using statutory tax rate via profit before tax for the nine-month periods ended 30 September 2020 and 2019. Related reconciliation details are as follows:

	1 January - 30 September 2020		1 January - 30 September 2019	
Loss for the Period	6.062.455		(22.856.358)	
Less: Current Period Tax Income	(545.777)		8.270.011	
Loss Before Tax	6.608.232		% (31.126.369)	
Calculated Corporate Tax Via Statutory Rate	22,%	(1.453.811)	22%	6.847.801
Non-Deductible Expenses	(4)%	(285.333)	(0,002)%	6.958
Other	(18)%	1.193.367	5%	1.415.252
Total Tax Income/(Expense) Recognized in Profit or Loss	35%	(545.777)	27%	8.270.011

Deferred Tax

Deferred Tax Asset/Liabilities

As of 30 September 2020 and 31 December 2019, the deferred tax assets and liabilities are as follows:

	30 September 2020	31 December 2019
Deferred Tax Liabilities	(49.389.171)	(49.006.881)
Total	(49.389.171)	(49.006.881)

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

	1 January - 30 September 2020	1 January - 30 September 2019
Balance at 1 January	(49.006.881)	(7.724.292)
Recognized in Profit or Loss	(545.777)	8.270.011
Recognized in Other Comprehensive Income	163.487	(13.286.618)
Balance at 30 September	(49.389.171)	(12.740.899)

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira ("TL")

22 Earnings Per Share

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

	1 January - 30 September 2020	1 January - 30 September 2019
The Weighted Average Number of Shares in Existence During the Period (Each 1 TL)	115.000.000	115.000.000
Net Loss for the period	6.062.455	(22.856.358)
Loss per share (TL)	0,0527	(0,1988)

23 Financial Instruments – Risk Management and Fair Value

Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk Management Policies

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

Credit Risk

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

Exposure to credit risk:

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

Liquidity Risk

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

Market Risk

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

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

Market Risk (continued)

(i) Currency Risk

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

As of 30 September 2020, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	30 September 2020			
	TL Equivalent	USD	EURO	GBP
1. Trade receivables	62.645.927	1.762.275	5.328.087	25.000
2a. Monetary assets (Including cash on hands and banks)	6.539.005	710.486	108.624	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	35.152.269	75	3.850.931	--
4. Current Assets (1+2+3)	104.337.201	2.472.836	9.287.642	25.000
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)	104.337.201	2.472.836	9.287.642	25.000
10. Trade payables	14.140.353	159.799	1.412.107	278
11. Financial liabilities	53.498.762	3.000.000	3.294.745	--
12a. Other monetary financial liabilities	30.124.419	--	3.300.185	--
12b. Other non-monetary financial liabilities	--	--	--	--
13. Short-Term Liabilities (10+11+12)	97.763.534	3.159.799	8.007.037	278
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)	97.763.534	3.159.799	8.007.037	278
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)	6.573.667	(686.963)	1.280.605	24.722
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	6.573.667	(686.963)	1.280.605	24.722
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

23 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	--	--	--	--

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

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

Market Risk (continued)

(i) Currency Risk (continued)

Currency Sensitivity

A 10 percent strengthening of the TL against the following currencies at 30 September 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.

30 September 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	(536.381)	536.381
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	(536.381)	536.381
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	1.168.949	(1.168.949)
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	1.168.949	(1.168.949)
In the case of change of GBP at 10% ratio compared to TL		
7- GBP net asset / liability	24.798	(24.798)
8- Part of hedged from GBP risk (-)	--	--
9- GBP net effect (7+8)	24.798	(24.798)
TOTAL (3+6+9)	657.367	(657.367)

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended 30 September 2020
Monetary Unit: Turkish Lira (“TL”)

23 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+12)	1.957.724	(1.957.724)

24 Subsequent Events

At the board of directors meeting to be held on 22.10.2020, the Company will carry out R&D activities in the fields of Technology and Engineering, develop new products, produce prototypes, provide technical consultancy, develop software, and passive items of active and related R&D activities. made its decision without breaking the integrity of the business.