

**Anadolu Isuzu Otomotiv  
Sanayi ve Ticaret A.Ş. and  
Its Subsidiary**

**Consolidated Financial Statements  
for the Period 1 January-31 December 2019  
and Independent Auditor's Report**

**(CONVENIENCE TRANSLATION OF  
CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH)**

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

### INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Anadolu Isuzu Otomotiv ve Ticaret A.Ş.

#### A) Report on the Audit of the Consolidated Financial Statements

##### 1) Opinion

We have audited the consolidated financial statements of Anadolu Isuzu Otomotiv ve Ticaret A.Ş. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

##### 2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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.

### 3) Key Audit Matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p data-bbox="215 353 857 421"><i>Deferred Tax Assets Calculated over Previous Years' Tax Losses</i></p> <p data-bbox="215 465 857 840">According to the Turkish Tax Legislation, financial losses stated in the declaration can be deducted from the profit of the company for the period providing not exceeding 5 years. Total financial losses of the Group transferring as of 31 December 2019 is 151.701 thousand TL, and 25.619 thousand TL of this amount is 2016 financial loss, 30.492 thousand TL of this amount is 2017, 73.375 thousand TL of this amount is 2018 and the remaining 29.215 TL is 2019 financial loss.</p> <p data-bbox="215 900 857 1048">As stated in Note 25 related to consolidated financial statements, The Group recognised 32,253 thousand TL of deferred tax asset calculated on previous years' tax losses as of 31 December 2019.</p> <p data-bbox="215 1108 857 1406">Partially or wholly recoverable amount of calculated deferred tax assets is estimated by the Group Management according to assumptions under current circumstances. During the estimation, future business plans, losses in the last 5 years and due dates of unused losses are considered. To what extent the assets in question can be recognized depends on the estimations of the Group Management, therefore these assets are evaluated as a key audit matter.</p>	<p data-bbox="879 353 1473 430">Our audit procedures applied in this field include the issues below:</p> <ul data-bbox="914 495 1473 1646" style="list-style-type: none"> <li data-bbox="914 495 1473 593">• To identify controls relevant to process of implication of assumptions made by the management,</li> <li data-bbox="914 629 1473 763">• To design and apply tests to obtain sufficient and appropriate audit evidence with regards to evaluation of design and determination of implementation of the controls.</li> <li data-bbox="914 799 1473 996">• To evaluate and investigate the assumptions and judgements used in determination of future taxable earning estimations together with sensitivity analyses by analysing assumptions made by the Group Management;</li> <li data-bbox="914 1032 1473 1131">• To evaluate validity and acceptability of assumptions made by the Group Management;</li> <li data-bbox="914 1167 1473 1243">• To consider the effect of adjustments in the legislation if required; and</li> <li data-bbox="914 1279 1473 1377">• To reconcile amounts and expiry dates of utilisable previous years' tax losses with tax declarations;</li> <li data-bbox="914 1413 1473 1646">• To evaluate whether the disclosures in consolidated financial statements for applications of judgements used in the estimations of deferred tax assets stated or not stated in the consolidated financial statements include the deferred tax position according to TAS provisions.</li> </ul>

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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)
- Obtain an understanding of 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 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 (“TCC”), the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 28 February 2020.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group’s set of accounts and financial statements prepared for the period 1 January-31 December 2019 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Koray Öztürk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Koray Öztürk, SMMM  
Partner

Istanbul, 28 February 2020

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	Notes	Audited Current Period 31.12.2019	Restated Audited Prior Period 31.12.2018
<b>ASSETS</b>			
<b>Current Assets</b>		<b>857.423.932</b>	<b>943.055.894</b>
Cash and Cash Equivalents	4	140.803.554	96.506.029
Trade Receivables		402.325.775	249.815.860
<i>Trade Receivables from Related Parties</i>	6-27	2.573.971	8.021.207
<i>Trade Receivables from Third Parties</i>	6	399.751.804	241.794.653
Other Receivables		13.904.303	41.324.118
<i>Other Receivables from Third Parties</i>	7	13.904.303	41.324.118
Inventories	9	258.854.407	478.046.804
Derivative Instruments	8	442.165	-
Prepaid Expenses	17	9.879.886	22.340.495
Assets Related to Current Tax	25	424.247	835.831
Other Current Assets	17	30.789.595	54.186.757
<b>Non-Current Assets</b>		<b>719.020.218</b>	<b>656.609.868</b>
Other Receivables		186	186
<i>Other Receivables from Third Parties</i>	7	186	186
Property, Plant and Equipment	10	557.688.250	560.648.627
Right-of-use Assets	12	5.330.515	-
Intangible Assets		133.932.317	93.901.876
<i>Goodwill</i>	13	2.340.995	2.340.995
<i>Other Intangible Assets</i>	11	131.591.322	91.560.881
Prepaid Expenses	17	8.534.328	2.059.179
Deferred Tax Asset	25	13.534.622	-
<b>TOTAL ASSETS</b>		<b>1.576.444.150</b>	<b>1.599.665.762</b>

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



ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY  
 AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 AS OF 31 DECEMBER 2019 AND 31 DECEMBER 2018  
 (Amounts expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Audited Current Period 31.12.2019	Restated Audited Prior Period 31.12.2018
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>856.703.335</b>	<b>920.275.876</b>
Short-Term Borrowings		189.542.901	341.352.649
<i>Short-Term Borrowings from Third Parties</i>	5	189.542.901	341.352.649
<i>Bank Loans</i>	5	189.542.901	341.352.649
Short-Term Portions of Long-Term Borrowings		202.965.742	210.950.669
<i>Short-Term Portions of Long Term Borrowings from Third Parties</i>	5	202.965.742	210.950.669
<i>Bank Loans</i>	5	201.067.885	210.950.669
<i>Finance Lease Payables</i>	5	1.897.857	-
Trade Payables		421.671.065	325.219.054
<i>Trade Payables to Related Parties</i>	6-27	179.944.348	109.509.356
<i>Trade Payables to Third Parties</i>	6	241.726.717	215.709.698
Other Payables		1.401.657	987.867
<i>Other Payables to Related Parties</i>	27	9.109	9.109
<i>Other Payables to Third Parties</i>	7	1.392.548	978.758
Payables Related to Employee Benefits	7	6.822.947	6.115.190
Deferred Income	17	6.782.350	20.414.477
Short-Term Provisions		27.516.673	15.235.970
<i>Short-Term Provisions for Employee Benefits</i>	16	4.080.612	843.195
<i>Other Short-Term Provisions</i>	15	23.436.061	14.392.775
<b>Non-Current Liabilities</b>		<b>155.652.641</b>	<b>134.751.823</b>
Long-Term Borrowings		107.259.138	90.420.000
<i>Long-Term Borrowings from Third Parties</i>		107.259.138	90.420.000
<i>Bank Loans</i>	5	103.577.340	90.420.000
<i>Finance Lease Payables</i>	5	3.681.798	-
Liabilities Arising From Customer Contracts	17	19.945.190	13.492.820
Deferred Income	17	683.841	590.029
Long-Term Provisions for Employee Benefits	16	27.764.472	23.885.435
Deferred Tax Liability	25	-	6.363.539
<b>EQUITY</b>	18	<b>564.088.174</b>	<b>544.638.063</b>
<b>Equity Attributable to Owners of the Company</b>		<b>564.088.174</b>	<b>544.638.063</b>
Share Capital	18	84.000.000	84.000.000
Adjustments to Share Capital	18	30.149.426	30.149.426
Revaluation and Remeasurement Earnings/Losses	18	406.769.583	409.107.297
Restricted Reserves Appropriated from Profit	18	162.221.926	162.221.926
Prior Years' Profit/Losses	18	(140.840.586)	(60.331.986)
Net Profit/Loss for The Year	18	21.787.825	(80.508.600)
<b>Non-Controlling Interests</b>	18	-	-
<b>TOTAL LIABILITIES</b>		<b>1.576.444.150</b>	<b>1.599.665.762</b>

