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 2019
(Originally Issued in Turkish)

Aksis Uluslararası Bağımsız Denetim Anonim Şirketi

10 March 2020

This report includes 4 pages of independent auditors' report and 68 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 2019 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 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

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 Company is the manufacturing of "Tümosan" brand tractors with diesel engine and their authorized service activity. The Company's revenue consists of "Tümosan" brand tractor sales and its after sales authorized services to customers. 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 2019, the Group's sales amounts to TL 367.150.171 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.

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

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

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

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

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 CMB and 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 consolidated financial statements

As part of an independent audit conducted in accordance with Standards on Independent Auditing issued by the CMB and SIA, we exercise professional judgment and maintain professional skepticism 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 10 March 2020.

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 2019, 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.

T.C. BAĞIMSIZ DENETÇİ 152 1923

Tayyip Yaşar, YMM
Partner

10 March 2020
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 2019
Monetary Unit: Turkish Lira ("TL")

	Notes	Audited	Audited
ASSETS		**31 December 2019**	**31 December 2018**
Current Assets			
Cash and cash equivalents	*4*	27.029.057	5.541.685
Financial investments	*5*	53.584.115	5.304.054
Trade receivables			
-Trade receivables from related parties	*3*	*13.159.275*	*5.786.570*
-Trade receivables from non-related parties	*7*	*199.662.943*	*156.530.887*
Other receivables			
- Other receivables from related parties	*3*	*58.512.230*	*44.245.862*
- Other receivables from non-related parties	*8*	*2.095.368*	*1.260.861*
Inventories	*9*	*137.019.526*	178.235.863
Prepaid expenses	*10*	*19.534.662*	4.698.588
Current tax assets	*25*	*6.665*	--
Other current assets	*17*	*9.700.061*	20.938.773
Total Current Assets		**520.303.902**	**422.543.143**
Non-current assets			
Financial investment		700.000	--
Trade receivables			
-Trade receivables from non-related parties	*7*	2.044.700	*4.677.728*
Property, plant and equipment	*12*	672.784.947	260.268.082
Intangible assets			
- Other intangible assets	*13*	5.338.211	*10.312.668*
Investment property	*11*	17.714.985	11.643.262
Deferred tax assets	*25*	--	129.985
Right of use assets	*14*	3.422.469	--
Total Non-Current Assets		**702.005.312**	**287.031.725**
Total Assets		**1.222.309.214**	**709.574.868**

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

	Notes	**Audited**	**Audited**
LIABILITIES		**31 December 2019**	**31 December 2018**
Short term liabilities			
Short term borrowings	*6*	213.195.094	165.184.100
Short term portion of long-term borrowings	*6*	939.354	2.219.318
Trade payables			
- Trade payables to related parties	*3*	*8.523.417*	*2.267.026*
- Trade payables to non-related parties	*7*	*89.573.856*	*100.913.974*
Payables related to employee benefits	*16*	3.652.293	4.078.463
Other payables			
- Other payables to related parties	*3*	*21.318.467*	--
- Other payables to non-related parties	*8*	*3.939.781*	*4.510.610*
Deferred income	*10*	15.587.050	10.483.609
Short term provisions			
- Short term provisions for employee benefits	*16*	*1.679.593*	*1.408.617*
- Other provisions	*15*	*7.960.411*	*7.355.102*
Liabilities from leasing transactions	*14*	83.457	--
Total Short-Term Liabilities		**366.452.773**	**298.420.819**
Long term borrowings	*6*	67.333.062	409.738
Long term provisions			
- Short term provisions for employee benefits	*16*	*3.946.890*	*2.981.247*
Deferred tax liability	*25*	49.006.881	7.854.277
Liabilities from leasing transactions	*14*	3.984.804	--
Total Long-Term Liabilities		**124.271.637**	**11.245.262**
Total Liabilities		**490.724.410**	**309.666.081**
Equity attributable to the owners of the Company	***18***	**731.584.804**	**399.908.787**
Paid-in share capital		115.000.000	115.000.000
Share premium		13.074.563	13.074.563
Accumulated other comprehensive income			
- *Revaluation surplus*		539.751.879	*172.764.682*
- *Actuarial differences*		(938.817)	*(252.156)*
Restricted reserves		14.047.934	14.047.934
Retained earnings		85.009.286	107.505.258
Net loss for the period		(34.360.041)	(22.231.494)
Total Equity		**731.584.804**	**399.908.787**
Total Equity and Liabilities		**1.222.309.214**	**709.574.868**

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

	Notes	Audited	Audited
		31 December 2019	**31 December 2018**
Revenue	*19*	367.150.171	415.996.979
Cost of sales (-)	*19*	(313.797.912)	(359.693.772)
Gross Profit		**53.352.259**	**56.303.207**
General administrative expenses (-)	*20*	(20.681.004)	(22.767.327)
Marketing expenses (-)	*20*	(34.380.375)	(36.117.047)
Research and development expenses (-)	*20*	(20.259.665)	(20.108.632)
Other operating income	*22*	19.639.748	23.324.004
Other operating expenses (-)	*22*	(8.875.629)	(19.575.123)
Operating Loss		**(11.204.666)**	**(18.940.918)**
Gain from investment activities	*24*	--	258.883
Operating Loss Before Financial Expenses, Net		**(11.204.666)**	**(18.682.035)**
Financial income	*23*	22.279.135	16.966.346
Financial expenses (-)	*23*	(54.864.378)	(27.163.628)
Financial Expenses, Net		**(32.585.243)**	**(10.197.282)**
Loss Before Tax		**(43.789.909)**	**(28.879.317)**
Tax income	*25*	**9.429.868**	**6.647.823**
- Current tax expense for the period		--	--
- Deferred tax income		9.429.868	6.647.823
Loss For The Period		**(34.360.041)**	**(22.231.494)**
Distribution of net profit or (loss) for the period			
Non-controlling interest		--	--
Equity holders of the Company		(34.360.041)	(22.231.494)
Number of shares	*26*	**115.000.000**	**115.000.000**
Loss per share (TL)	*26*	**(0,2988)**	**(0,1933)**

