

Tümosan Motor ve Traktör Sanayi A.Ş.

and its Subsidiaries

Convenience Translation into English Of Condensed
Consolidated Financial Statements for the Three-Month
Interim Period Ended 31 March 2023

(Originally Issued in Turkish)

Tümosan Motor ve Traktör Sanayi Anonim Şirketi
and its Subsidiaries

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Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position
As at 31 March 2023
Monetary Unit: Turkish Lira (“TL”)

	<i>Notes</i>	Not Audited	Audited
		31 March 2023	31 December 2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	212.837.689	391.596.693
Financial investments	5	388.368.112	252.336.596
Trade receivables			
- <i>Trade receivables from related parties</i>	3	289.985.030	178.401.090
- <i>Trade receivables from non-related parties</i>	7	278.446.404	326.459.898
Other receivables			
- <i>Other receivables from related parties</i>	3	1.272.288	10.502.386
- <i>Other receivables from non-related parties</i>	8	6.685.684	5.039.137
Inventories	9	1.294.350.974	952.867.014
Prepaid expenses	10	100.876.787	75.426.851
Other current assets	17	126.818.321	93.814.304
Total Current Assets		2.699.641.289	2.286.443.969
Non-Current Assets			
Financial investments		700.000	700.000
Other receivables			
- <i>Other receivables from non-related parties</i>	8	170.082	170.082
Property, plant and equipment	12	893.819.997	969.380.256
Intangible assets			
- <i>Other intangible assets</i>	13	28.596.649	20.284.388
Investment property	11	17.714.985	17.714.985
Right of use assets	14	7.098.013	7.296.970
Deferred tax assets	22	422.915	--
Prepaid Expenses		188.314	--
Total Non-Current Assets		948.710.955	1.015.546.681
Total Assets		3.648.352.244	3.301.990.650

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Condensed Consolidated Interim Statement of Financial Position (*continued*)
As at 31 March 2023
Monetary Unit: Turkish Lira (“TL”)

	<i>Notes</i>	Not Audited	Audited
		31 March 2023	31 December 2022
LIABILITIES			
Short Term Liabilities			
Short term borrowings	6	633.900.000	484.367.776
Short term portion of long-term borrowings	6	15.177.593	24.431.911
Trade payables			
- <i>Trade payables to related parties</i>	3	123.817.674	28.715.439
- <i>Trade payables to non-related parties</i>	7	808.356.979	731.499.642
Payables related to employee benefits	16	30.543.435	15.808.832
Other payables			
- <i>Other Payables to Related Parties</i>	3	2.360	2.360
- <i>Other payables to non-related parties</i>	8	8.065.572	9.608.264
Deferred income	10	109.011.834	182.736.655
Current period profit tax liability		94.109.698	74.979.999
Short term provisions			
- <i>Short term provisions for employee benefits</i>	16	8.042.146	6.915.876
- <i>Other short-term provisions</i>	15	41.079.176	30.530.643
Liabilities from leasing transactions		897.215	798.957
Other short-term liabilities		47.079	--
Total Short-Term Liabilities		1.873.050.761	1.590.396.354
Long term borrowings	6	26.105.942	26.841.219
Liabilities from leasing transactions	14	7.694.430	7.983.321
Other payables			
- <i>Other payables to non-related parties</i>	8	174.365	348.730
Long term provisions			
- <i>Long term provisions for employee benefits</i>	16	19.091.369	15.413.349
Deferred tax liability	22	28.599.411	39.085.536
Total Long-Term Liabilities		81.665.517	89.672.155
Total Liabilities		1.954.716.278	1.680.068.509
Equity Attributable to the Owners of the Company	18	1.685.324.856	1.621.922.141
Paid-in capital		115.000.000	115.000.000
Share premium		13.074.563	13.074.563
Accumulated other comprehensive income			
- <i>Items will not be reclassified in profit or loss</i>		732.329.018	742.197.919
Restricted reserves		20.555.692	20.555.692
Retained earnings		731.093.967	153.647.068
Net profit for the period		81.582.726	577.446.899
Total Equity		1.693.635.966	1.621.922.141
Total Equity and Liabilities		3.648.352.244	3.301.990.650

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

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

Condensed Consolidated Interim Statement of Profit or Loss

For the Three-Month Period Ended 31 March 2023

Monetary Unit: Turkish Lira (“TL”)

	<i>Notes</i>	Not Audited	Not Audited
		1 January- 31 March 2023	1 January- 31 March 2022
Revenue	19	1.080.221.856	512.287.957
Cost of sales (-)	19	(793.546.063)	(326.230.850)
Gross profit		286.675.793	186.057.107
General administrative expenses (-)	20	(18.821.526)	(7.696.799)
Marketing expenses (-)	20	(96.466.426)	(30.431.635)
Research and development expenses (-)	20	(16.597.307)	(9.908.149)
Other operating income		38.594.359	11.977.043
Other operating expenses (-)		(44.723.887)	(12.007.317)
Operating profit		148.661.006	137.990.250
Incomes from investment activities	5	--	4.163.187
Expenses from investment activities	5	(38.968.939)	--
Operating profit before financial expenses, net		109.692.067	142.153.437
Financial income	21	11.920.303	703.206
Financial expenses (-)	21	(22.793.611)	(23.319.148)
Financial expenses, net		(10.873.308)	(22.615.942)
Profit before tax		98.818.759	119.537.495
Tax income	22	(17.236.033)	(22.315.955)
- Current tax expense for the period		(25.677.848)	(24.951.435)
- Deferred tax income		8.441.815	2.635.480
Profit for the period		81.582.726	97.221.540

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Condensed Consolidated Interim Statement of Other Comprehensive Income
For the Three-Month Period Ended 31 March 2023
Monetary Unit: Turkish Lira (“TL”)

	<i>Notes</i>	Not Audited	Not Audited
		1 January- 31 March 2023	1 January- 31 March 2022
Profit for the period		81.582.726	97.221.540
Portion of other comprehensive income			
<u>Will not be reclassified to profit or loss</u>			
- Remeasurement Losses on Defined Benefit Plans	<i>16</i>	(12.336.126)	(2.407.070)
- Deferred tax income	<i>22</i>	2.467.225	481.414
Total other comprehensive income		(9.868.901)	(1.925.656)
Total comprehensive income		71.713.825	95.295.884
Distribution of total comprehensive income			
Parent company interest		71.713.825	95.295.884
Distribution of profit of current period			
Parent company interests		81.582.726	97.221.540
Number of shares	<i>23</i>	115.000.000	115.000.000
Earnings per share	<i>23</i>	0,7094	0,8454

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Condensed Consolidated Interim Statement of Change in Equity
For the Three-Month Period Ended 31 March 2023
Monetary Unit: Turkish Lira (“TL”)