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY  
 AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018  
 (Amounts expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Audited Current Period 1 January- 31 December 2019	Restated Audited Prior Period 1 January- 31 December 2018
<b>PROFIT OR LOSS</b>			
Revenue	19	1.422.987.899	1.187.862.785
Cost of Sales (-)	19	(1.164.119.765)	(1.003.642.016)
<b>GROSS PROFIT (LOSS)</b>		<b>258.868.134</b>	<b>184.220.769</b>
Administrative Expenses (-)	20	(61.011.520)	(47.965.122)
Marketing Expenses (-)	20	(94.335.743)	(77.505.316)
Research and Development Expenses (-)	20	(2.570.920)	(2.908.365)
Other Income from Operating Activities	22	53.539.766	106.972.917
Other Expenses from Operating Activities (-)	22	(39.900.505)	(123.104.536)
<b>OPERATING PROFIT/LOSS</b>		<b>114.589.212</b>	<b>39.710.347</b>
Income from Investing Activities	23	168.611	726.273
Expenses from Investing Activities (-)	23	(48.472)	(306.332)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE EXPENSE</b>		<b>114.709.351</b>	<b>40.130.288</b>
Finance Income	24	60.092.527	83.889.617
Finance Expenses (-)	24	(172.012.924)	(218.149.807)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>2.788.954</b>	<b>(94.129.902)</b>
<b>Tax Income/(Expense) From Continuing Operations</b>		<b>18.998.871</b>	<b>13.621.302</b>
Current Tax (Expense) Income	25	(314.862)	(262.785)
Deferred Tax (Expense) Income	25	19.313.733	13.884.087
<b>PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>21.787.825</b>	<b>(80.508.600)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>	26	<b>21.787.825</b>	<b>(80.508.600)</b>
<b>Profit (Loss) for the Year Attributable to:</b>		<b>21.787.825</b>	<b>(80.508.600)</b>
Owners of The Company		<b>21.787.825</b>	<b>(80.508.600)</b>
<b>Earnings/(Losses) Per 100 Share from Continuing Operations</b>	26	<b>0.2594</b>	<b>(0.9584)</b>
<b>OTHER COMPREHENSIVE INCOME / (EXPENSE)</b>		<b>21.787.825</b>	<b>(80.508.600)</b>
<b>Items That Will Not Be Reclassified Subsequently to Profit or Loss</b>			
Gain (Loss) on Remeasurement of Defined Benefit Plans	16	(2.922.142)	(3.724.197)
Gain (Loss) on Remeasurement of Defined Benefit Plans. Tax Effect	25	584.428	744.839
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>		<b>(2.337.714)</b>	<b>(2.979.358)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>19.450.111</b>	<b>(83.487.958)</b>
Non-Controlling Interests		-	-
Owners of The Company		19.450.111	(83.487.958)

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY**  
**AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018**  
*(Amounts expressed in Turkish Lira unless otherwise indicated.)*

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Prior Period	Notes	Paid-in Capital	Adjustments to Share Capital	Gain / Loss on Revaluation and Remeasurement That Will Not Be Reclassified to Profit or Loss			Retained Earnings		Equity Attributable to Owners of The Company	Non-Controlling Interests	Total Equity
				Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Allocated from Profit	Prior Years' Profit/Losses	Net Profit/Loss for The Year			
<b>Balances as of 1 January 2018 (Beginning of the Period)</b>	<b>18</b>	<b>84.000.000</b>	<b>30.149.426</b>	<b>417.373.045</b>	<b>(5.286.390)</b>	<b>162.175.629</b>	<b>(11.897.325)</b>	<b>(48.388.364)</b>	<b>628.126.021</b>	<b>-</b>	<b>628.126.021</b>
<b>Total Comprehensive Income (Expense)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.979.358)</b>	<b>-</b>	<b>-</b>	<b>(80.508.600)</b>	<b>(83.487.958)</b>	<b>-</b>	<b>(83.487.958)</b>
<i>Loss for the Period</i>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80.508.600)</b>	<b>(80.508.600)</b>	<b>-</b>	<b>(80.508.600)</b>
<i>Other Comprehensive Expense</i>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.979.358)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.979.358)</b>	<b>-</b>	<b>(2.979.358)</b>
Transfers		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46.297</b>	<b>(48.434.661)</b>	<b>48.388.364</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balances as of 31 December 2018 (End of the Period)</b>	<b>18</b>	<b>84.000.000</b>	<b>30.149.426</b>	<b>417.373.045</b>	<b>(8.265.748)</b>	<b>162.221.926</b>	<b>(60.331.986)</b>	<b>(80.508.600)</b>	<b>544.638.063</b>	<b>-</b>	<b>544.638.063</b>
<b>Current Period</b>											
<b>Balances as of 1 January 2019 (Beginning of the Period)</b>	<b>18</b>	<b>84.000.000</b>	<b>30.149.426</b>	<b>417.373.045</b>	<b>(8.265.748)</b>	<b>162.221.926</b>	<b>(60.331.986)</b>	<b>(80.508.600)</b>	<b>544.638.063</b>	<b>-</b>	<b>544.638.063</b>
<b>Total Comprehensive Income (Expense)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.337.714)</b>	<b>-</b>	<b>-</b>	<b>21.787.825</b>	<b>19.450.111</b>	<b>-</b>	<b>19.450.111</b>
<i>Profit for the Period</i>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21.787.825</b>	<b>21.787.825</b>	<b>-</b>	<b>21.787.825</b>
<i>Other Comprehensive Expense</i>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.337.714)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.337.714)</b>	<b>-</b>	<b>(2.337.714)</b>
Transfers		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(80.508.600)</b>	<b>80.508.600</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balances as of 31 December 2019 (End of the Period)</b>	<b>18</b>	<b>84.000.000</b>	<b>30.149.426</b>	<b>417.373.045</b>	<b>(10.603.462)</b>	<b>162.221.926</b>	<b>(140.840.586)</b>	<b>21.787.825</b>	<b>564.088.174</b>	<b>-</b>	<b>564.088.174</b>

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY**  
**AUDITED CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018**  
*(Amounts expressed in Turkish Lira unless otherwise indicated.)*