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

	Notes	**Audited**	**Audited**
		31 December 2019	**31 December 2018**
Loss for the period		**(34.360.041)**	**(22.231.494)**
Total other comprehensive income			
Not to be reclassified to profit or loss			
-Property, plant and equipment revaluation	*12*	417.930.592	--
- Deferred tax income / (expenses)	*26*	(50.943.395)	--
- Actuarial differences	*17*	(851.481)	(1.293.535)
- Deferred tax income / (expenses)	*26*	164.820	284.577
Total Other Comprehensive Income		**366.300.536**	**(1.008.958)**
Total Comprehensive Income		**331.940.495**	**(23.240.452)**
Distribution of total comprehensive income			
Equity holders of the Company		331.940.495	(23.240.452)
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 2019
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***
Balance at 1 January 2018	**115.000.000**	**13.074.563**	**172.764.682**	**756.802**	**14.025.680**	**120.903.364**	**(13.083.016)**	**423.442.075**
Transfers	--	--	--	--	22.254	(13.105.270)	13.083.016	--
Profit/(loss) for the period	--	--	--	--	--	--	(22.231.494)	(22.231.494)
Accounting policy change	--	--	--	--	--	(292.836)	--	(292.836)
Other comprehensive income	--	--	--	(1.008.958)	--	--	--	(1.008.958)
Balance at 31 December 2018	**115.000.000**	**13.074.563**	**172.764.682**	**(252.156)**	**14.047.934**	**107.505.258**	**(22.231.494)**	**399.908.787**
Balance at 1 January 2019 (Reported)	**115.000.000**	**13.074.563**	**172.764.682**	**(252.156)**	**14.047.934**	**107.505.258**	**(22.231.494)**	**399.908.787**
Accounting policy change (Note 2.3)	**--**	**--**	**--**	**--**	**--**	**(264.478)**	**--**	**(264.478)**
Revised balance at 1 January 2019 (Adjusted)	**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	--	--	--	--	--	--	--	--
- *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**

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

	Notes	**Audited**	**Audited**
		31 December 2019	**31 December 2018**
Net loss for the period		(34.360.041)	(22.231.494)
Adjustments to reconcile cash flows generated from operating activities:			
Depreciation and amortization	*11,12,13*	18.994.018	20.919.252
Provision for employee benefits	*16*	896.922	712.397
Provision for doubtful receivables	*7*	523.518	1.311.120
Investment property revaluation	*11*	(6.071.723)	(9.723.044)
Tax income	*25*	(9.429.868)	(6.647.823)
Interest income	*23*	(22.279.135)	(16.966.346)
Other provisions	*15*	605.309	(2.045.733)
Provisions for unused vacation	*15*	270.976	77.930
Losses for inventories impairment	*9*	3.391.202	(459.970)
Interest expense from leasing transactions		1.126.565	--
Interest expenses	*23*	53.737.814	27.163.628
Operating cash flow before change in assets and liabilities			
Change in assets and liabilities			
Change in trade receivables and other receivables		(63.483.945)	(128.351.163)
Change in inventories		37.825.135	(74.171.224)
Change in prepaid expenses and other current assets and liabilities		(3.597.362)	10.388.047
Change in trade payables and other payables		15.663.911	97.523.666
Change in payables related employee benefits		(426.170)	762.956
Change in deferred income		5.103.441	(5.291.594)
Employee severance indemnity paid	*16*	(782.760)	(2.268.957)
Taxes received / (paid)	*25*	(6.665)	83.663
Net cash used from operations		**(2.298.858)**	**(109.214.689)**
Investing activities			
Change in financial investments		(48.980.061)	186.510
Purchase of property, plant and equipment and intangible assets	*12,13*	(8.501.109)	(13.183.083)
Sales of property, plant and equipment		216.992	83.283
Net cash generated / (used) in investing activities		**(57.264.178)**	**(12.913.290)**
Financing activities			
Financial borrowings, net		109.356.439	133.672.310
Payments related to leasing agreements		(1.145.268)	--
Interest received		22.279.135	16.966.346
Interest paid		(49.439.899)	(23.891.593)
Net cash provided from financing activities		**81.050.407**	**126.747.063**
Net increase/(decrease) in cash and cash equivalents		21.487.372	4.619.084
Cash and cash equivalents at the beginning of the period	*4*	5.541.685	922.601
Cash and cash equivalents at the end of the period	***4***	**27.029.057**	**5.541.685**

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

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

1 Organization and Nature of Operation *(continued)*

As of 31 December 2019, the average number of personnel of the Company is 461 (31 December 2018: 494).

Subsidiaries Included in the Consolidation

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

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

The consolidated financial statements as of 31 December 2019 have been prepared by fully consolidating the subsidiaries stated below to the Company.

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

2 Basis of Presentation of Financial Statements

2.1 Basis of Presentation

(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 on 20 May 2013 and updated on 7 June 2019.

(b) Basis of measurement

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

(c) Correction of financial statements of hyperinflation periods

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

(d) Reporting and Functional Currency

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

(e) Comparative Information

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

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 2019	31 December 2018
USD/TL	5,9402	5,2609
EUR/TL	6,6506	6,0280
GBP/TL	7,7765	6,6528
CHF/TL	6,0932	5,3352

(g) Basis of Consolidation

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

(i) Subsidiaries

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

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

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

2 Basis of Presentation of Financial Statements

2.1 Basis of Presentation *(continued)*

(g) Basis of Consolidation *(continued)*

(ii) Non- controlling interest

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

(iii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus 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 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 for the year ended 31 December 2019 were approved by the management on 10 March 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

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 Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of 1 January 2019 and the first application of the "TFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard.

The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
c) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

   i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;

   ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

   The Group books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and
d) The costs assumed by the Group related to the restoration of the underlying asset to bring it in line with the terms and conditions of the lease (except those assumed for manufacturing inventory).

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

2.3 Changes in Accounting Policies *(continued)*

To apply a cost model, the Group measure the right-of-use asset at cost:

a) Less any accumulated depreciation and any accumulated impairment losses; and
b) Adjusted for any remeasurement of the lease liability

The Group applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment. The Group apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

At the commencement date, The Group measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) Fixed payments, less any lease incentives receivable;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measure the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Facilitative practices

Lease agreements with lease periods of 12 or fewer months, and agreements related to information technology equipment identified as impaired by the Group (mostly printers, laptops, mobile phones and the like), are considered within the scope of the exemption in the TFRS 16 lease standard, and payments related to these agreements continue to be recognized as expenses in the period in which they occur.