	<i>Accumulated Other Comprehensive Income</i>							<i>Total of Equity</i>
	<i>Paid-In Capital</i>	<i>Stock Issuance Premiums</i>	<i>Revaluation Reserves</i>	<i>Actuarial Differences</i>	<i>Restricted Reserves</i>	<i>Retained Earnings</i>	<i>Net Profit/(Loss)</i>	
Balance at 1 January 2022	115.000.000	13.074.563	703.162.586	(1.434.010)	14.217.341	109.414.978	50.570.441	1.004.005.899
Transfers	--	--	--	--	--	50.570.441	(50.570.441)	--
Profit for the period	--	--	--	--	--	--	97.221.540	97.221.540
Other comprehensive income	--	--	--	(1.925.656)	--	--	--	(1.925.656)
Balance at 31 March 2022	115.000.000	13.074.563	703.162.586	(3.359.666)	14.217.341	159.985.419	97.221.540	1.099.301.783
Balance at 1 January 2023	115.000.000	13.074.563	748.695.110	(6.497.191)	20.555.692	153.647.068	577.446.899	1.621.922.141
Transfers	--	--	--	--	--	577.446.899	(577.446.899)	--
Profit for the period	--	--	--	--	--	--	81.582.726	81.582.726
Other comprehensive income	--	--	--	(9.868.901)	--	--	--	(9.868.901)
Balance at 31 March 2023	115.000.000	13.074.563	748.695.110	(16.366.092)	20.555.692	731.093.967	81.582.726	1.693.635.966

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

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

Condensed Consolidated Interim Statement of Cash Flow

For the Three-Month Period Ended 31 March 2023

Monetary Unit: Turkish Lira ("TL")

	<i>Notes</i>	Not Audited	Not Audited
		1 January- 31 March 2023	1 January- 31 March 2022
Net profit for the period		81.582.726	97.221.540
Adjustments to reconcile cash flows generated from operating activities:			
Adjustment related to Depreciation and amortization	<i>12,13,14</i>	84.907.746	18.675.196
Adjustment related to Provision for employee benefits	<i>16</i>	1.688.780	743.359
Adjustment related to Provision for doubtful receivables		(10.378.048)	(2.364.606)
Adjustment related to Fair value changes of financial investments		38.968.939	(165.746)
Tax losses	<i>22</i>	17.236.033	22.315.955
Adjustment related to Gain on sales of plant, property and equipment		(5.272.760)	(182.521)
Credit Interest incomes		(11.920.303)	(4.700.647)
Provision of guarantee and litigation		10.548.533	(1.811.513)
Provisions for unused vacation		1.126.270	1.252.900
Adjustment related to Provision/(cancel) of inventory impairment		--	160.690
Interest expenses from leases transactions	<i>14</i>	269.204	238.810
Bank Interest expenses	<i>21</i>	22.524.407	23.080.338
Net Cash Provided by Operating Activities Before Changes in Operating Assets and Liabilities			
Changes in assets and liabilities			
Change in trade receivables and other receivables		(52.156.996)	(124.076.153)
Change in inventories		(341.483.960)	(114.244.344)
Change in prepaid expenses and other current assets and liabilities		(58.595.188)	(27.135.664)
Change in trade payables and other payables		170.242.515	121.101.497
Change in payables related employee benefits		14.734.603	1.536.731
Change in deferred income		(73.724.821)	(16.306.252)
Employee severance indemnity paid	<i>16</i>	(10.346.886)	(509.566)
Cash outflow related to payments related to leasing agreements	<i>14</i>	(459.837)	(377.049)
Net cash used from operations		(120.509.043)	(5.547.045)
Investing activities			
Cash Outflows from the Sale of Shares or Debt Instruments of Other Businesses or Funds		(175.000.455)	--
Cash Inflows from the Sale of Shares or Debt Instruments of Other Businesses or Funds		--	18.107
Purchase of property, plant and equipment and intangible assets	<i>12,13</i>	(17.497.718)	(58.492.785)
Sales of property, plant and equipment and intangible assets		5.309.687	182.522
Net cash generated / (used) in investing activities		(187.188.486)	(58.292.156)
Net Cash Used in Financial Activities			
Changes in debts		139.645.887	91.776.242
Interest received		11.920.303	703.206
Interest paid		(22.627.665)	(22.693.378)
Net cash provided from financing activities		128.938.525	69.786.070
Net increase in cash and cash equivalents		(178.759.004)	5.946.869
Cash and cash equivalents at the beginning of the period	<i>4</i>	391.596.693	45.945.232
Cash and cash equivalents at the end of the period	4	212.837.689	51.892.101

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

Tümosan Motor ve Traktör Sanayi A.Ş. and its Subsidiaries
Notes to the Condensed Consolidated Interim Financial Statements
As at and for the Three-Month Period Ended 31 March 2023
Monetary Unit: Turkish Lira (“TL”)

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1 Organization and Nature of Operation

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

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

Four companies participated in the privatization tender of the Company held on 24 April 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 March 2023	31 December 2022
Name/ Title	Shareholding Rates %	Shareholding Rates %
Ereğli Tekstil Turizm Sanayi ve Ticaret A.Ş.	60,87	60,87
Muzaffer Albayrak	1,74	1,74
Ahmet Albayrak	1,74	1,74
Bayram Albayrak	1,74	1,74
Nuri Albayrak	1,74	1,74
Kazım Albayrak	1,74	1,74
Mustafa Albayrak	1,74	1,74
Share publicly open in stock exchange	28,69	28,69
Total	100,00	100,00

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

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

As of 31 March 2023, The Company has 627 personnel (31 December 2022: 581).

Subsidiaries Included in the Consolidation

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

TTM Tümosan Teknoloji Mühendislik Sanayi ve Ticaret A.Ş.: The company engages 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. Company not actively operate as of the reporting date. (Former Title: Tümosan Savunma A.Ş.).

Tümosan Teknoloji Mühendislik Sanayi Ticaret A.Ş.: The Company was established through a partial demerger with the determination of the expert report dated 11 December 2020, and its registration in the trade registry on 5 April 2022, by Tümosan Motor and Traktör Sanayi A.Ş

The activities of the Company are to carry out R&D activities in technology and engineering, develop new products, make prototypes, provide technical consultancy and develop software, participate in all kinds of domestic and international tenders for the Ministry of National Defense and other public institutions, based on the main contract, in other activities.

The condensed consolidated interim financial statements as of 31 March 2023 prepared by fully consolidating the subsidiaries stated below to the Company.

Company	Rate of Control	
	31 March 2023	31 December 2022
Tümosan Döküm A.Ş.	100%	100%
TTM Tümosan Teknoloji Mühendislik San. ve Tic. A.Ş.	100%	100%
Tümosan Teknoloji Mühendislik San. Tic. A.Ş.	100%	100%

2 Basis of Presentation of Financial Statements

2.1 Basis of Presentation

(a) Basis of presentation of financial statements

As of 31 March 2023, The condensed consolidated interim financial statements and disclosures have been prepared in accordance with the communique numbered II-14, 1 “Comunique” 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”).

The consolidated financial statements are presented in accordance with the formats specified in the TFRS Taxonomies published by the Public Oversight Accounting and Auditing Standards Authority and the Financial Statements Sample and Usage Guide published by the Capital Markets Board.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for tangible fixed assets, which are measured at fair values.

(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. Therefore, as of January 1, 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” has not been applied in the accompanying condensed consolidated interim financial statements.

In accordance with the announcement made by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, the cumulative change in general purchasing power over the last three years according to the Consumer Price Index is 74.41%. Therefore, businesses applying Turkish Financial Reporting Standards are not required to make any adjustments under the TFRS 29 Standard for Financial Reporting in Hyperinflationary Economies for their financial statements for the year 2022. Hence, the consolidated financial statements as of December 31, 2022 were prepared without an inflation adjustment in accordance with TFRS 29.