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	Notes	Audited Current Period 31.12.2019	Restated Audited Current Period 31.12.2018
<b>Cash Flows from Operating Activities</b>		<b>373.073.864</b>	<b>(1.754.574)</b>
<b>Profit (Loss) for The Year</b>	<b>18</b>	<b>21.787.825</b>	<b>(80.508.600)</b>
<b>Adjustments to Reconcile Profit (Loss) for The Year</b>		<b>156.849.522</b>	<b>195.431.240</b>
Adjustments Related to Depreciation and Amortization Expenses	<b>10-11-12</b>	40.096.069	33.932.262
Adjustments Related to Provision for Employee Benefits (Released)	<b>16</b>	3.860.678	4.005.683
Adjustments Related to Tax (Income) Expense	<b>25</b>	(18.998.871)	(13.621.302)
Provision for Doubtful Receivables	<b>6-22</b>	189.907	-
Adjustments Related to Interest Income	<b>22-24</b>	(6.797.474)	(11.474.905)
Adjustments Related to Interest Expenses	<b>22-24</b>	82.288.440	58.507.579
Adjustments Related to Unrealized Currency Translation Differences	<b>5</b>	27.953.327	110.252.333
Provision for Impairment on Inventory	<b>9</b>	(304.502)	(14.819)
Other Adjustments to Profit/(Loss) Reconciliation		974.253	1.662.879
Adjustments Related to Other Provisions (Released)	<b>15</b>	27.707.834	12.601.471
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	<b>23</b>	(120.139)	(419.941)
<b>Changes in Working Capital</b>		<b>216.743.957</b>	<b>(98.757.173)</b>
Adjustments Related to Decrease (Increase) in Trade Receivables	<b>6</b>	(154.442.463)	71.122.251
Adjustments Related to Decrease (Increase) in Inventories	<b>9</b>	219.192.397	(140.765.718)
Adjustments Related to Decrease (Increase) in Other Receivables from Operations	<b>7-17</b>	63.247.005	(61.413.821)
Adjustments Related to Increase (Decrease) in Trade Payables	<b>6</b>	96.996.956	28.163.743
Adjustments Related to Increase (Decrease) in Other Payables from Operations	<b>7-17</b>	11.759.835	6.181.818
Adjustments Related to Increase (Decrease) in Other Assets from Operations		(20.009.773)	(2.045.446)
<b>Cash Generated from Operations</b>		<b>395.381.304</b>	<b>16.165.467</b>
Income Tax Returns (Paid)	<b>25</b>	(739.109)	(1.098.616)
Payments Related to Other Provisions	<b>15</b>	(18.664.548)	(13.528.076)
Payments to Provision of Employee Benefits	<b>16</b>	(2.903.783)	(3.293.349)
<b>Cash Flows from Investing Activities</b>		<b>(75.363.964)</b>	<b>(52.895.797)</b>
Proceeds from Sale of Property, Plant and Equipment	<b>10-23</b>	183.788	2.373.134
Payments for Purchase of Property, Plant and Equipment	<b>10</b>	(16.553.519)	(13.475.238)
Payments for Purchase of Intangible Assets	<b>11</b>	(58.994.233)	(41.793.693)
<b>Cash Flows from Financing Activities</b>		<b>(253.400.819)</b>	<b>52.774.398</b>
Interest Received		6.809.030	11.561.793
Interest Paid	<b>5</b>	(90.868.149)	(49.869.395)
Proceeds from Loans	<b>5</b>	712.726.254	501.511.800
Cash Outflows from Repayment of Loans	<b>5</b>	(878.214.837)	(410.429.800)
Cash Outflows Related to Debt Payments Arising from Lease Agreements	<b>5</b>	(3.853.117)	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>44.309.081</b>	<b>(1.875.973)</b>
<b>Cash and Cash Equivalents at The Beginning of The Year</b>		<b>96.481.488</b>	<b>98.357.461</b>
<b>Cash and Cash Equivalents at The End of The Year</b>	<b>4</b>	<b>140.790.569</b>	<b>96.481.488</b>

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

*(Amounts expressed in Turkish Lira unless otherwise indicated.)*

## **NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP**

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the “Company”) was established in 1980. Principal activities of the Company are comprised mainly of manufacturing, assembling, import and sales of commercial vehicles and also procure and sales of related spare parts regarding to after sales service. The Company is registered to Capital Markets Board of Turkey and the percentage of 15 of the Company’s shares have been traded on Borsa İstanbul A.Ş. since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd. Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory which is established in Çayirova/Kocaeli. The average number of employees as of 31 December 2019 is 817 (31 December 2018: 802).

The Company has been registered in Turkey, and the address of the Company is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No: 58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

The main shareholder and the controlling party of the Company is Anadolu Group Holding Anonim Şirketi.

As of 31 December 2019 and 31 December 2018, details about the company’s subsidiary, which is subject to consolidation, is below:

<b>Company Name</b>	<b>Principal Activity</b>	<b>Capital</b>	<b>31 December 2019 Participation Rate (%)</b>	<b>31 December 2018 Participation Rate (%)</b>
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716.000	100	100

### **Approval of Financial Statements**

Consolidated financial statements for the period 1 January – 31 December 2019 approved by the Board of Directors on 28 February 2020 and signed by Independent Member of the Board of Director Orhan ÖZER (Audit Committee Chairman) and Ahmet Murat SELEK (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Fatma AKSOY ÖZEK.

The Company and its subsidiary will be referred as (the “Group”) in the consolidated financial statements and notes to the consolidated financial statements.

## **NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**

### **2.1 Basis of Presentation**

#### **2.1.1 Statement of Compliance TAS**

The enclosed consolidated financial statements have been prepared in line with Capital Markets Board (“CMB”), Communiqué Serial: II, No. 14.1 on “Principles on Financial Reporting in Capital Market”, promulgated in Official Gazette No. 28676 dated 13 June 2013. Pursuant to Article 5 of the Communiqué, Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/IFRS”) enforced by Public Oversight Accounting and Auditing Standards Authority (“POA”), and their relevant appendices and interpretations (“TAS/IFRS”) have been taken as basic.

In addition, the financial statements and disclosures are presented in accordance with the publication by CMB dated 7 June 2013.

The Company (and its Subsidiary registered in Turkey) takes the Turkish Commercial Code (“TCC”), tax legislation and Uniform Chart of Accounts introduced by Turkish Ministry of Finance as basic for book keeping and preparation of the statutory financial statements. Consolidated financial statements have been prepared in Turkish Lira based on the historical costs, as well as the financial assets and liabilities presented in their fair values. Historical costs are generally based on the fair value of the amount paid for the assets. Consolidated financial statements have been arranged by applying the required adjustments and classifications to the statutory records prepared on historical cost basis in order to provide accurate presentation in line with TAS/IFRS. The most important adjustment records are the application of consolidation accounting, deferred tax calculation, calculation of employee termination benefit and other provisions.

### **Currency Used**

The financial statements of the Group’s each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the each entity are expressed in TL, which is the functional currency of the Company and the currency used for presenting consolidated financial statements.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

## NOTE 2 -BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation (cont'd)

#### 2.1.2 Consolidation principles

##### Subsidiaries

Subsidiaries, including structured entities, are companies in the Group's control. The Group's control is provided for exposure to variable returns from these companies, being eligible for these benefits, and the power to direct them. Subsidiaries are consolidated using the full consolidation method starting from the date when the control is transferred to the Group. They are excluded from the scope of consolidation as of the date when the control is lost.

The purchasing method is used in accounting for group business combinations. The cost of acquisition includes the fair value of the assets transferred at the acquisition date, the liabilities incurred by the former owner of the company, and costs, consisting of equity instruments issued by the Group. The acquisition cost includes the fair value of the assets and liabilities transferred as a result of the contingent acquisition agreement.

The identifiable assets, liabilities, and contingent liabilities taken over during a business combination are measured at their fair value on the acquisition date. For each purchase, non-controlling shares of the acquired company are recognised either at their fair value or according to their proportional share in the net assets of the acquired company.

The table below sets out the subsidiaries and their ownership interests as of 31 December 2019 and 31 December 2018.