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

2.3 Changes in Accounting Policies *(continued)*

First Adoption to IFRS 16

As of January 1, 2019, the first application date of the TFRS 16 "Leases" standard, which replaces the TAS 17 "Leasing Transactions" standard, the Group has recognized the cumulative effect of the first-time application of the standard retrospectively ("cumulative effect method") in previous years' losses. Within the scope of the simplified transition application of the mentioned method defined in the relevant standard, no re-arrangement in the comparative information of the financial statements.

Within the scope of the first application of TFRS 16 "Leases" standard, prior to January 1, 2019, lease commitments were accounted as "lease liability" in the consolidated financial statements in accordance with TAS 17 "Leasing Transactions" standard.

The lease liability in question was measured over at the present value of the lease payments that were not realized as of the date of transition, discounted by using the alternative borrowing interest rate on the Group's first date of application. On the other hand, the right of use assets are accounted for at an amount equal to the lease liability (made in advance or adjusted according to the amount of the rental payments accrued) within the scope of the simplified transition application in the relevant standard.

The Group reflected the effects of TFRS 16 to the financial statements for the first time in the year ended 31 December 2019, and re-measured the impact from the opening as a result of detailed analysis. The effect of the amendment to the previous years' losses of the Group as of 1 January 2019 is as follows:

	Profits of previous years
1 January 2019 (Reported)	**107.505.258**
TFRS 16 Adjustment	(330.596)
- Right-of-use assets (Not 14)	*3.756.368*
- Liabilities from leasing transactions (Not 14)	*(4.086.964)*
Deferred tax effect (Not 25)	66.118
Net Opening Adjustment	**(264.478)**
1 January 2019 (Adjusted)	**107.240.780**

(*)In the year ended 31 December 2019, 1.145.268 TL depreciation expense of Right-of-use assets related to lease agreements was accounted under the cost of sales.

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

2.3 Changes in Accounting Policies *(continued)*

New and Revised Turkish Accounting Standards

The company has applied the new and revised standards and interpretations which are published by TAS and Turkish Financial Reporting Standards effective as of 31 December 2019, those related to its field of activity.

As at 31 December 2019, new standards in force and amendments to existing previous standards and interpretations:

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

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

Amendment to IAS 28, "Investments in associates and joint venture"; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

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

2.3 Changes in Accounting Policies *(continued)*

New and Revised Turkish Accounting Standards *(continued)*

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

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

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

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.3 Changes in Accounting Policies *(continued)*

New and Revised Turkish Accounting Standards *(continued)*

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

- Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement;
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

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

i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) Clarify the explanation of the definition of material; and
iii) Incorporate some of the guidance in IAS 1 about immaterial information.

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

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

IFRS 17, "Insurance contracts"; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.4 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

(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 and comparative periods, useful lives of major property, plant and equipment are as follows:

Explanations	Useful Life
Land improvements	15
Buildings	36-50
Machinery and equipment	3-24
Vehicles	4-7
Furniture and fixtures	3-50
Leasehold improvement	5-17

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.

In current and comparative periods, useful lives of major intangible assets are as follows:

Explanations	Useful Life
Rights	15
Development expenses	10

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 labor law in Turkey, the Company is required to make lump-sum severance indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated without cause or who retire, are called up for military service or die.

In the financial statements, the Company has recognized a liability using the "Actuarial Method". As a result of the adoption of TAS 19 (2011), all actuarial losses are recognized immediately in other comprehensive income. Actuarial gains and losses are recognized over the average remaining working lives of the employees. The employee severance indemnities are discounted to the present value of the estimated future cash flows using the discount rate estimate of qualified actuaries.

Provision for severance pay for each year is calculated based on total gross salary and other benefits. As of 31 December 2019 it is maximum 6.380 TL (31 December 2018: 5.434 TL).

TMS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

(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 Group recognises revenue based on the following five principles in accordance with the TFRS 15, "Revenue from Contracts with Customers Standard"; effective from 1 January 2018:

(1) Identification of customer contracts
(2) Identification of performance obligations
(3) Determination of the transaction price in the contracts
(4) Allocation of transaction price to the performance obligations
(5) Recognition of revenue when the performance obligations are satisfied

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

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers. Following indicators are considered while evaluating the transfer of control of the goods and services:

a) presence of Group's collection right of the consideration for the goods or services,

b) customer's ownership of the legal title on goods or services,

c) physical transfer of the goods or services,

d) customer's ownership of significant risks and rewards related to the goods or services,

e) customer's acceptance of goods or services.

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

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

2.5 Summary of Significant Accounting Policies *(continued)*

(j) Government Subsidies and Incentives

All subsidies and incentives, including non-monetary incentives stated at fair market values, are included in the consolidated financial statements when there is reasonable certainty that the Group will qualify for and receive such subsidies and incentives.

(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)*

(m) 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.

(n) 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. Iplementation 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)*

(n) 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)*

(o) 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.

(p) 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

(q) Segment Reporting

The Group does not conduct segment reporting of financial information since there are no different types of products and different geographical regions which require segment reporting.

(r) Gain or losses from investing activities

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

Investment expense comprises losses from derivative financial instruments and losses from disposal of property and equipment.

(s) Other operating income and expenses

Other operating income comprises of interest income on loans and receivables and trade and other payables accounted by effective interest method, allowance for bad debt receivables which are no longer required, provision for inventories which are no longer required, and foreign exchange differences arising from financial instruments other than debt instruments.

Other operating expenses comprises of interest expenses on loans and receivables and trade and other payables accounted by effective interest method, allowance for bad debt receivables, provision for inventories, and foreign exchange differences arising from financial instruments other than debt instruments.

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)*

(t) 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 IFRS 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 2018.