(d) Reporting and functional currency

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

(e) Comparative information

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

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

2.1 Basis of Presentation (continued)

(f) Foreign currency transactions

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

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

(g) Basis of consolidation

As of 31 March 2023, and 31 December 2022, the consolidated financial statements include the accounts of the Company and its subsidiaries.

(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 March 2023 and 31 December 2022 for all subsidiaries directly controlled by the Group and included in the scope of consolidation:

Company	Rate of Control	
	31 March 2023	31 December 2022
Tümosan Döküm A.Ş.	100%	100%
TTM Tümosan Teknoloji Mühendislik San. ve Tic. A.Ş.	100%	100%
Tümosan Teknoloji Mühendislik San. Tic. A.Ş.	100%	100%

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

2.1 Basis of Presentation *(continued)*

(g) Basis of consolidation *(continued)*

(ii) Non- controlling interest

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

(iii) Loss of Control

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

(iv) Consolidation adjustments

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

2.2 Statement of Compliance to TFRS

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

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

The interim summary consolidated financial statements of the Group as of March 31, 2023, were approved by the Company's Board of Directors on May 10, 2023.

The interim summary consolidated financial statements for the three-month interim period ending on March 31, 2023, have been prepared in accordance with TFRS 34 'Interim Financial Reporting.' Interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements prepared by the Company as of December 31, 2022.

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2 Basis of Presentation of Financial Statements (continued)

2.3 Changes in Accounting Policies

The accounting policies adopted for the preparation of the interim summary consolidated financial statements for the interim period ending on March 31, 2023, are consistent with those used in the previous year, except for new and amended TFRS (Turkish Financial Reporting Standards) and TFRS Interpretations, which became effective as of January 1, 2023. The effects of these standards and interpretations on the Group's financial position and performance are disclosed in the relevant paragraphs.

a) New standards, amendments and interpretations effective from 2022

TFRS 3 (Amendments)	Attribution to Conceptual Framework
TAS 16 (Amendments)	Tangible Assets – Aimed pre-operational earnings
TAS 37 (Amendments) – Cost of fullfilment contracts	Economically disadvantage contracts
TFRS annual therapeutic 2018 – 2020	TFRS 1, TFRS 9 and TAS 41 Amendments
TFRS 16 (Amendments) Beyond June 30, 2021 on Lease Payments	COVID-19-Related Rent Concessions

TFRS 3 Amendments – Attribution to Conceptual Framework

This change updates a reference in TFRS 3 - Financial Reporting Framework without significantly altering the provisions of the standard.

These changes are applicable for annual reporting periods beginning on or after January 1, 2022. Early adoption is permitted when applied together with the previously made reference updates in the Conceptual Framework.

TAS 16 (Amendments) Tangible Assets – Aimed Pre-Operational Earnings

These changes prohibit offsetting the revenues generated from the sales of items produced while bringing the relevant tangible asset to the intended condition and location for operation by management against the cost of the asset. Instead, such sales revenues and related costs are required to be recognized in profit or loss.

These changes are effective for annual reporting periods beginning on or after January 1, 2022. Early adoption is permitted.

TAS 37 (Amendments) Economically disadvantage contractrs – Cost of fullfilment contracts

With the amendment in TAS 37, it is stipulated that the determination of whether a contract is economically disadvantageous is based on the estimated costs of fulfilling the contract, which consist of amounts distributed from both the variable costs incurred to fulfill the contract and other costs directly related to fulfilling the contract.

This change is applicable for annual reporting periods beginning on or after January 1, 2022, and early adoption is allowed.

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

2.3 Changes in Accounting Policies *(continued)*

a) New standards, amendments and interpretations effective from 2022 *(continued)*

TFRS Annual Therapeutic 2018 – 2020

TFRS 1 Amendment on First Execution in Türkiye Financial Reporting Standarts

The amendment made to TFRS 1 expands the scope of the recognized exemption in measuring the assets and liabilities of a subsidiary that starts applying TFRSs at a date later than its parent company, as stated in paragraph D16(a) of the standard. This expansion includes cumulative translation differences. As a result, the application costs for those entities adopting TFRSs for the first time are reduced.

TFRS 9 Amendment in Financial Instruments

This change provides clarity in the assessment of whether a financial liability should be derecognized from the balance sheet. It includes fees paid or received by either the debtor or the creditor on behalf of others in addition to fees paid or received between the debtor and creditor.

TFRS 16 (Amendments) COVID-19-Related Rent Concessions Beyond June 30, 2021 on Lease Payments"

The Public Oversight, Accounting and Auditing Standards Authority (POA) published the "Amendments to TFRS 16 Leases - COVID-19-Related Rent Concessions Beyond June 30, 2021 on Lease Payments" in June 2020. These amendments extended the exemption for one more year, allowing lessees not to assess whether specific concessions granted due to COVID-19 in their lease payments represent lease modifications or not, through June 30, 2021.

When the amendment was initially published, the relief application was applicable only if any reduction in lease payments affected only payments that were originally due on or before June 30, 2021. Due to lessors continuing to provide rent concessions related to COVID-19 and the ongoing impact of the COVID-19 pandemic with significant effects, POA extended the period during which the relief application could be used by one more year.

This new amendment is applicable for lessees for annual reporting periods beginning on or after April 1, 2021, and early adoption is allowed.

The group management has assessed that these changes and interpretations, which became effective in 2022, have no impact on the Group's consolidated financial statements.

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

2.3 Changes in Accounting Policies *(continued)*

b) Changes and interpretations introduced to existing prior standards and standards not yet in effect

Group have not executed changes and interpretations introduced to existing prior standards and standards not yet in effect yet:

- | | |
|------------------------|--|
| - TFRS 17 (Amendments) | <i>Insurance Contracts</i> |
| - TAS 1 (Amendments) | <i>Classification of Liabilities as Short or Long Term</i> |
| - TFRS 4 (Amendments) | <i>Extension of the Temporary Exemption Period for the Application of TFRS 9</i> |
| - TAS 1 (Amendments) | <i>Disclosure of Accounting Policy</i> |
| - TAS 8 (Amendments) | <i>Definition of Accounting Estimates</i> |
| - TAS 12 (Amendments) | <i>Related to Equity and Liabilities because of One Transaction</i> |
| - TFRS 17 (Amendments) | <i>Insurance Contracts with TFRS 17 and</i> |
| - TFRS 16 (Amendments) | <i>Lease Liability in Sale and Lease Back</i> |
| - TAS 1 (Amendments) | <i>Long-term Liabilities Contain</i> |
| | <i>Credit Contact Terms</i> |

TFRS 17 Insurance Contracts

TFRS 17 requires the measurement of insurance liabilities at their present value and provides a more consistent measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting for insurance contracts. TFRS 17 will replace TFRS 4 Insurance Contracts as of January 1, 2023.

TAS 1 (Amendments) Classification of Liabilities as Short or Long Term

The purpose of these changes is to assist companies in their decision-making process regarding whether certain non-current liabilities and other obligations that do not have a specific maturity date should be classified as short-term (expected to be paid within one year) or long-term in the financial statement. This ensures consistent application of the requirements of the standard.

The changes made in TAS 1 will be applied for annual reporting periods beginning on or after January 1, 2023, with a one-year deferral, and early adoption is also permitted.