Subsidiary	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100	100	100	100

#### 2.1.3 Adjustment of Financial Statements during High Inflation Periods

In accordance with CMB's decision numbered 11/357 on 17 March 2005, inflation accounting application has been abolished as of 1 January 2005 for the companies operating in Turkey and preparing financial statements in accordance with Turkey Accounting Standards. Accordingly, as of 1 January 2005 "Financial Reporting in Hyperinflationary Economies" (TAS 29) has not been applied.

#### 2.1.4 Offsetting

The financial assets and liabilities in the consolidated financial statements are shown at their net value when a legal granted permission, an intention of stating the consolidated financial statements with their net values and the financial asset and liabilities are arisen concurrently.

#### 2.1.5 Comparatives and Adjustment of Prior Periods' Financial Statements

The Group's consolidated financial statements for the current period are prepared in comparison with the previous periods in order to be able to determine the financial position and performance trends. The comparative information is reclassified when necessary with the aim of ensuring consistency with the presentation of the current period's consolidated financial statements and significant differences are disclosed.

#### 2.1.6 Amendments in Standards and Interpretations

##### New and amended Turkish Financial Reporting Standards that are effective as of 2019

TFRS 16	<i>Leases</i>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to TAS 19	<i>Amendments to Employee Benefits</i>
<i>Annual Improvements to 2015-2017 Cycle</i>	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i>

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.1 Basis of Presentation (cont'd)**

**2.1.6 Amendments in Standards and Interpretations (cont'd)**

**New and amended Turkish Financial Reporting Standards that are effective as of 2019 (cont'd)**

**TFRS 16 Leases**

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Company is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRS Interpretation 4 continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control, TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain nearly all of the economic benefits that will be derived from the use of the asset; and
- The right to manage the use of the defined asset.

The Group applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

*Operating leases*

TFRS 16 changes how the Group accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Group has:

- a) Recognised right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

As at 1 January 2019, the impact of TFRS 16 on the financial statements of the Group is disclosed in "the effects of accounting policy amendments" note.

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation (cont'd)

#### 2.1.6 Amendments in Standards and Interpretations (cont'd)

#### New and amended Turkish Financial Reporting Standards that are effective as of 2019 (cont'd)

##### **IFRS 16 Leases (cont'd)**

##### Impact on Lessee Accounting (cont'd)

##### *Operating leases (cont'd)*

##### *Finance leases*

The main differences between IFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17. During the initial application of the standard, the Group has made no changes in the presentation of the equipment subject to leasing and the lease obligations shown in financial liabilities.

##### Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

Due to this amendment, the Group has reclassified some of the sub-lease agreements as financial lease. In accordance with the provisions of IFRS 9, the expected credit losses are recognized in the lease receivables. The leased assets are derecognized and the leased asset receivables are included in the financial statements.

##### **Amendments to TAS 28 Long-term Interests in Associates and Joint Venture**

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

##### **IFRS Interpretation 23 Uncertainty over Income Tax Treatments**

This Interpretation addresses the application of recognition and measurement provisions under TAS 12 when there is uncertainty over income tax treatments.

##### **Amendments to TAS 19 Employee Benefits**

The Amendments to TAS 19 *Employee Benefits* address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

##### **Annual Improvements to IFRS Standards 2015–2017 Cycle**

*Annual Improvements to IFRS Standards 2015–2017 Cycle* include amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* in when a party that participates in, but does not have joint control of, TAS 12 *Income Taxes*; income tax consequences of dividends in profit or loss, and TAS 23 *Borrowing Costs* in capitalized borrowing costs.

Other than IFRS 16, these standards, amendments and improvements have no impact on the financial position and performance of the Group.



(Amounts expressed in Turkish Lira unless otherwise indicated.)

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.1 Basis of Presentation (cont'd)

#### 2.1.6 Amendments in Standards and Interpretations (cont'd)

##### New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards, amendments, and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1	<i>Presentation of Financial Statements</i>
Amendments to TAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>

##### TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

##### Amendments to TFRS 3 Definition of a Business

The definition of “business” is important because the accounting for the acquisition of an activity and asset Group varies depending on whether the Group is a business or only an asset Company. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs,
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities,
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a Company of assets.

##### Amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

### 2.2 Effects of Revised Accounting Policies

The Group has applied the TFRS 16 “Leases” standard, which replaces TAS 17 “Leasing Transactions”, as of January 1, 2019. The Group has not restated the comparative amounts for the previous year by using the simplified transition application. With this method, all right-of-use assets have been measured over the lease obligations during the transition to application (which are prepaid or restated according to the lease costs accrued).

	TL
Operational leasing commitments as of 31 December 2018 (not discounted)	3.855.730
Total lease obligation under TFRS 16 (discounted)	3.413.133

Short-term lease obligations	1.763.436
Long-term lease obligations	1.649.697

On adoption of TFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 20% for TL and 4,8% for EUR.

On the initial application, the Group has recognized the lease obligation related to its leases previously classified as operational leases in accordance with TAS 17. These obligations have been measured at the present value of the remaining lease payments discounted using alternative borrowing interest rates as of 1 January 2019.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.2 Effects of Revised Accounting Policies (cont'd)**

**Finance leases**

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

As of 31 December 2019, when the current terms and conditions of the Group's existing financial lease agreements are analyzed, this amendment does not have a significant impact on the consolidated financial statements of the Group.

The effects of TFRS 16 application on the consolidated statement of financial position as at 31 December 2019 are as follows:

	<b>31 December 2019</b>		
	<b>Except TFRS 16 Effects</b>	<b>TFRS 16 Effects</b>	<b>Including TFRS 16 Effects</b>
<b>Current Assets</b>	<b>857.423.932</b>	-	<b>857.423.932</b>
Trade receivables	402.325.775	-	402.325.775
Other receivables	13.904.303	-	13.904.303
Prepaid expenses	9.879.886	-	9.879.886
Other current assets components	431.313.968	-	431.313.968
<b>Non-Current Assets</b>	<b>713.689.703</b>	<b>5.330.515</b>	<b>719.020.218</b>
Other receivables	186	-	186
Right-of-use assets	-	5.330.515	5.330.515
Prepaid expenses	8.534.328	-	8.534.328
Deferred tax asset	13.534.622	-	13.534.622
Other non-current assets components	691.620.567	-	691.620.567
<b>TOTAL ASSETS</b>	<b>1.571.113.635</b>	<b>5.330.515</b>	<b>1.576.444.150</b>
<b>Short-term Liabilities</b>	<b>854.805.478</b>	<b>1.897.857</b>	<b>856.703.335</b>
Short-term borrowings	189.542.901	-	189.542.901
Payables from finance leases	-	1.897.857	1.897.857
Other short-term liability components	665.262.577	-	665.262.577
<b>Long-term Liabilities</b>	<b>151.970.843</b>	<b>3.681.798</b>	<b>155.652.641</b>
Long-term borrowings	103.577.340	-	103.577.340
Payables from finance leases	-	3.681.798	3.681.798
Other long-term liability components	48.393.503	-	48.393.503
<b>EQUITY</b>	<b>564.337.314</b>	<b>(249.140)</b>	<b>564.088.174</b>
Prior years' profit/losses	(140.840.586)	-	(140.840.586)
Net profit for the period	22.036.965	(249.140)	21.787.825
Other equity components	683.140.935	-	683.140.935
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1.571.113.635</b>	<b>5.330.515</b>	<b>1.576.444.150</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.2 Effects of Revised Accounting Policies (cont'd)**