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

3 Related Parties Disclosures *(continued)*

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 Atık	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
Bayfa	--	--	--	--
Birun Otelcilik	--	--	1.252	--
Reklam Piri	--	--	142.562	--
Other	--	--	--	--
Total	**13.159.275**	**58.512.230**	**8.523.417**	**21.318.467**

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

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

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

3 Related Party Disclosures *(continued)*

Purchases and Expenses

For the periods 1 January – 31 December 2019 and 1 January – 31 December 2018, purchases from the related parties are as follows:

	1 January- 31 December 2019				1 January- 31 December 2018	
Purchases	**Purchasing of goods and commodities**	**Rent**	**Fixed asset**	**Other**	**Purchasing of goods and commodities**	**Rent**
Kademe Atık	26.180.779	--	--	--	43.439.266	--
Albil	694.822	--	149.119	1.279.362	1.388.409	--
Dolu Akaryakıt	431.318	--	--	--	103.229	--
Birlikte Dağıtım	164.810	--	--	--	162.872	--
Platform Turizm	106.578	58.900	--	--	1.760	46.025
Reklam Piri	75.940	--	--	--	77.018	--
Albayrak Holding	--	1.192.227	--	--	--	1.004.403
Ağa Maden	--	--	--	--	--	--
Albayrak İnşaat	--	--	--	--	--	--
Diğer		--	--	--	--	--
Toplam	**27.654.247**	**1.251.127**	**149.119**	**1.279.362**	**45.172.554**	**1.050.428**

Sales and Income

For the periods 1 January – 31 December 2019 and 1 January – 31 December 2018, sales to the related parties are as follows:

	1 January- 31 December 2019				1 January- 31 December 2018		
Sales	**Sales of goods and commodities**	**Interest**	**Rent**	**Other**	**Sales of goods and commodities**	**Interest**	**Other**
Kademe Atık	6.023.344	--	1.278.730	453.146	5.942.770	--	301.031
Somali Limanı	1.367.405	--	--	--	--	--	--
Ereğli Tekstil	725.042	6.189.619	--	1.571.664	4.266.638	4.907.357	--
Albayrak Turizm	48.562	--	--	430.501	78.032	8.914.920	--
Albayrak92	2.901	--	--	--	150.181	--	--
Albil	--	--	--	--	5.247	--	--
Platform Turizm	--	--	--	--	770	--	--
Kazzaz	--	--	--	--	--	--	--
Yeşil Adamlar	--	--	--	14.066	42.562	--	--
Sistemli Dağıtım	--	--	--	3.202	82.685	--	--
Trabzon Liman	--	--	--	--	52.999	19.276	--
Varaka Kağıt	--	--	--	14.066	984.849	2.262.835	--
Toplam	**8.167.255**	**6.189.619**	**1.278.730**	**2.486.645**	**11.606.733**	**16.104.388**	**301.031**

Benefits for Top Management

For the Year Ended 31 December 2019 Benefits provided to top management is TL 1.653.425 TL (2018: 1.314.911 TL)

4 Cash and Cash Equivalents

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

	31 December 2019	31 December 2018
Cash	25	25
Banks		
-Demand Deposit	*27.029.032*	*5.541.660*
Total	**27.029.057**	**5.541.685**

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

5 Financial Investments

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

Financial asset measured at fair value through profit or loss	31 December 2019	31 December 2018
Bonds (*)	53.496.345	5.241.766
Share Certificates	87.770	62.288
Total	**53.584.115**	**5.304.054**

(*) As of 31 December 2019, financial investments consist of 3 months comprised bonds which are issued by Ereğli Tekstil. The Group accounted the related bonds as financial asset measured at fair value through profit or loss.

6 Financial Borrowings

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

	31 December 2019	31 December 2018
Short-Term Borrowings		
Short-Term Bank Loans	213.195.094	165.184.100
Short-Term Portion of Long-Term Loans	939.354	2.219.318
Total	**214.134.448**	**167.403.418**
Long-Term Borrowings		
Long-Term Loans	67.333.062	409.738
Total	**67.333.062**	**409.738**

Bank Loans

	31 December 2019		31 December 2018	
	Effective Int. Rate %	TL Amount	Effective Int. Rate %	TL Amount
Short-Term Borrowings	11,5-16%	213.195.094	15,5-40,5%	165.184.100
Short-Term Portion of Long-Term Borrowings	11,5-17,18%	939.354	15,5-40,5%	2.219.318
Long-Term Borrowings		67.333.062		409.738
Total Borrowings		**281.467.510**		**167.813.156**

As of 31 December 2019, The Group has provided TL 400 million as real estate mortgages and TL 33.986.660 customer cheques for the borrowings. (31 December 2018; TL 12 million as real estate mortgages and TL 20.049.691 worth of customer cheques).

7 Trade Receivables and Payables

Short-Term Trade Receivables

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

	31 December 2019	31 December 2018
Notes Receivables	111.706.404	87.587.590
Customer Current Accounts	89.297.710	69.091.854
Direct Debiting System Receivables (*)	5.418.481	6.087.577
Allowance for Doubtful Receivables (**)	(6.759.652)	(6.236.134)
Total	**199.662.943**	**156.530.887**

(*) Direct debiting system guarantees purchase and sell payments between the Company and Dealers. Dealers purchase transaction according to DBS limit that is identified by the Banks. At the end of maturity, Dealer pays to Bank as a third party and the Bank pays to the Company.

(**) The movement of the allowance for doubtful receivables is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
At 1 January	**(6.236.134)**	**(4.687.992)**
Provision for the Year	(401.049)	(1.311.120)
Expected Credit Loss	(122.469)	(237.022)
Collections	--	--
At 31 December	**(6.759.652)**	**(6.236.134)**

Long-Term Trade Receivables

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

	31 December 2019	31 December 2018
Notes Receivables	2.044.700	4.677.728
Total	**2.044.700**	**4.677.728**

Short-Term Trade Payables

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

	31 December 2019	31 December 2018
Supplier Current Accounts	73.923.982	59.594.334
Notes Payables	9.918.079	25.424.009
Other	5.731.795	15.895.631
Total	**89.573.856**	**100.913.974**

8 Other Receivables and Payables

Other Short-Term Receivables

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

	31 December 2019	31 December 2018
Tax Receivables	1.391.407	810.208
Other	703.961	450.653
Total	**2.095.368**	**1.260.861**

Other Short-Term Payables

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

	31 December 2019	31 December 2018
Deposit and Guarantees	3.189.489	3.926.900
Tax Payables	728.497	560.480
Others	21.795	23.230
Total	**3.939.781**	**4.510.610**