TFRS 4 (Amendments) TFRS 9 Extension of the Temporary Exemption Period for Application

With the postponement of the effective date of TFRS 17 to January 1, 2023, the revised end date for the temporary exemption period for the application of TFRS 9 for insurance companies has also been revised to January 1, 2023.

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

2.3 Changes in Accounting Policies *(continued)*

b) Changes and interpretations introduced to existing prior standards and standards not yet in effect *(continued)*

TAS 1 (Amendment) Disclosure of Accounting Policies

This change requires companies to base their accounting policy disclosures on materiality, emphasizing the significance of the information disclosed.

The changes made to TAS 1 will be applied for annual reporting periods beginning on or after January 1, 2023, and early adoption is also allowed.

TAS 8 (Amendment) Definition of Accounting Estimates

With this change, the definition of "change in accounting estimates" has been replaced with the definition of "accounting estimate," and additional explanatory paragraphs and examples related to estimates have been added. Furthermore, it clarifies the distinction between the prospective application of estimates and the retrospective correction of errors.

The changes made to TAS 8 will be applied for annual reporting periods beginning on or after January 1, 2023, and early adoption is also allowed.

TAS 12 (Amendment) Deferred Tax Related to Equity and Liabilities because of One Transaction

These changes clarify that the exemption regarding the initial recognition of an asset or liability does not apply in cases where equal taxable and deductible temporary differences arise at the time when the asset or liability is initially recorded.

The changes made to TAS 12 will be applied for annual reporting periods beginning on or after January 1, 2023, and early adoption is also allowed.

TFRS 17 (Amendment) Insurance Contracts with TFRS 17 and TFRS 9 first implement– Comparative informations

Changes have been made to TFRS 17 with the aim of reducing implementation costs, facilitating disclosures, and easing the transition process.

Additionally, there is a change related to comparative information, allowing companies that initially apply both TFRS 7 and TFRS 9 simultaneously to present comparative information for their financial assets as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset previously.

Amendments will implement when TFRS 17 first time implemented.

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

2.3 Changes in Accounting Policies *(continued)*

b) Changes and interpretations introduced to existing prior standards and standards not yet in effect *(continued)*

TFRS 16 (Amendment) Lease Liability in Sale and Lease Back

These changes in TFRS 16 explain how a seller-lessee subsequently measures sale and leaseback transactions that meet the requirements for accounting as sales under TFRS 15.

The changes made to TFRS 16 will be applied for annual reporting periods beginning on or after January 1, 2023, and early adoption is also allowed.

TAS 1 (Amendment) Long-term Liabilities Contain Credit Contact Terms

The changes in TAS 1 explain how an entity's obligations that must be met within twelve months after the reporting period affect the classification of a liability.

The changes made to TAS 1 will be applied for annual reporting periods beginning on or after January 1, 2023, and early adoption is also allowed.

The standard assesses the potential effects of these changes and improvements on the Group's consolidated financial position and performance.

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 Group's estimates.

2.5 Summary of Significant Accounting Policies

The CMB has permitted publicly traded companies to apply the full set or condensed presentation of their interim financial statements in accordance with TAS 34 "Interim Financial Statements". Accordingly, the Group prepared the condensed presentation of the financial statements at the interim period ending 31 March 2023.

In respect of the relevant notification the required disclosures and notes that should be included in the annual financial statements prepared in accordance with TAS / TFRS are summarized or not presented in accordance with TAS 34. The accompanying condensed consolidated interim financial statements should be read together with audited consolidated financial statements as at and for the year ended 31 December 2022.

The Group continued to apply the accounting policies and accounting estimates as stated in the consolidated financial statements as of December 31, 2022, in the interim summary consolidated financial statements.

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3 Related Parties Disclosures

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

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

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

<u>Related Party</u>	<u>Definition</u>
Ereğli Tekstil Turizm San. ve Tic. A.Ş. ("Ereğli Tekstil")	Shareholder
Albayrak Holding A.Ş. ("Albayrak Holding")	Related Party
Albayrak Turizm Seyahat İnşaat Tic. A.Ş. ("Albayrak İnşaat")	Related Party
Albil Merkezi Hizmetler ve Ticaret A.Ş. ("Albil")	Related Party
Albayrak92 Private Ltd. ("Albayrak92 Private")	Related Party
Alport Conakry S.A. ("Alport Conakry")	Related Party
Asist Oto Yedek Parça Sanayi ve Ticaret A.Ş. ("Asist Oto")	Related Party
Bayfa Geri Dönüşüm A.Ş. ("Bayfa")	Related Party
Birlikte Dağıtım A.Ş. ("Birlikte Dağıtım")	Related Party
Birun Otelcilik A.Ş. ("Birun Otelcilik")	Related Party
Dolu Akaryakıt Pazarlama A.Ş. ("Dolu Akaryakıt")	Related Party
Güneş Turizm Sanayi İnşaat ve Tic.A.Ş. ("Güneş Turizm")	Related Party
Kademe Atık Teknolojileri San.A.Ş. ("Kademe Atık")	Related Party
Ketebe Kitap ve Dergi Yayıncılığı A.Ş. ("Ketebe")	Related Party
Mezra Ziraat A.Ş. ("Mezra Ziraat")	Related Party
Nakil Lojistik A.Ş. ("Nakil Lojistik")	Related Party
Plaket Yapı Turizm San ve Tic. Ltd. Şti. ("Plaket Yapı")	Related Party
Platform Tur. Taş. Gıda İnş. Tem. Hiz. San.ve Tic. A.Ş. ("Platform Turizm")	Related Party
Piri Medya A.Ş. ("Piri Medya")	Related Party
Reklam Piri Medya İletişim A.Ş. ("Reklam Piri")	Related Party
Sukkar Şeker Üretim A.Ş. ("Sukkar Şeker")	Related Party
Trabzon Liman İşletmeciliği A.Ş. ("Trabzon Liman")	Related Party
Varaka Kağıt Sanayi A.Ş. ("Varaka Kağıt")	Related Party
Yeşil Adamlar Atık Yönetimi ve Taşımacılık A.Ş. ("Yeşil Adamlar")	Related Party
Transbaş Trabzon Serbest Bölge İşletmeciliği A.Ş. ("Transbaş")	Related Party
Mogadishu Alport ("Mogadishu")	Related Party
Albayrak Construction Sarlu. ("Albayrak Construction Sarlu")	Related Party
Albayrak Agro-Business-Sarlu. ("Albayrak Agro - Business – Sarlu")	Related Party
Albayrak Vakfi ("Albayrak Vakfi")	Related Party

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3 Related Parties Disclosures (continued)

As of 31 March 2023, details regarding the related parties and significant balances are as follows:

31 March 2023	Receivables		Payables	
	Short-Term		Short-Term	
	Trade	Other	Trade	Other
Kademe Atık	150.647.383	--	96.156.206	--
Albayrak İnşaat	81.104.961	--	30.656	--
Varaka Kağıt	51.105.096	--	15.681.553	--
Mezra	2.224.659	--	--	--
Alport Conakry	1.304.637	--	--	--
Mogadishu	1.283.840	--	--	--
Yeşil Adamlar	641.848	--	--	--
Asist Oto	621.585	--	--	--
Albayrak Construction Sarlu	381.544	--	--	--
Albayrak Agro - Business - Sarlu	325.272	--	--	--
Dolu Akaryakıt	170.915	--	--	--
Ketebe	92.112	--	--	--
Transbaş	60.568	--	--	--
Nakil Lojistik	15.750	--	--	--
Trabzon Liman	4.248	--	2.596.113	--
Ereğli Tekstil	612	--	--	--
Albil	--	1.254.908	--	2.360
Plaket Yapı	--	17.380	--	--
Birlikte Dağıtım	--	--	8.361.876	--
Platform	--	--	621.388	--
Reklam Piri	--	--	218.300	--
Piri Medya	--	--	118.021	--
Albayrak Somali Liman	--	--	33.561	--
Plaket Yapı	--	--	--	--
Total	289.985.030	1.272.288	123.817.674	2.360