**Finance leases (cont'd)**

The effects of TFRS 16 application on the consolidated statement of profit or loss as at 31 December 2019 are as follows:

	<b>31 December 2019</b>		
	<b>Except TFRS 16 Effects</b>	<b>TFRS 16 Effects</b>	<b>Including TFRS 16 Effects</b>
<b>PROFIT OR LOSS</b>			
Revenue	1.422.987.899	-	1.422.987.899
Cost of Sales (-)	(1.164.241.630)	121.865	(1.164.119.765)
<b>GROSS PROFIT (LOSS)</b>	<b>258.746.269</b>	<b>121.865</b>	<b>258.868.134</b>
General Administration Expenses (-)	(61.342.791)	331.271	(61.011.520)
Marketing Expenses (-)	(94.335.743)	-	(94.335.743)
Research and Development Expenses (-)	(2.570.920)	-	(2.570.920)
Other Income from Operating Activities	53.539.766	-	53.539.766
Other Expenses from Operating Activities (-)	(39.900.505)	-	(39.900.505)
<b>OPERATING PROFIT (LOSS)</b>	<b>114.136.076</b>	<b>453.136</b>	<b>114.589.212</b>
Income from Investing Activities	168.611	-	168.611
Expenses from Investing Activities (-)	(48.472)	-	(48.472)
<b>OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)</b>	<b>114.256.215</b>	<b>453.136</b>	<b>114.709.351</b>
Finance Income	60.092.527	-	60.092.527
Finance Expenses (-)	(171.310.648)	(702.276)	(172.012.924)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING ACTIVITIES</b>	<b>3.038.094</b>	<b>(249.140)</b>	<b>2.788.954</b>
<b>Tax Income (Expense) From Continuing Activities</b>	<b>18.998.871</b>	<b>-</b>	<b>18.998.871</b>
Current Tax (Expense)/Income	(314.862)	-	(314.862)
Deferred Tax (Income)/Expenses	19.313.733	-	19.313.733
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING ACTIVITIES</b>	<b>22.036.965</b>	<b>(249.140)</b>	<b>21.787.825</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>22.036.965</b>	<b>(249.140)</b>	<b>21.787.825</b>

**2.3 Summary of Significant Accounting Policies**

**2.3.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value.

**2.3.2 Trade receivables and provision for allowance**

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortised cost using original effective interest rates.

Provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

## NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.2 Trade receivables and provision for allowance (cont'd)

The Group collects most of the receivables from domestic vehicles sales through the “Direct Debit System” (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Group’s bank accounts at the due dates.

#### 2.3.3 Inventories

Inventories are stated at the lower of cost or net realizable value. The inventories of the Group mainly composed of trucks, small trucks, midi buses, pickups and spare parts which belong to those vehicles. The cost of inventories is determined on the monthly weighted moving average method. Cost of the finished and work in process good include raw materials, direct labour cost, related general production expenses and exclude the cost of borrowing. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory’s annual production plan are not associated with inventories and are recognised as cost of finished goods.

#### 2.3.4 Property, plant and equipment and related depreciation

While property, plant and equipment are presented on financial statement according to the adjusted values based on the effects of inflation as of 31 December 2004 for the assets acquired before 1 January 2005, they are presented on the financial statements by deducting accumulated depreciation from cost values for the assets acquired after 2005. As of 31 December 2017, lands and buildings have been monitored by revaluation method. Depreciation is calculated using the straight-line method based on their economic lives. The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation:

Type	Depreciation rates (%)
Land Improvements	7-20
Buildings	2-50
Machinery and Equipment	10-25
Motor Vehicles	10-25
Furnitures and Fixtures	10-20
Other Property, Plant and Equipment	10-20

#### Revaluation Method

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss, Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

## NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.4 Property, plant and equipment and related depreciation (cont'd)

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Except for land and investments in progress, cost or valued amounts of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes in estimates and accounted for prospectively if there is a change in the estimates.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation calculations have been made for buildings subject to revaluation as of 31 December 2019 by taking into consideration their remaining useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### 2.3.5 Intangible assets and related amortisation

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are comprised of software programme rights, brand and patent rights and development expenses. Amortization is calculated using the straight-line method based on their economic lives unless they exceed five years.

#### 2.3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates" heading.

#### 2.3.7 Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is presumed. The recoverable amount is presumed in each year-end for unusable intangible assets. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash-generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of income. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.3 Summary of Significant Accounting Policies (cont'd)**

**2.3.8 Bank loans and borrowing costs**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income as financing cost over the period of the borrowings. When it comes to the assets which take long time to get ready to usage and sales, borrowing costs related to production or construction are integrated to the cost of the asset.

**2.3.9 Taxes on income**

Tax liability on current period's profit or loss includes current period tax and deferred tax. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date.

Deferred tax is provided, using the liability method, on the temporary differences between the carrying values of assets and liabilities and their carrying. The tax value of assets and liabilities represent the amounts that will affect the tax base in the future periods related to the assets and liabilities within the framework of tax legislation. Deferred tax is calculated over the tax rates that are expected to apply in the period when the tax asset or the liability will be realized by taking into consideration the tax rates and tax legislation in effect as of the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

**2.3.10 Provision for employee benefits**

The Group is obliged to pay termination indemnities to employees whose employment is terminated due to retirement or due to reasons other than resignation or behavior specified in the Labor Code, in accordance with the applicable law. The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation.

**2.3.11 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

**2.3.12 Research and development expenses**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. Subsidies received from Tübitak are accounted for as deferred income by Group and are offset with amortisation expenses in the income statements in line with the useful life of the completed projects. Development costs are directly recognised as expense. Development expenses recognised as expense in prior periods are not subject to capitalisation in subsequent periods.

**2.3.13 Warranty provision expenses**

Warranty expenses are recognised on an accrual basis for amounts estimated based on prior periods' realization.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

## NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.14 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them and associated companies are considered and referred to as related parties. The transactions with related parties for operating activities are made with prices which are convenient with market prices.

#### 2.3.15 Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey's exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

#### 2.3.16 Earnings per share

Earnings per share disclosed in the statement of income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("no-par shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

#### 2.3.17 Revenue recognition

Warranties given for sales cannot be purchased separately. These warranties are assured that the products sold are in compliance with the pre-determined conditions. In this respect, the Group will continue to recognize the warranty provisions in accordance with the provisions of the existing TAS 37 Provisions, Contingent Liabilities and Conditional Assets.

#### *Commercial vehicle and spare part sales*

The Group recognizes income according to the accrual basis, when the Group reasonably determines the income and economic benefit is probable. Group's revenues are comprised of sales of commercial vehicles and the spare parts of those commercial vehicles. Net sales is determined by reducing customer returns and sales discounts.

Revenue from the sale of goods is recognized when all the following conditions are gratified:

- The significant risks and the ownership of the goods are transferred to the buyer,
- The Group refrains the managerial control over the goods and the effective control over the goods sold,
- The revenue can be measured reasonably,
- It is probable that the economic benefits related to transaction will flow to the entity,
- The costs incurred or will be incurred in conjunction with the transaction can be measured reliably.

#### *Service rendering*

When the revenue from services can be measured reliably, the revenue is recorded in accordance with its completion level. If the revenue cannot be measured reliably, revenues are recognized as much as the recoverable amount of expenses that are associated with these revenues.

#### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.3 Summary of Significant Accounting Policies (cont'd)**

**2.3.17 Revenue recognition (cont'd)**

***Dividend income***

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

***Rent income***

Rent income from investment properties is recognized on a straight-line basis over the term of the respective lease.

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The difference is included in financial statements on accrual basis.

**2.3.18 Reporting of cash flows**

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group's operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity.

**2.3.19 Contingent assets and liabilities**

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

**2.3.20 Government Grants**

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. Government grants and assistance received for R&D purposes of the Group are explained in Note 12.

**2.3.21 TFRS 9 Financial Instruments**

TFRS 9, Financial instruments; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Group has carried out valuation studies to determine the cumulative effect of the first transition and concluded that no changes should be made to the consolidated financial statements.



## NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.21 TFRS 9 Financial Instruments (cont'd)

##### Financial assets

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Group measures trade receivables at their transaction price (as defined in TFRS 15) if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

In the initial measurement of financial assets except at fair value through profit or loss, transaction costs directly attributable to the acquisition or export of such assets are added to or deducted from the fair value. Financial assets that are traded in the normal course are recognized at the date of the transaction (delivery date).

The Group reclassifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: (a) the Group's business model for managing the financial assets, and (b) the contractual cash flow characteristics of the financial asset. When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. The Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

##### Financial assets measured at amortized cost

A financial asset is measured at amortised cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) 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.

Interest revenue of financial assets measured at amortised cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

## NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.21 TFRS 9 Financial Instruments (cont'd)

##### First-time adoption of TFRS 9 "Financial instruments" (cont'd)

###### Financial assets (cont'd)

###### Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) 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.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in the financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

###### Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Financial assets that are not designated as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss. The related financial assets are presented with their fair values and the gains and losses arising from the valuation are recognized in profit or loss.

###### Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

## NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### 2.3 Summary of Significant Accounting Policies (cont'd)

#### 2.3.21 TFRS 9 Financial Instruments (cont'd)

##### First-time adoption of TFRS 9 “Financial instruments” (cont'd)

###### Financial liabilities

Financial liabilities are initially measured at fair value. During initial recognition of financial liabilities not designated fair value through profit or loss, all directly attributable transaction costs related to underwriting of financial liabilities, added to this fair value.

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.
- (c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Group does not reclassify any financial liability.

###### Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in the statement of financial position when the Group becomes party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. The Group only derecognizes the obligation if the obligation defined in the contract is lifted or canceled or if it expires on time.

#### 2.3.23 Events after the reporting period

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring an adjustment to the consolidated financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements.

### 2.4 Changes in Accounting Estimates and Errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. If the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted.

Significant accounting errors are applied retrospectively and the consolidated financial statements of the previous period are restated.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**2.4 Changes in Accounting Estimates and Errors (cont'd)**

As a result of the assessments made in 2019, the management of the Company determined that there is a need for adjustments in some records due to the use of incorrect exchange rates in the transactions related to a foreign sales project realized in 2018. The effects of these errors on the consolidated financial statements have been evaluated and the errors determined as a result of these evaluations have been corrected retrospectively. Accordingly, the consolidated financial statements as of 31 December 2018 and the consolidated statement of profit or loss are restated as follows:

31.12.2018 Statement of Financial Position	Previously Reported	Adjustment Effect	Restated
Inventories	481.922.342	(3.875.538)	478.046.804
Trade Receivables	238.883.170	10.932.690	249.815.860
Trade Payables	320.286.921	4.932.133	325.219.054
Deferred Income	18.689.143	2.315.363	21.004.506
Deferred Tax Liability	6.530.661	(167.122)	6.363.539
Net Profit/Loss for the Period	(67.225.774)	(13.282.826)	(80.508.600)
31.12.2018 Statement of Profit or Loss	Previously Reported	Adjustment Effect	Restated
Cost of Sales (-)	(994.834.345)	(8.807.671)	(1.003.642.016)
Other Expenses from Operating Activities (-)	(118.462.259)	(4.642.277)	(123.104.536)
Deferred Tax Income	13.716.965	167.122	13.884.087
Net Profit/Loss for the Period	(67.225.774)	(13.282.826)	(80.508.600)

**2.4.1 Other Accounting Estimates**

In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements except instances where the estimation of the effect related to upcoming periods are not possible.

a) Deferred tax assets can be recognised only when sufficient taxable profit is likely to occur in the upcoming periods. While evaluating, the future profit projections and the applicable approaches of unused losses within the scope of tax legislation have been taken into consideration. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 31 December 2019, the Group has deductible financial losses of TL 158.700.909 (31 December 2018: TL 129.485.428). The Group has recognized deferred tax assets of TL 32.252.554 (31 December 2018: TL 26.409.458) as sufficient taxable profit is likely to occur in the upcoming periods over the portion of the losses amounting to TL 158.700.909.

b) The Group determined the warranty provision based on warranty costs for each vehicle model in previous years and the remaining warranty periods for each vehicle.

c) Useful lives of property, plant and equipment:

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The Company may shorten or prolong the useful lives and related depreciation of property, plant and equipment by taking into consideration the intended use of property, plant and equipment, technological progress according to their types and other factors.

d) Revaluation of land improvements and buildings:

Land improvements, evaluation of buildings and machinery have been made by taking into consideration the current market conditions. As a result of the revaluation, provision for impairment of the fixed assets with fair value lower than the cost value is made.

The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The revaluation fund which is composed of the difference between the book value and the fair value is offset with deferred tax and shown under the equity as revaluation fund. Revaluation is performed periodically.

e) Estimated impairment of goodwill

The Group annually tests goodwill for impairment. The recoverable amounts of cash generating units are determined based on the calculations of value in use.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 3 –SEGMENT REPORTING**

The field of activity of the Group established in Turkey is the manufacture, assembly, import and sale of motor vehicles and spare parts. The field of activity of the Group, the nature and economic properties of products, production processes, classification according to customer risks and methods used in the distribution of products are similar. Moreover, the Group is structured on an activity basis rather than being managed under separate divisions including different activities. Thus, the operations of the Group are considered as a single activity division, and the outputs of the Group’s activities, determination of the resources to be allocated to these activities, and review of the performance of these activities are evaluated accordingly.

**NOTE 4 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents presented in the consolidated cash flow statements as of the end of the period:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Cash	92.839	135.442
Banks-Demand Deposits	5.512.789	10.910.388
Banks-Time Deposits (up to 3 months)	134.588.657	85.072.854
Other Liquid Assets (*)	609.269	387.345
<b>Total</b>	<b>140.803.554</b>	<b>96.506.029</b>

(\*) As of 31 December 2019 and 31 December 2018, the balance in “Other Liquid Assets” is consist of directly debiting system assets and credit card receivables in bank of group.

There are no blocked deposits as of 31 December 2019 and 31 December 2018.

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2019 and 31 December 2018 are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Liquid Assets	140.803.554	96.506.029
Interest Accruals (-)	(12.985)	(24.541)
<b>Total (Excluding interest accruals)</b>	<b>140.790.569</b>	<b>96.481.488</b>

The details of time deposits are as follows:

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Amount in TL</u>	<u>Annual Average Interest Rate (%)</u>	<u>Amount in TL</u>	<u>Annual Average Interest Rate (%)</u>
TL	50.824.166	10.98	46.747.044	22.10
EUR	83.764.491	0.10	38.325.810	0.58
<b>Total</b>	<b>134.588.657</b>		<b>85.072.854</b>	

The Group does not have any time deposits with maturities longer than one month and the time deposits are composed of fixed interest rates.