9 Inventories

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

	31 December 2019	31 December 2018
Materials and Spare Parts	87.431.903	88.991.172
Finished Goods	41.054.998	69.581.121
Work in Progress	7.912.145	10.686.584
Goods in Transit	2.992.978	8.228.517
Other Inventories	1.587.321	1.429.619
Merchandise	847.071	734.538
Provision for Impairment (-)	(4.806.890)	(1.415.688)
Total	**137.019.526**	**178.235.863**

As of 31 December 2019 and 31 December 2018, 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 2019	1 January - 31 December 2018
Balance at 1 January	**1.415.688**	**1.875.658**
Within the Period (Canceled) / Realized Provision	3.391.202	(459.970)
At 31 December	**4.806.890**	**1.415.688**

10 Prepaid Expenses and Deferred Income

Prepaid Expenses

Short-Term Prepaid Expenses

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

	31 December 2019	31 December 2018
Advances Given	13.922.696	3.553.898
Prepaid Expenses	5.337.035	964.142
Job Advances	274.931	180.548
Total	**19.534.662**	**4.698.588**

Deferred Income

Short-Term Deferred Income

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

	31 December 2019	31 December 2018
Advances Received	15.587.050	10.483.609
Total	**15.587.050**	**10.483.609**

11 Investment Property

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

	1 January - 31 December 2019	1 January - 31 December 2018
Net Carrying Value		
Balance at 1 January	11.643.262	2.373.804
Revaluation of Investment Property (Note 22)(*)	6.071.723	9.723.044
Accounting Policy Change	--	(453.586)
End of the Period Net Carrying Value	**17.714.985**	**11.643.262**
Cost	--	(453.586)
Accumulated Depreciation	--	--
Accounting Policy Change	--	453.586
End of the Period	**--**	**--**
Balance 1 January	**11.643.262**	**1.920.218**
End of the Period Net Carrying Value	**17.714.985**	**11.643.262**

(*) The fair value of the investment property of the subsidiary in Bakırköy World Trade Center is RM Ritim Gayrimenkul Değerleme A.Ş., authorized by the Capital Markets Board. It was decided 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 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 2018	198.820.280	337.287	14.181.093	88.062.492	7.789.146	19.067.680	1.619.000	11.951.447	341.828.424
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	--	(64.883)	(2.471.162)	(57.612.283)	(5.564.369)	(11.480.512)	--	(4.367.134)	(81.560.342)
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**

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

Movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2018 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 2018	198.820.280	337.287	14.181.093	79.358.030	7.733.009	17.279.667	--	11.951.447	329.660.813
Additions	--	--	--	8.704.462	336.639	1.799.641	1.619.000	--	12.459.742
Disposals	--	--	--	--	(280.502)	(11.629)	--	--	(292.131)
Balance at 31 December 2018	**198.820.280**	**337.287**	**14.181.093**	**88.062.492**	**7.789.146**	**19.067.680**	**1.619.000**	**11.951.447**	**341.828.424**
Accumulated Depreciation									
Balance at 1 January 2018	--	(42.397)	(2.186.089)	(51.456.784)	(4.385.760)	(8.822.651)	--	(3.180.828)	(70.074.509)
Current Period Depreciation Change	--	(22.486)	(285.073)	(6.155.499)	(1.379.804)	(2.665.514)	--	(1.186.306)	(11.694.681)
Disposals	--	--	--	--	201.195	7.653	--	--	208.848
Balance at 31 December 2018	**--**	**(64.883)**	**(2.471.162)**	**(57.612.283)**	**(5.564.369)**	**(11.480.512)**	**--**	**(4.367.134)**	**(81.560.342)**
1 January 2018 Net Carrying Value	**198.820.280**	**294.890**	**11.995.004**	**27.901.246**	**3.347.249**	**8.457.016**	**--**	**8.770.619**	**259.586.304**
31 December 2018 Net Carrying Value	**198.820.280**	**272.404**	**11.709.931**	**30.450.209**	**2.224.777**	**7.587.168**	**1.619.000**	**7.584.313**	**260.268.082**

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

13 Intangible Assets

Intangible assets consist development costs, rights and licenses, and accumulated depreciation. For the periods ended 31 December 2019 and 31 December 2018, movement of intangible assets are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Net Carrying Value		
Balance at 1 January	43.687.733	42.964.392
Additions	1.265.623	723.341
End of the Period	**44.953.356**	**43.687.733**
Cost	(33.375.065)	(24.150.494)
Accumulated Amortization	(6.240.080)	(9.224.571)
End of the Period	**(39.615.145)**	**(33.375.065)**
Balance 1 January	**10.312.668**	**18.813.898**
End of the Period Net Carrying Value	**5.338.211**	**10.312.668**

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 IAS 16 Property, Plant and Equipment while subjecting the right of use to depreciation.

Right of use assets

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

	Vehicles	Total
Cost		
Balance at 1 January	--	--
TFRS 16 first adoption	4.006.792	4.006.792
End of the 31 December 2019	**4.006.792**	**4.006.792**
Accumulated Depreciation		
Balance at 1 January	--	--
TFRS 16 first adoption	(250.424)	(250.424)
Current period depreciation	(333.899)	(333.899)
Additions	--	--
End of the Period	**(584.324)**	**(584.324)**
Balance 1 January	**--**	**--**
End of the Period Net Carrying Value	**3.422.468**	**3.422.468**

14 Leasing Transactions *(cont.)*

Liabilities from rental procedures

Liabilities from rental procedures for the year ended 31 December 2019 is as follows

	31 December 2019	31 December 2018
Liabilities From Leasing Transactions (Short Term)	83.457	--
Liabilities From Leasing Transactions (Long Term)	3.984.804	--
Total	**4.068.261**	**--**

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

	31 December 2019	31 December 2018
Balance at 1 January	**--**	--
TFRS 16 First Adoption (Note 2.3)	4.086.964	--
Additions	--	--
Payments	(1.145.268)	--
Interest Expenses (Not 23)	1.126.565	--
Total	**4.068.261**	--

15 Provisions, Contingent Assets and Liabilities

a) Provisions

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

	31 December 2019	31 December 2018
Warranty Provisions (*)	3.319.916	5.835.467
Provision for Litigation(**)	4.640.495	1.519.635
Short-Term Provisions	**7.960.411**	**7.355.102**