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3 Related Parties Disclosures (continued)

As of 31 December 2022, details regarding the related parties and significant balances are as follows:

31 December 2022	Receivables		Payables	
	Short-Term		Short-Term	
	Trade	Other	Trade	Other
Kademe	85.949.457	--	1.537	--
Albayrak İnşaat	72.827.790	7.805.998	30.656	--
Varaka Kağıt	15.581.242	--	18.071.986	--
Mogadishu	1.253.819	--	--	--
Alport Conakry	875.729	--	--	--
Asist Oto	699.387	--	--	--
Yeşil Adamlar	629.248	--	--	--
Albayrak Construction Sarlu	365.638	--	--	--
Albayrak Agro - BUSINESS - SARLU	163.790	--	--	--
Dolu Akaryakıt	46.809	--	--	--
Transbaş	7.875	--	--	--
Trabzon Liman	306	--	--	--
Ereğli Tekstil	--	2.679.008	--	2.360
Albil	--	--	5.771.186	--
Birlikte Dağıtım	--	--	331.199	--
Reklam Piri	--	--	247.720	--
Piri Medya	--	--	950	--
Nakil Lojistik	--	--	4.260.205	--
Plaket Yapı	--	17.380	--	--
Total	178.401.090	10.502.386	28.715.439	2.360

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3 Related Party Disclosures (continued)

Purchases and Expenses

For the periods 1 January – 31 March 2023 and 1 January – 31 March 2022, purchases from the related parties are as follows:

Purchase	1 January- 31 March 2023		1 January- 31 March 2022	
	Purchase of Goods and Service	Other	Purchase of Goods and Service	Other
Kademe Atık	122.231.251	--	48.878.091	58.995
Varaka Kağıt	18.095.989	--	6.101.577	--
Albil	3.172.228	1.259.344	1.511.894	36.745
Dolu Akaryakıt	990.006	--	1.140.848	--
Birlikte Dağıtım	831.200	--	366.088	--
Nakil	7.175.640	--	162.682	--
Platform	--	318.270	116.000	--
Asist Oto	80.982	--	--	--
Reklam Piri	6.845	--	56.640	--
Ketebe Kitap	8.300	--	--	--
Piri Medya	28.962	--	--	--
Total	152.621.403	1.577.614	58.333.820	95.740

Sales and Income

For the periods 1 January – 31 March 2023 and 1 January – 31 March 2022 sales to the related parties are as follows:

Sales	1 January- 31 March 2023		1 January- 31 March 2022	
	Sale of Goods and Service	Other	Sale of Goods and Service	Other
Kademe	24.057.740	312.150	10.571.206	2.096.699
Albayrak Turizm	58.137	--	30.862	--
Asist Oto	117.230	--	18.771	10.249
Ketebe Kitap	--	59.629	--	38.547
Ereğli Tekstil	1.050.465	--	--	--
Mezra Ziraat	2.057.280	--	--	--
Sukkar	275.654	--	--	--
Alport Conakry	389.317	--	--	--
Varaka Kağıt	--	22.500	--	--
Total	28.026.964	394.279	10.620.839	2.145.495

Benefits for Top Management

For the three-month period ended 31 March 2023 benefits provided to top management is TL 2.138.104 (1 January-31 March 2022 – TL 704.425)

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4 Cash and Cash Equivalents

As of 31 March 2023, and 31 December 2022, cash and cash equivalents are as follows:

	31 March 2023	31 December 2022
Banks		
-Demand deposit	212.837.689	391.596.693
Total	212.837.689	391.596.693

As of 31 March 2023, there is no account under any blockage or pledge (31 December 2022: None).

5 Financial Investments

As of 31 March 2023 and 31 December 2022, short term financial investments are as follows:

	31 March 2023	31 December 2022
Investment Funds (*)	388.368.112	252.336.596
Total	388.368.112	252.336.596

(*)As of March 31, 2023, the investment funds consist of investments in Target Portfolio Free Funds acquired through Group's Target Portfolio Management Inc. These investments are accounted for as financial assets measured at fair value through profit or loss. The total nominal amount of funds held by the Group is 67,154,912, with a fair value of 388,368,112 TL (fair value as of December 31, 2022: 252,336,596 TL)

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6 Financial Borrowings

As of 31 March 2023 and 31 December 2022, financial borrowings of The Group are as follows:

	31 March 2023	31 December 2022
Short-Term Bank Loans	633.900.000	484.367.776
Short-Term Portion of Long-Term Loans	15.177.593	24.431.911
Total	649.077.593	508.799.687

Long-term Financial Borrowings

Long-Term Loans	26.105.942	26.841.219
Total	26.105.942	26.841.219

Bank Loans

	31 March 2023		31 December 2022	
	Effective Int. Rate %	TL Amount	Effective Int. Rate %	TL Amount
Short-Term Borrowings -Turkish Lira	7,50-18,14%	633.900.000	7,50-18,14%	484.367.776
Short-Term Portion of Long-Term Borrowings -Turkish Lira	12,97-18,14%	15.177.593	12,97-18,14%	24.431.911
Long-Term Borrowings -Turkish Lira	12,97-18,14%	26.105.942	12,97-18,14%	26.841.219
Total Loans		675.183.535		535.640.906

As of 31 March 2023, The Group has real estate mortgages totaling 420,000,000 TL related to the loans it has used (31 December 2022; TL 420,000,000 as real estate mortgages).

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7 Trade Receivables and Payables

Short-Term Trade Receivables

As of 31 March 2023 and 31 December 2022, short-term trade receivables from non-related parties are as follows:

	31 March 2023	31 December 2022
Receivables	38.511.546	52.036.996
Notes Receivables	76.753.013	87.464.865
Direct Debiting System Receivables (*)	172.543.532	206.697.772
Allowance for Doubtful Receivables	(9.361.687)	(19.739.735)
Total	278.446.404	326.459.898

(*) 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.