**NOTE 5 - FINANCIAL LIABILITIES**

The details of bank loans as of 31 December 2019 and 31 December 2018 are as follows:

**a) Short-term Bank Loans**

**Bank Loans**

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TL Including Interest</u>	
	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
EUR	0,65	6,12	4.998.769	16.204.535	33.244.816	97.680.937
TL	18,59	33,86	156.298.087	243.671.712	156.298.085	243.671.712
<b>Total</b>					<b>189.542.901</b>	<b>341.352.649</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 5- FINANCIAL LIABILITIES (cont'd)**

**b) Short-term Portions of Long-term Financial Liabilities**

**Bank Loans**

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TL Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Euro	4,71	2,95	21.063.198	11.447.779	140.082.904	69.007.211
TL	18,25	15,60	60.984.981	141.943.458	60.984.981	141.943.458
<b>Total</b>					<b>201.067.885</b>	<b>210.950.669</b>

**Finance Lease Liabilities**

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TL Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Euro	4,75	-	72.098	-	479.492	-
TL	11,50	-	1.418.365	-	1.418.365	-
<b>Total</b>					<b>1.897.857</b>	<b>-</b>

**c) Long-term Bank Loans**

**Bank Loans**

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TL Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Euro	4,02	4,92	8.478.581	15.750.446	56.387.650	90.420.000
TL	13,03	0,00	47.189.690	-	47.189.690	-
<b>Total</b>					<b>103.577.340</b>	<b>90.420.000</b>

As of 31 December 2019 and 31 December 2018, the payment schedule of long-term loans is as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
1 to 2 years	46.381.747	90.420.000
2 to 3 years	30.247.179	-
3 to 4 years	8.549.695	-
4 to 5 years	6.950.723	-
More than 5 years	11.447.996	-
<b>Total</b>	<b>103.577.340</b>	<b>90.420.000</b>

**Finance Lease Liabilities**

	<u>Average Effective Interest Rate %</u>		<u>Original Currency</u>		<u>Amount in TL Including Interest</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
Avro	4,75	-	75.344	-	501.086	-
TL	11,50	-	3.180.712	-	3.180.712	-
<b>Total</b>					<b>3.681.798</b>	<b>-</b>

Financial net debt reconciliation as of 31 December 2019 and 31 December 2018 is as follows:

	<u>2019</u>	<u>2018</u>
<b>Opening balance</b>	<b>642.723.318</b>	<b>432.750.801</b>
Interest expense	80.570.489	58.507.579
TFRS 16 transition effect	2.637.031	-
TFRS 16 changes in lease liabilities	2.240.348	-
Interest paid	(90.868.149)	(49.869.395)
Newly obtained credits	712.726.254	501.511.800
Loans repaid	(878.214.837)	(410.429.800)
Exchange difference	27.953.327	110.252.333
<b>Closing balance</b>	<b>499.767.781</b>	<b>642.723.318</b>

**NOTE 6- TRADE RECEIVABLES AND PAYABLES**

Trade receivables at period ends are as follows:

**a) Short-term Trade Receivables**

	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Trade Receivables from Third Parties	401.494.445	246.151.053
Trade Receivables from Related Parties	2.573.971	8.021.207
Rediscount Expenses (-)	(1.742.641)	(4.356.400)
Doubtful Receivables	364.907	175.000
Allowance for Doubtful Receivables (-)	(364.907)	(175.000)
<b>Total</b>	<b>402.325.775</b>	<b>249.815.860</b>

As of 31 December 2019, the average term for trade receivables is 102 days (31 December 2018: 76 days).

Movements of provision for doubtful receivables are as follows:

	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
<b>Opening Balance</b>	<b>175.000</b>	<b>175.000</b>
Provisions in the Period	189.907	-
<b>Closing Balance</b>	<b>364.907</b>	<b>175.000</b>

Disclosures on the nature and level of risks in trade receivables are given in Note 28.

Trade payables at period ends are as follows:

**b) Short-term Trade Payables**

	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Trade Payables to Third Parties	243.892.572	218.486.019
Trade Payables to Related Parties	179.944.348	109.509.356
Rediscount on Trade Payables (-)	(2.165.855)	(2.776.321)
<b>Total</b>	<b>421.671.065</b>	<b>325.219.054</b>

As of 31 December 2019, the average term for trade payables is 142 days (31 December 2018: 98 days).

Disclosures on the nature and level of risks in trade payables are given in Note 28.

**NOTE 7- OTHER RECEIVABLES AND PAYABLES**

**a) Other Short-term Receivables**

	<b><u>31 December 2019</u></b>	<b><u>31 December 2018</u></b>
Receivables from Tax Office (*)	13.117.897	40.655.834
Due from Personnel	780.546	668.284
Deposits and Guarantees Given	5.860	-
<b>Total</b>	<b>13.904.303</b>	<b>41.324.118</b>

(\*) As of 31 December 2019, the amount of Group's receivables was TL 10.804.936 which consists of the receivables related to the VAT refund request (31 December 2018: TL 39.610.027).

**NOTE 7- OTHER RECEIVABLES AND PAYABLES (cont'd)**

**b) Other Long-term Receivables**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Deposits and Guarantees Given	186	186
<b>Total</b>	<b>186</b>	<b>186</b>

Disclosures on the nature and level of risks in other receivables are given in Note 28.

**c) Other Short-term Payables**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Payables Under Employee Benefit	6.822.947	6.115.190
Tax and Funds Payables	1.246.968	944.298
Other Miscellaneous Payables	145.580	34.460
<b>Total</b>	<b>8.215.495</b>	<b>7.093.948</b>

Disclosures on the nature and level of risks in other payables are given in Note 28.

**NOTE 8- DERIVATIVE INSTRUMENTS**

**Foreign Currency Options**

As of 31 December 2019, the Group has 30 foreign currency options contracts with a nominal value of JPY 1.818.500.326, which are determined as cash flow hedging instruments for possible raw material purchases and operational expenses that are exposed to foreign exchange risk (31 December 2018: None).

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	Nominal Value	Fair Value Asset / (Liability)	Nominal Value	Fair Value Asset / (Liability)
Foreign currency options	98.728.201	442.165	-	-
<b>Total</b>	<b>98.728.201</b>	<b>442.165</b>	<b>-</b>	<b>-</b>

**NOTE 9- INVENTORIES**

Inventory balances as of period ends are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Raw Materials	94.609.705	156.880.979
Work in Process Goods	907.702	1.162.353
Finished Goods	86.257.549	183.893.976
Trade Goods	34.922.655	46.084.610
Other Inventory	2.509.117	1.799.729
Import and Domestic Purchase Advances	40.135.681	89.017.661
Impairment in Finished Goods and Trade Goods	(488.002)	(792.504)
<b>Total Inventories</b>	<b>258.854.407</b>	<b>478.046.804</b>

**Movement of Provision for Inventory Impairment**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Opening Balance	792.504	807.323
Provision Released Due to Sales (-)	(318.261)	(333.080)
Current Period Provision (+)	13.759	318.261
<b>Closing Balance</b>	<b>488.002</b>	<b>792.504</b>



(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 10- PROPERTY, PLANT AND EQUIPMENT**