(*) Movement of warranty provisions is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	5.835.467	8.923.360
Current Period Change	(2.515.551)	(3.087.893)
Balance at 31 December	**3.319.916**	**5.835.467**

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

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	1.519.635	477.475
Current Period Change	3.120.860	1.042.160
Balance at 31 December	**4.640.495**	**1.519.635**

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

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

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

Collaterals given by Group (TL Equivalents)	31 December 2019	31 December 2018
A. The total amount of collaterals given on behalf of its own legal entity.	34.174.215	46.262.774
B. The total amount of collaterals given favor of the companies in the scope of full consolidation.	--	--
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities. (*)	694.503.676	815.511.209
D. The total amount of other collaterals given		
i. The total amount of collaterals given in favor of the parent companies.	--	--
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of B and C.	--	--
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C.	--	--
Total	**728.677.891**	**861.773.982**

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

	31 December 2019	31 December 2018
Turkish Lira	704.250.867	839.637.076
USD (TL Equivalent)	162.310	143.749
EURO (TL Equivalent)	24.264.714	21.993.158
Total	**728.677.891**	**861.773.982**

(*) 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.

16 Employee Benefits

Payables Related to the Employee Benefits

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

	31 December 2019	31 December 2018
Staff Payroll Taxes	2.192.100	2.701.043
Social Security Withholdings Payable	921.601	792.889
Wages and Salaries	538.592	584.531
Total	**3.652.293**	**4.078.463**

Short-Term Provisions for Employee Benefits

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

	31 December 2019	31 December 2018
Provision for Unused Vacation	1.679.593	1.408.617
Total	**1.679.593**	**1.408.617**

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

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	1.408.617	1.330.687
Current Period Change	270.976	77.930
Balance at 31 December	**1.679.593**	**1.408.617**

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

Long-Term Provisions for Employee Benefits

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

	31 December 2019	31 December 2018
Provision for Employment Termination Benefits	3.946.890	2.981.247
Total	**3.946.890**	**2.981.247**

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

16 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:

	31 December 2019	31 December 2018
Interest rate	12,00%	15,50%
The estimated wage increase rate	7,50%	11,00%
Net discount rate	4,19%	4,05%

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Movements of employee termination benefits provisions are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Balance at 1 January	**2.981.247**	**3.244.272**
Cost of Services	444.830	365.827
Interest Expense	452.092	346.570
Actuarial Gain/Loss	851.481	1.293.535
Paid	(782.760)	(2.268.957)
Balance at 30 September	**3.946.890**	**2.981.247**

17 Other Assets and Liabilities

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

	31 December 2019	31 December 2018
VAT	9.699.146	20.933.134
Other	915	5.639
Total	**9.700.061**	**20.938.773**

18 Capital, Reserves and Other Equity Components

Paid in Share Capital

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

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

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

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

Actuarial Differences

	31 December 2019	**31 December 2018**
Actuarial Loss Arising From Defined Benefits Plan	(938.817)	(252.156)
Total	**(938.817)**	**(252.156)**

Revaluation Surplus for the Property, Plant and Equipment

	31 December 2019	**31 December 2018**
Revaluation Surplus	539.751.879	172.764.682
Total	**539.751.879**	**172.764.682**

19 Sales and Cost of Sales

Sales and Cost of Sales for the periods ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December2018**
Domestic Sales	354.407.100	406.898.363
Foreign Sales	17.810.381	14.487.722
Other Income	414.134	1.029.624
Gross Sales	**372.631.615**	**422.415.709**
Sales Returns and Discounts (-)	(5.481.444)	(6.418.730)
Net Sales	**367.150.171**	**415.996.979**

Cost of Sales	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Raw Material Expenses	(239.130.776)	(344.208.070)
General Production Expenses	(51.799.767)	(36.038.893)
Depreciation and Amortization Expense	(9.712.401)	(9.424.816)
Personnel Expenses	(7.303.681)	(11.203.174)
Change in Work in Progress	3.805.833	3.805.833
Change in Finished Goods	49.606.775	49.606.775
Cost of Merchandise Sold	(30.195.040)	(951.659)
Cost of other Sales	(29.068.855)	(11.279.768)
Cost of Sales	**(313.797.912)**	**(359.693.772)**
Gross Profit	**53.352.259**	**56.303.207**

The distribution of sales on product basis are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Tractor Sales	304.637.077	360.637.529
Spare Part Sales	25.664.276	26.625.571
Engine Sales	11.355.846	7.137.320
Agricultural Machinery Sales	4.029.329	3.519.907
Equipment Sales	3.798.471	15.874.958
Heavy Construction Equipment Sales	6.368.603	226.583
Other	11.296.569	1.975.111
Total Sales	**367.150.171**	**415.996.979**

20 Operating Expenses

General and Administrative Expenses

General and administrative expenses for the period ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Depreciation and Amortization Expenses	8.375.204	10.576.877
Personnel Expenses	5.669.738	4.847.319
Rent Expenses	689.833	1.051.771
IT Expenses	621.668	718.586
Financial And Legal Consultancy Expenses	553.026	693.324
Energy, Fuel And Water Expenses	286.770	184.461
Travel Expenses	187.627	188.379
Other Expenses	4.297.138	4.506.610
Total	**20.681.004**	**22.767.327**

Marketing Expenses

Marketing expenses for the period ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
After-Sales Service Guarantee Expenses	11.004.199	12.723.774
Premium and Commission Expenses	7.665.272	8.164.955
Personnel Expenses	4.966.841	5.177.821
Promotion Expenses	3.629.121	2.864.923
Sales Transportation Expenses	2.256.819	3.259.021
Depreciation And Amortization Expenses	906.413	917.559
Other	3.951.710	3.008.994
Total	**34.380.375**	**36.117.047**

Research and Development Expenses

Research Expenses for the period ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Personnel Expenses	13.141.750	11.581.423
Raw Materials Expenses	435.656	520.860
Financial and Legal Consultancy Expenses	--	2.835.917
Other	6.682.259	5.170.432
Total	**20.259.665**	**20.108.632**

21 Expense by Nature

Personnel expenses for the period ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Cost of Sales (Note:19)	7.303.681	11.203.174
Research and Development Expenses (Note:20)	13.141.750	11.581.423
General Administrative Expenses (Note:20)	5.669.738	4.847.319
Marketing Expenses (Note:20)	4.966.841	5.177.821
Total	**31.082.010**	**32.809.737**