Short-Term Trade Payables

As of 31 March 2023 and 31 December 2022, short-term trade payables to non-related parties are as follows:

	31 March 2023	31 December 2022
Suppliers	526.611.789	482.186.500
Notes Payables	281.202.819	247.790.150
Other Trade Payables	542.371	1.522.992
Total	808.356.979	731.499.642

Doubtful Trade Receivables

As of 31 March 2023 and 31 December 2022, provision of doubtful trade receivables are as follows:

	1 January-31 March 2023	1 January-31 December 2022
Balances as of 1January	(19.739.735)	(20.754.737)
Canceled provision	10.341.052	978.006
Expected credit losses	36.996	36.996
Balances as of 31 December	(9.361.687)	(19.739.735)

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8 Other Receivables and Payables

Other Short-Term Receivables

As of 31 March 2023 and 31 December 2022, other short-term receivables from non-related parties are as follows:

	31 March 2023	31 December 2022
Refundable Taxes	3.899.351	1.111.926
Personnel Receivables	2.240.243	3.490.481
Deposits and Guarantees Given	546.090	436.730
Total	6.685.684	5.039.137

Other Long-Term Receivables

As of 31 March 2023 and 31 December 2022, other long-term receivables from non-related parties are as follows:

	31 March 2023	31 December 2022
Deposits and Guarantees	170.082	170.082
Total	170.082	170.082

Other Short-Term Payables

As of 31 March 2023 and 31 December 2022, other short-term payables to non-related parties are as follows:

	31 March 2023	31 December 2022
Refundable Deposit and Guarantees	4.134.269	3.979.657
Payables to Tax Office	3.363.215	5.057.415
Deferred Tax Payment	523.095	523.096
Others Payables	44.993	48.096
Total	8.065.572	9.608.264

Other Long-Term Payables

As of 31 March 2023 and 31 December 2022, other long-term payables to non-related parties are as follows:

	31 March 2023	31 December 2022
Deferred Tax Payment	174.365	348.730
Total	174.365	348.730

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9 Inventories

As of 31 March 2023 and 31 December 2022, details of inventories are as follows:

	31 March 2023	31 December 2022
Materials and Spare Parts	964.156.751	747.652.594
Finished Goods	157.803.729	40.806.857
Semi-Finished Goods	155.465.899	134.590.775
Trade Goods	7.640.389	16.290.382
Other Inventories	5.917.490	4.172.515
Goods in Transit	4.407.160	10.394.335
Stock Impairment (-)	(1.040.444)	(1.040.444)
Total	1.294.350.974	952.867.014

As of 31 March 2023 and 31 December 2022, there is no pledge or mortgage on inventories.

10 Prepaid Expenses and Deferred Income

Prepaid Expenses

Short-Term Prepaid Expenses

As of 31 March 2023 and 31 December 2022, the amount of short-term prepaid expenses from unrelated parties remaining in the current assets section consists of the following items;

	31 March 2023	31 December 2022
Advances Given	91.192.086	66.362.486
Expenses for Future Months	9.386.388	8.892.924
Job Advances	267.578	141.620
Personnel Advances	30.735	29.821
Total	100.876.787	75.426.851

Long-Term Deferred Income

As of 31 March 2023 and 31 December 2022, the amount of long-term prepaid expenses from unrelated parties remaining in the current assets section consists of the following items;

	31 March 2023	31 December 2022
Expenses from Future Months	188.314	--
Total	188.314	--

Deferred Expenses

Short-Term Deferred Incomes

As of March 31, 2023, and December 31, 2022, the details of short-term deferred income from unrelated parties for the Group are as follows

	31 March 2023	31 December 2022
Advances Given	108.901.834	182.626.655
Expenses from Future Months	110.000	110.000
Total	109.011.834	182.736.655

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11 Investment Property

As of 31 March 2023 and 31 March 2022, details of investment properties are as follows:

	1 January -31 March 2023	1 January -31 March 2022
Net Book Value		
Balance at 1 January	17.714.985	17.714.985
Current Period Depreciation Charge	--	--
31 March Net Book Value	17.714.985	17.714.985

12 Property, Plant and Equipment

For the periods ended 31 March 2023 and 31 March 2022; movement of property, plant and equipment is summarized below:

	1 January - 31 March 2023	1 January -31 March 2022
Net Book Value		
Balance at 1 January	969.380.256	843.223.491
Additions	7.690.830	56.430.690
Disposals	(36.927)	--
Current Period Depreciation Charge	(83.214.162)	(16.082.680)
31 March Net Book Value	893.819.997	883.571.501
Cost	1.095.874.346	941.071.803
Accumulated Depreciation	(202.054.349)	(57.500.302)
31 March Net Book Value	893.819.997	883.571.501

There is a 420 million TL mortgage related to bank loans on the fixed assets of The Group (31 December 2022: 420.000.000 TL mortgage).

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13 Intangible Assets

Intangible assets consist development costs, rights and licenses, and accumulated depreciation. For the periods ended 31 March 2023 and 31 March 2022, movement of intangible assets are as follows:

	1 January -31 March 2023	1 January -31 March 2022
Value of Cost		
Balance at 1 January	20.284.388	7.985.354
Additions	9.806.888	2.062.095
Current Period Amortization Charge	(1.494.627)	(2.393.559)
31 March Net Book Value	28.596.649	7.653.890
Cost		
Cost	82.031.824	57.035.839
Accumulated Amortization	(53.435.175)	(49.381.949)
31 March Net Book Value	28.596.649	7.653.890

14 Leasing Transaction

Right of Use Assets

The Group, in accordance with the retrospective application of TFRS 16, reflects a right-of-use asset and a lease liability in its financial statements from the date when the lease actually commences.

The right-of-use asset is initially accounted for under the cost model and includes the following:

- a) The initial measurement amount of the lease liability.
- b) All initial direct costs incurred by the Company.

When applying the cost model, the Group measures the right-of-use asset at its cost, adjusted for accumulated amortization and any impairment losses, and corrected for the remeasurement of the lease liability.

In depreciating the right-of-use assets, the Group applies the depreciation provisions outlined in TFRS 16 Tangible Fixed Assets.

The balances of right-of-use assets as of March 31, 2023, and 2022, and the related amortization expenses for the period are as follows:

	1 January 2023	Intreperiod Increase/Decrease	31 March 2023
<u>Cost</u>			
Buildings	10.267.753	--	10.267.753
Total	10.267.753	--	10.267.753
<u>Accumulated Depreciation</u>			
Buildings	(2.970.783)	(198.957)	(3.169.740)
Total	(2.970.783)	(198.957)	(3.169.740)
Net Carrying Value	7.296.970	--	7.098.013

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15 Leasing Transaction (continued)

	1 January 2022	Additions	31 March 2022
<u>Cost</u>			
	8.600.099	--	8.600.099
Buildings	8.600.099	--	8.600.099
<u>Accumulated Depreciation</u>			
Buildings	(2.034.522)	(198.957)	(2.233.479)
Total	(2.034.522)	(198.957)	(2.233.479)
Net Carrying Value	6.565.577		6.366.620

Liabilities from Leasing Transaction

The balances of lease liabilities from leasing transactions as of March 31, 2023, and December 31, 2022, are as follows;

	31 March 2023	31 December 2022
Liabilities from Leasing Transaction (Short-term)	897.215	798.957
Liabilities from Leasing Transaction (Long-term)	7.694.430	7.983.321
Total	8.591.645	8.782.278

The movements of lease liabilities from leasing transactions during the period are as follows;

	1 January- 31 March 2023	1 January- 31 March 2022
Opening balance	8.782.278	7.780.527
Payments	(459.837)	(1.728.962)
Interest Expense (Note 23)	269.204	1.063.059
Increase	--	1.667.654
Total	8.591.645	8.782.278

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15 Provisions, Contingent Assets and Liabilities

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

As of 31 March 2023 and 31 December 2022 The Group’s guarantee/pledge/mortgage positions are as follows:

Collaterals given by Group (TL Equivalents)	31 March 2023	31 December 2022
A. The total amount of collaterals given on behalf of its own legal entity.	35.937.556	28.445.911
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. (*)	3.864.517.000	3.171.572.083
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	3.900.454.556	3.200.017.994

As of March 31, 2023, the monetary positions of the GRM provided by the Group are shown below;

	31 March 2023	31 December 2022
Turkish Lira	3.898.903.144	3.198.466.582
USD	531.960	531.960
EURO	1.019.452	1.019.452
Total	3.900.454.556	3.200.017.994

(*) 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 (“Branch”), is not able to pay back this borrowing, the Bank holds the right to demand from The Group 75% of the difference between the income to be generated from the judicial sale of the tractors and the insurance fee set by the Turkish Association of Insurance and Reinsurance Companies. However, The Group reflects the difference which the Bank demands from the Company to the Dealer realizing the sale. Therefore, although the mentioned letter of guarantee is a guarantee given to the Bank by The Group, it is eventually transferred to the Customers.