Depreciation and amortization expenses for the period ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
General Administrative Expenses (Note:20)	8.375.204	10.576.877
Cost of Sales (Note:19)	9.712.401	9.424.816
Marketing Expenses (Note:20)	906.413	917.559
Total	**18.994.018**	**20.919.252**

22 Other Operating Income/Expenses

Other Income

Other operating incomes for the period ended 31 December 2019 and 2018 are as follows:

Other Income	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Change in Fair Value of Investment Property(Note:11)	6.071.723	9.723.044
Research and Development Incentive	3.234.700	3.420.247
Premium and Discount Income	3.107.193	715.762
Rediscount Income	2.676.241	2.350.397
Sales of Scrap and Raw Materials	907.895	1.237.617
Provisions no Longer Required	--	695.264
Other	3.641.996	5.181.673
Total	**19.639.748**	**23.324.004**

22 Other Operating Income/Expenses

Other Expenses

Other operating expenses for the period ended 31 December 2019 and 2018 are as follows:

Other Expenses	**1 January-31 December 2019**	**1 January-31 December 2018**
Provision Expenses (*)	7.035.580	2.593.991
Tax Penalties	184.228	542.737
Donation and Grants	3.850	103.000
Foreign Exchange Loss from Trading Activities	--	7.835.838
Rediscount Expenses	--	6.014.627
Other	1.651.971	2.484.930
Total	**8.875.629**	**19.575.123**

(*) The relevant amount consists of 2018 inventory impairment and doubtful trade receivables provisions.

23 Finance Income and Expenses

Finance Income

Finance income for the Year Ended 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Interest Income from Related Parties	12.127.136	16.104.388
Other	10.151.999	861.958
Total	**22.279.135**	**16.966.346**

Finance Expenses

Finance expenses for the Year Ended 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Interest Expenses	53.737.814	27.163.628
Interest Expenses from Leasing Transactions	1.126.564	--
Total	**54.864.378**	**27.163.628**

24 Income from Investing Activities

Income from investing activities for the period ended 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Profit on sale of properties, plant and equipments	--	258.883
Total	**--**	**258.883**

25 Taxation

The corporation tax rate is 22% in Turkey (31 December 2018: %22). In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2019 are calculated with 22% tax rate for the temporary differences that will be realized in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realized after 2021 and onwards.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length basis, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as a tax deductible for corporate income tax purposes.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax. Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences. Deferred tax liability is presented in related financial tables concerning current tax rates and potential tax rates came into force

25 Taxation *(continued)*

Tax Expense

Tax income/ (expense) for the period ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Income Tax Expense Recognized in Profit or Loss		
Current Tax Expense	--	--
Deferred Tax Income/(Expense)		
Arising from Tax Losses Carried Forward	10.444.940	8.687.011
Arising from Temporary Differences	(1.015.072)	(2.039.188)
	9.429.868	**6.647.823**
Recognized in Other Comprehensive Income		
Deferred Tax Income/(Expense):		
Tax Effects of Actuarial Differences	164.820	284.577
Tax Effect of Revaluation	(50.943.395)	--
Total Tax Effect Income/ (Expense)	**(50.778.575)**	**284.577**
Total Tax Income/(Expense)	**(41.348.707)**	**6.932.400**

(*) With the amendment to Certain Tax Law No: 7061 dated 28 November 2017, exemption of the income from the sale of real estate in equity accounts on Corporation Tax Law has been reduced from 75% to 50%. The deferred tax rate calculated on the temporary differences arising from the land that recognized according to revaluation method of the Company has increase from 5% to 10%.

25 Taxation *(continued)*

Current Period Tax Assets/Liabilities

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

	31 December 2019	31 December 2018
Current Tax Assets	6.665	--
Balance at 31 December	**6.665**	**--**

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

	1 January- 31 December 2019	1 January- 31 December 2018
Balance at 1 January	--	(83.663)
Returned / (Paid) Corporate Tax	(6.665)	83.663
Balance at 31 December	**(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 2019 and 2018. Related reconciliation details are as follows:

		2019		2018
Loss for the Period		(34.283.177)		(22.231.494)
Less: Current Period Tax Income		9.429.868		6.647.823
Loss Before Tax	**%**	**(43.713.045)**	**%**	**(28.879.317)**
Calculated Corporate Tax Via Statutory Rate	22%	9.616.870	22%	6.353.450
Non-Deductible Expenses	(1)%	(325.998)	--	(143.470)
Tax Exception on Sale of Properties	--	--	3%	926.946
Other	0%	138.996	(2)%	(489.103)
Total Tax Income/(Expense) Recognized in Profit or Loss	**22%**	**9.429.868**	**23%**	**6.647.823**

25 Taxation *(continued)*

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

In accordance with the "Law on the Amendment of Certain Tax Acts and Some Other Laws" numbered 7061 and published in Official Gazette on 5 December 2017; the corporate tax rate for the years 2018, 2019 and 2020 has been increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences that will be realized in 2018, 2019 and 2020; and with 20% tax rate for the temporary differences that will be realized after 2021 and onwards.

25 Taxation *(continued)*

Deferred tax *(continued)*

Deferred Tax Asset/Liabilities

As of 31 December 2019 and 31 December 2018, the items attributed to the deferred tax assets and liabilities are as follows:

	Assets		**Liabilities**		**Deferred Tax Assets and Liabilities**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Property, Plant and Equipment and Intangible Asset	990.125	1.213.770	(74.414.550)	(23.422.085)	(73.424.426)	(22.208.315)
Unused Vacation Provision	369.510	309.896	--	--	369.510	309.896
Rediscount on Trade Receivables and Payables	627.098	1.367.923	(33.017)	(185.068)	594.081	1.182.855
Provision for Doubtful Receivables	1.451.831	1.336.657	--	--	1.451.831	1.336.657
Warranty Provision	730.382	1.167.093	--	--	730.382	1.167.093
Employment Termination Indemnities	789.378	596.249	--	--	789.378	596.249
Impairment Adjustments	1.057.516		--	--	1.057.516	--
Provision for Litigation	1.020.909	334.320	--	--	1.020.909	334.320
Impairment for Inventories	--	311.451	--	--	--	311.451
Bank Loans	1.016.044	1.035.433	(1.100.000)	(871.920)	(83.956)	163.513
Leasing Transactions	13.523	--	(16.695)		(3.172)	--
Tax Losses Carried Forward	19.260.261	8.687.011	--	--	19.260.261	8.687.011
Other	--	394.978	(769.195)	--	(769.195)	394.978
Total Deferred Tax Assets/(Liabilities)	**27.326.577**	**16.754.781**	**(76.333.457)**	**(24.479.073)**	**(49.006.881)**	**(7.724.292)**
Set Off of Tax	(27.326.577)	(16.624.796)	27.326.577	16.624.796	--	--
Net Deferred Tax Assets/(Liabilities)	**--**	**129.985**	**(49.006.881)**	**(7.854.277)**	**(49.006.881)**	**(7.724.292)**

25 Taxation *(continued)*

Deferred tax *(continued)*

Assets and Liabilities Related with Deferred Tax

	31 December 2019	**31 December 2018**
Deferred Tax Asset	--	129.985
Deferred Tax Liabilities	(49.006.881)	(7.854.277)
Balance at 31 December	**(49.006.881)**	**(7.724.292)**

The movement of Deferred Tax liabilities are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Balance at 1 January	(7.724.292)	(14.656.692)
Recognized in Profit or Loss	9.429.868	6.647.823
IFRS 16	66.118	--
Recognized in Other Comprehensive Income	(50.778.575)	284.577
Balance at 31 December	**(49.006.881)**	**(7.724.292)**

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 2019	**1 January - 31 December 2018**
The Weighted Average Number of Shares in Existence During the Period (Each 1 TL)	115.000.000	115.000.000
Net Loss for the Period	(34.360.041)	(22.231.494)
Loss per share (TL)	**(0,2988)**	**(0,1933)**

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 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. The details of maximum exposure to credit risk at the reporting date was:

	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**	**199.662.943**	**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	199.662.943	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)*

Credit Risk*(continued)*

	Trade Receivables		**Other Receivables**		**Cash and Cash Equivalents**
31 December 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Deposits in Banks**
Maximum net credit risk as of balance sheet date (A+B+C+D)	**5.786.570**	**156.530.887**	**44.245.862**	**1.260.861**	**5.541.660**
- The Part Of Maximum Risk Under Guarantee With Collateral Etc.	85.779.371	128.623.963	--	--	--
A. Net Book Value Of Financial Assets That Are Neither Past Due Nor Impaired	5.786.570	156.530.887	44.245.862	1.260.861	5.541.660
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)	--	6.236.134	--	--	--
- Impairment (-)	--	(6.236.134)	--	--	--
- 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 2019 and 31 December 2018 based on contractual undiscounted payments (including interest payments not due yet).

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	88.031.237	10.213.993	--
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**	**408.475.324**	**414.801.267**	**116.941.778**	**83.385.969**

31 December 2018	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	167.813.156	168.535.494	18.472.695	149.643.875	418.924
Trade Payables	103.181.000	103.354.332	92.383.912	10.970.420	--
Payables Related To Employee Benefits	4.078.463	4.078.463	4.078.463	--	--
Other Payables	4.510.610	4.510.610	4.510.610	--	--
Total	**279.583.229**	**280.478.899**	**119.445.680**	**160.614.294**	**418.924**

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 Company'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 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	35.170.311	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	2.926.686	492.692	--	--
4. Current Assets (1+2+3)	**71.725.585**	**2.808.879**	**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)	**71.725.585**	**2.808.879**	**8.275.987**	--
10. Trade payables	(7.612.140)	39.598	(1.232.766)	45.171
11. Financial liabilities	(19.602.660)	(3.300.000)	--	--
12a. Other monetary financial liabilities	--	--	--	--
12b. Other non-monetary financial liabilities	(146)	(25)	1	--
13. Short-Term Liabilities (10+11+12)	**(27.214.946)**	**(3.260.427)**	**(1.232.765)**	**45.171**
14. Trade payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	(19.603.656)	(3.300.168)	--	--
16b. Other non-monetary financial liabilities	--	--	--	--
17. Long-Term Liabilities (14+15+16)	**(19.603.656)**	**(3.300.168)**	--	--
18. Total Liabilities (13+17)	**(46.818.602)**	**(6.560.595)**	**(1.232.765)**	**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)	**118.544.186**	**9.369.474**	**9.508.752**	**(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)	**118.544.186**	**9.369.474**	**9.508.752**	**(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)*

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

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

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 2019 and 31 December 2018 would have increased / (decreased) equity and profit or loss, excluding tax effects, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

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	5.565.655	(5.565.655)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	**5.565.655**	**(5.565.655)**
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	6.323.891	(6.323.891)
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	**6.323.891**	**(6.323.891)**
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)	**11.854.419**	**(11.854.419)**

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

Market Risk *(continued)*

(i) Currency Risk *(continued)*

Currency Sensitivity (continued)

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

(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.

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

Market Risk *(continued)*

(ii) Interest rate risk *(continued)*

As of 31 December 2019 and 31 December 2018, the interest rate risk table is presented below:

	Carrying Value	
	31 December 2019	**31 December 2018**
Fixed-Interest Instruments		
Other Receivables from Related Parties (Note: 3)	58.512.230	44.245.862
Financial Liabilities		
-Borrowings (Note: 6)	(281.467.510)	(167.813.156)

Fair value sensitivity analysis for fixed rate instruments:

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect equity items directly.

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 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				
Trade Payables	--	--	98.097.273	98.097.273
Other Payables	--	--	25.258.248	25.258.248
Payables Related To Employee Benefits	--	--	3.652.293	3.652.293

31 December 2018	**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	5.541.685	--	--	5.541.685
Trade Receivables	166.995.185	--	--	166.995.185
Other Receivables	45.506.723	--	--	45.506.723
Financial Investments – Long Term	--	5.304.054	--	5.304.054
Financial Liabilities				
Trade Payables	--	--	103.181.000	103.181.000
Other Payables	--	--	4.510.610	4.510.610
Payables Related To Employee Benefits	--	--	4.078.463	4.078.463

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).

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

None.