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16 Employee Benefits

Payables Related to the Employee Benefits

As of 31 March 2023 and 31 December 2022, short-term payables related to the employee benefits are as follows:

	31 March 2023	31 December 2022
Wages and Salaries	22.696.854	9.607.274
Social Security Withholdings Payable	6.050.920	3.786.932
Funds and Taxes	1.795.661	2.414.626
Total	30.543.435	15.808.832

Short-Term Provisions for Employee Benefits

As of 31 March 2023 and 31 December 2022, short-term provisions related to the employee benefits are as follows:

	31 March 2023	31 December 2022
Provision for Unused Vacation	8.042.146	6.915.876
Total	8.042.146	6.915.876

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 March 2023 and 31 December 2022, long-term provisions for employee benefits are as follows:

	31 March 2023	31 December 2022
Provision for Employment Termination	19.091.369	15.413.349
Total	19.091.369	15.413.349

Under the current laws in Turkey, the company is required to make severance pay to employees with one year of service who are terminated without any valid reason, called for military service, deceased, completed the required service period for retirement, or reached the retirement age. The severance pay to be provided is equal to one monthly salary for each year of service, and as of March 31, 2023, it is capped at 19,983 TL and as of December 31, 2022, it was limited to 15,371 TL.

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15 Employee Benefits *(continued)*

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

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

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

	31 March 2023	31 December 2022
Interest rate	22,30%	22,30%
Expected inflation rate	19,30%	19,30%
Net discount rate	2,51%	2,51%

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 March 2023, 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 March 2023	1 January – 31 March 2022
Balance at 1 January	15.413.349	6.433.529
Cost of Services	624.437	260.147
Interest Expense	1.064.343	483.212
Actuarial Loss	12.336.126	2.407.070
Payments	(10.346.886)	(509.566)
Balance at 31 March	19.091.369	9.074.392

17 Other Assets and Liabilities

As of 31 March 2023 and 31 December 2022, details of other assets and liabilities are as follows:

	31 March 2023	31 December 2022
Deferred VAT	126.363.866	93.786.874
Other	454.455	27.430
Total	126.818.321	93.814.304

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18 Capital, Reserves and Other Equity Components

Paid in Capital

As of 31 March 2023 and 31 December 2022, capital structure of The Group are as follows:

	31 March 2023		31 December 2022	
	Share Rate %	Share Amount (TL)	Share Rate %	Share Amount (TL)
Ereğli Tekstil	60,87%	70.000.000	60,87%	70.000.000
Public Listed	28,69%	33.000.000	28,69%	33.000.000
Other	10,44%	12.000.000	10,44%	12.000.000
Paid-in Capital	100%	115.000.000	100%	115.000.000

All of The Group's capital has been paid in as of 31 March 2023 and comprises of 115.000.000 shares with a nominal value of TL 115.000.000 and each one worth TL 1 (31 December 2022: 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 March 2023 and 31 December 2022, other comprehensive income/expense not to be reclassified to profit or loss of The Group are as follows:

Actuarial Differences

	31 March 2023	31 December 2022
Actuarial Loss Arising from Defined Benefits Plan	(9.868.901)	(6.497.190)
Total	(9.868.901)	(6.497.190)

Revaluation

	31 March 2023	31 December 2022
Revaluation Fund	748.695.109	748.695.109
Total	748.695.109	748.695.109

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19 Revenue

Sales and Cost of Sales for the periods as of 1 January- 31 March 2023 and 2022 are as follows:

	1 January- 31 March 2023	1 January- 31 March 2022
Domestic Sales	1.073.749.075	505.311.696
Foreign Sales	7.985.823	5.841.522
Other Income	11.387	2.472.538
Gross Sales	1.081.746.286	513.625.756
Sales Returns and Discounts (-)	(1.524.430)	(1.337.799)
Net Sales	1.080.221.856	512.287.957
Cost of Sales (-)	(793.546.063)	(326.230.850)
Gross Profit	286.675.793	186.057.107

The revenue of sales on product basis are as follows:

	1 January- 31 March 2023	1 January- 31 March 2022
Tractor Sales	974.182.774	463.476.227
Spare Part Sales	19.788.184	36.191.898
Engine Sales	21.143.031	7.758.214
Construction Equipment Sales	14.038.809	2.352.514
Agricultural Machinery Sales	169.688	1.022.152
Other	50.899.370	1.486.952
Total Sales	1.080.221.856	512.287.957

20 Operating Expenses

Operating expenses for the 1 January-31 March 2023 and 2022 are as follows:

	1 January- 31 March 2023	1 January- 31 March 2022
Marketing Expenses	96.466.426	30.431.635
Research and Development Expenses	16.597.307	9.908.149
General and Administrative Expenses	18.821.526	7.696.799
Total	131.885.259	48.036.583

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21 Finance Income and Expenses

Finance Income

Finance income for the 1 January-31 March 2023 and 2022 are as follows:

	1 January- 31 March 2023	1 January- 31 March 2022
Interest Income	11.920.303	703.206
Total	11.920.303	703.206

Finance Expenses

Finance expenses for the 1 January-31 March 2023 and 2022 are as follows:

	1 January- 31 March 2023	1 January- 31 March 2022
Interest Expenses	22.524.407	23.080.338
Interest Expenses from Leasing Transactions (note 14)	269.204	238.810
Total	22.793.611	23.319.148

22 Taxation

Tax Expense

Tax expenses for the 1 January-31 March 2023 and 2022 are as follows:

	1 January - 31 March 2023	1 January - 31 March 2022
<u>Tax Expense Recognized in Profit or Loss</u>		
Current tax expense:		
Current tax expense	(25.677.848)	(24.951.435)
Deferred tax income / (expense):		
Arising from temporary differences	8.441.815	2.635.480
	(17.236.033)	(22.315.955)
<u>Recognized in Comprehensive Income Statement</u>		
Deferred tax income/(expense):		
Tax effects of actuarial differences	2.467.225	481.414
	2.467.225	481.414
Total Tax Effect Income/ (Expense)	(14.768.808)	(21.834.541)

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21 Taxation (continued)

The Reconciliation of the Effective Tax Rate

The tax provision is different from calculated value by using statutory tax rate via profit before tax for the six-month periods ended 31 March 2023 and 2022. Related reconciliation details are as follows:

	1 January - 31 March 2023		1 January - 31 March 2022	
Profit for the Period		81.582.726		97.221.540
Less: Current Period Tax Income/(Expense)		(17.236.033)		(22.315.955)
Profit Before Tax	%	98.818.759	%	119.537.495
Calculated Corporate Tax Via Statutory Rate	20%	(19.763.752)	23%	(27.493.624)
Non-Deductible Expenses	7%	(7.243.665)	1%	(823.048)
Exceptions and Discounts	(11)%	10.800.142	(6)%	7.004.400
Effect of Different Tax Rates and Other	1%	(1.028.758)	1%	(1.003.683)
Total Tax Income/(Expense) Recognized in Profit or Loss	17%	(17.236.033)	19%	(22.315.955)

Deferred Tax

Deferred Tax Asset/Liabilities

As of 1 January-31 March 2023 and 2022, the deferred tax assets and liabilities are as follows:

	31 March 2023	31 December 2022
Deferred Tax Assets	422.915	--
Deferred Tax Liability	(28.599.411)	(39.085.536)
Total	(28.176.496)	(39.085.536)

The movement of deferred tax assets/liabilities are as follows:

	1 January – 31 March 2023	1 January – 31 March 2022
Balance at 1 January	(39.085.536)	(96.266.091)
Recognized in Profit or Loss	8.441.815	2.635.480
Recognized in Other Comprehensive Income	2.467.225	481.414
Balance at 31 March	(28.176.496)	(93.149.197)

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23 Earnings Per Share

Earnings per share are calculated by dividing the current period's net profit by the weighted average number of shares of common stock outstanding during the period. In Turkey, companies have the right to increase their capital through the distribution of bonus shares, which can be funded from the revaluation surplus or retained earnings. During the calculation of earnings per share, such increases are treated as shares distributed as dividends. Similarly, capital additions in the form of dividend distributions are also considered. Therefore, when calculating the average number of shares, it is assumed that these types of shares are in circulation throughout the entire year. Consequently, the weighted average of the number of shares used to calculate earnings per share is determined, taking into account the retroactive effects.

	1 January- 31 March 2023	1 January- 31 March 2022
The Weighted Average Number of Shares in Existence During the Period (Each 1 TL)	115.000.000	115.000.000
Net Profit for the Period	81.582.726	97.221.540
Gain Per Share (TL)	0,7094	0,8454

24 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

The Group's risk management policies are established with the purpose of identifying and analyzing the risks faced by the Group, setting appropriate risk limits and controls, and monitoring compliance with those limits. Risk management policies and systems are regularly reviewed to reflect changes in the market and Group activities. The Group aims to develop a disciplined and constructive control environment where all employees understand their roles and responsibilities through the implementation of its training and management standards and procedures.

Credit Risk

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

Exposure to credit risk:

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

Liquidity Risk

"Liquidity risk is the risk of encountering difficulties in fulfilling financial obligations by the Group, either in cash or by delivering other financial assets. The Group's liquidity risk management approach involves maintaining sufficient liquidity as much as possible to fund current and potential debt requirements under normal conditions or in crisis situations without causing the Group financial losses or damaging its reputation.

The Group aims to maintain a sufficient amount of cash to cover expected operating expenses, including the fulfillment of financial obligations, except for exceptional and unforeseen events like natural disasters.

Market Risk

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

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

Market Risk (continued)

(i) Currency Risk

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

As of 31 March 2023, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 March 2023		
	TL Equivalent	USD	EURO
1. Trade receivables	26.895.857	733.211	618.101
2a. Monetary assets (Including cash on hands and banks)	18.422	960	2
2b. Non-monetary financial assets	--	--	--
3. Other	54.407.747	995.300	1.699.431
4. Current Assets (1+2+3)	81.322.026	1.729.471	2.317.534
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)	81.322.026	1.729.471	2.317.534
10. Trade payables	39.205.530	710.150	1.227.690
11. Financial liabilities	--	--	--
12a. Other monetary financial liabilities	3.736.978	--	179.321
12b. Other non-monetary financial liabilities	86.827.420	723.635	3.500.442
13. Short-Term Liabilities (10+11+12)	129.769.928	1.433.785	4.907.453
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)	129.769.928	1.433.785	4.907.453
19. Net asset /liability position of off-balance sheet derivatives (19a-19b)	--	--	--
19a. The amount of foreign currency derivative instruments outside the active character financial statement	--	--	--
19b. The amount of foreign currency derivative instruments outside the passive character financial statement	--	--	--
20. Net foreign currency asset/liability position (9-18+19)	(48.447.902)	295.686	(2.589.919)
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	38.379.518	1.019.321	910.523
22. Fair value of foreign currency hedged financial assets	--	--	--
23. Hedged foreign currency assets	--	--	--
24. Hedged foreign currency liabilities	--	--	--

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

Market Risk (continued)

(i) Currency Risk (continued)

As of 31 December 2022, the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	31 December 2022			
	TL Equivalent	USD	EURO	GBP
1. Trade receivables	27.641.377	816.496	620.735	--
2a. Monetary assets (Including cash on hands and banks)	1.155.059	58.977	2.623	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	50.228.073	793.721	1.775.120	--
4. Current Assets (1+2+3)	79.024.509	1.669.194	2.398.478	--
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)	79.024.509	1.669.194	2.398.478	--
10. Trade payables	36.459.662	538.000	1.321.021	--
11. Financial liabilities	--	--	--	--
12a. Other monetary financial liabilities	27.020	--	1.353	--
12b. Other non-monetary financial liabilities	83.944.197	723.631	3.524.603	--
13. Short-Term Liabilities (10+11+12)	120.430.880	1.261.631	4.846.977	--
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)	120.430.880	1.261.631	4.846.977	--
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)	(41.406.371)	407.563	(2.448.499)	--
21. Net foreign currency asset/ liability position of non-monetary items (IFRS 7. B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	42.537.827	1.131.194	1.076.104	--
22. Fair value of foreign currency hedged financial assets	--	--	--	--
23. Hedged foreign currency assets	--	--	--	--
24. Hedged foreign currency liabilities	--	--	--	--

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

Market Risk (continued)

(i) Currency Risk (continued)

Currency Sensitivity

A 10 percent strengthening of the TL against the following currencies at 31 March 2023 and 31 December 2022 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 March 2023		
	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	554.453	(554.453)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	554.453	(554.453)
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	(5.399.243)	5.399.243
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	(5.399.243)	5.399.243
In the case of change of GBP at 10% ratio compared to TL		
7- GBP net asset / liability	--	--
8- Part of hedged from GBP risk (-)	--	--
9-GBP net effect (7+8)	--	--
TOTAL (3+6+9)	(4.844.790)	4.844.790

31 December 2022		
	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	762.074	(762.074)
2- Part of hedged from USD risk (-)	--	--
3- USD net effect (1+2)	762.074	(762.074)
In the case of change of EUR at 10% ratio compared to TL		
4- EUR net asset / liability	(4.881.058)	4.881.058
5- Part of hedged from EUR risk (-)	--	--
6- EUR net effect (4+5)	(4.881.058)	4.881.058
TOTAL (3+6)	(4.118.984)	4.118.984

25 Subsequent Events

Due to the adverse effects of the earthquakes that occurred in the southeastern region of Turkey, affecting many provinces and shaking the entire country, a state of emergency has been declared in the region. Following the disaster, certain relief measures for residents in the affected provinces have been implemented by the BRSA, the CBRT, and the TBB. Work is ongoing to assess the impact of these measures on the company's operations and financial situation. The earthquake is not expected to have a significant impact on business continuity.