**31 December 2019**

<b>Cost Value</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Plant, Machinery and Equipment</b>	<b>Vehicles</b>	<b>Furniture and Fixtures</b>	<b>Other Tangible Fixed Assets</b>	<b>Construction in Progress and Advances</b>	<b>Total</b>
<b>Opening Balance as at 1 January 2019</b>	<b>94.164.000</b>	<b>12.302.856</b>	<b>463.090.612</b>	<b>191.661.678</b>	<b>7.405.001</b>	<b>4.039.037</b>	<b>774.199</b>	<b>1.063.375</b>	<b>774.500.758</b>
Additions	-	348.069	2.650	11.970.947	1.599.946	202.124	-	2.429.783	<b>16.553.519</b>
Transfer from Construction in Progress	-	-	78.419	34.013	-	-	-	(112.432)	-
Disposals	-	-	-	(156.868)	(134.998)	-	-	-	<b>(291.866)</b>
<b>Closing Balance as at 31 December 2019</b>	<b>94.164.000</b>	<b>12.650.925</b>	<b>463.171.681</b>	<b>203.509.770</b>	<b>8.869.949</b>	<b>4.241.161</b>	<b>774.199</b>	<b>3.380.726</b>	<b>790.762.411</b>
<b><u>Accumulated Depreciation</u></b>									
<b>Opening Balance as at 1 January 2019</b>	-	<b>(8.457.257)</b>	<b>(52.493.027)</b>	<b>(144.569.431)</b>	<b>(4.615.565)</b>	<b>(2.949.856)</b>	<b>(766.995)</b>	-	<b>(213.852.131)</b>
Charge for the year	-	(449.639)	(8.717.532)	(8.891.847)	(1.110.706)	(277.931)	(2.592)	-	<b>(19.450.247)</b>
Disposals	-	-	-	86.817	141.400	-	-	-	<b>228.217</b>
<b>Closing Balance as at 31 December 2019</b>	-	<b>(8.906.896)</b>	<b>(61.210.559)</b>	<b>(153.374.461)</b>	<b>(5.584.871)</b>	<b>(3.227.787)</b>	<b>(769.587)</b>	-	<b>(233.074.161)</b>
<b><u>Net Carrying Value</u></b>									
<b>Opening Balance as at 1 January 2019</b>	<b>94.164.000</b>	<b>3.845.599</b>	<b>410.597.585</b>	<b>47.092.247</b>	<b>2.789.436</b>	<b>1.089.181</b>	<b>7.204</b>	<b>1.063.375</b>	<b>560.648.627</b>
<b>Closing Balance as at 31 December 2019</b>	<b>94.164.000</b>	<b>3.744.029</b>	<b>401.961.122</b>	<b>50.135.309</b>	<b>3.285.078</b>	<b>1.013.374</b>	<b>4.612</b>	<b>3.380.726</b>	<b>557.688.250</b>

TL 11.534.035 of the depreciation expenses has been charged to cost of sales and TL 915.716 to research and development expenses and TL 1.853.301 to marketing expenses, TL 1.526.221 to general administrative expenses and TL 2.233.264 to R&D capitalization as of 31 December 2019.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 10- PROPERTY, PLANT AND EQUIPMENT (cont'd)**

**31 December 2018**

<u>Cost Value</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Plant, Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Fixed Assets</u>	<u>Construction in Progress and Advances</u>	<u>Total</u>
<b>Opening Balance as at 1 January 2018</b>	<b>94.164.000</b>	<b>12.286.092</b>	<b>462.796.546</b>	<b>182.189.531</b>	<b>7.875.690</b>	<b>3.992.605</b>	<b>774.199</b>	<b>481.444</b>	<b>764.560.107</b>
Additions	-	16.764	38.200	9.055.660	2.098.964	46.432	-	2.219.218	13.475.238
Transfer from Construction in Progress	-	-	255.866	1.381.421	-	-	-	(1.637.287)	-
Disposals	-	-	-	(964.934)	(2.569.653)	-	-	-	(3.534.587)
<b>Closing Balance as at 31 December 2018</b>	<b>94.164.000</b>	<b>12.302.856</b>	<b>463.090.612</b>	<b>191.661.678</b>	<b>7.405.001</b>	<b>4.039.037</b>	<b>774.199</b>	<b>1.063.375</b>	<b>774.500.758</b>

**Accumulated Depreciation**

<b>Opening Balance as at 1 January 2018</b>	<b>-</b>	<b>(8.009.047)</b>	<b>(43.363.705)</b>	<b>(136.746.547)</b>	<b>(3.719.440)</b>	<b>(2.673.628)</b>	<b>(764.126)</b>	<b>-</b>	<b>(195.276.493)</b>
Charge for the year	-	(448.210)	(9.129.322)	(8.732.948)	(1.567.455)	(276.228)	(2.869)	-	(20.157.032)
Disposals	-	-	-	910.064	671.330	-	-	-	1.581.394
<b>Closing Balance as at 31 December 2018</b>	<b>-</b>	<b>(8.457.257)</b>	<b>(52.493.027)</b>	<b>(144.569.431)</b>	<b>(4.615.565)</b>	<b>(2.949.856)</b>	<b>(766.995)</b>	<b>-</b>	<b>(213.852.131)</b>

**Net Carrying Value**

<b>Opening Balance as at 1 January 2018</b>	<b>94.164.000</b>	<b>4.277.045</b>	<b>419.432.841</b>	<b>45.442.984</b>	<b>4.156.250</b>	<b>1.318.977</b>	<b>10.073</b>	<b>481.444</b>	<b>569.283.614</b>
<b>Closing Balance as at 31 December 2018</b>	<b>94.164.000</b>	<b>3.845.599</b>	<b>410.597.585</b>	<b>47.092.247</b>	<b>2.789.436</b>	<b>1.089.181</b>	<b>7.204</b>	<b>1.063.375</b>	<b>560.648.627</b>

Amounting to TL 13.864.571 of the depreciation expenses has been charged to cost of sales and TL 373.930 to research and development expenses and TL 2.212.911 to marketing expenses, TL 1.116.368 to general administrative expenses and TL 2.589.251 to R&D capitalization as of 31 December 2018.

As of 31 December 2019 and 31 December 2018, the net book values of the Group's lands and buildings valued on historical cost are given below:

	<b>2019</b>		<b>2018</b>	
	<b>Land</b>	<b>Buildings</b>	<b>Land</b>	<b>Buildings</b>
Cost	1.292.239	82.642.831	1.292.239	82.561.762
Accumulated Depreciation	-	(48.469.695)	-	(46.122.595)
<b>Net Book Value</b>	<b>1.292.239</b>	<b>34.173.136</b>	<b>1.292.239</b>	<b>36.439.167</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 11 – INTANGIBLE ASSETS**

**31 December 2019**

<u>Cost Value</u>	<u>Rights</u>	<u>Development Expenses</u>	<u>Other Intangible Assets</u>	<u>Construction in Progress and Advances (*)</u>	<u>Total</u>
<b>Opening Balance as at 1 January 2019</b>	<b>808.220</b>	<b>102.847.686</b>	<b>22.275.566</b>	<b>32.706.177</b>	<b>158.637.649</b>
Additions	29.085	-	5.880.787	53.084.361	<b>58.994.233</b>
Transfer from Construction in Progress	-	31.136.435	39.500	(31.175.935)	-
<b>Closing balance as at 31 December 2019</b>	<b>837.305</b>	<b>133.984.121</b>	<b>28.195.853</b>	<b>54.614.603</b>	<b>217.631.882</b>
<b><u>Accumulated Amortization</u></b>					
<b>Opening Balance as at 1 January 2019</b>	<b>(125.887)</b>	<b>(53.116.665)</b>	<b>(13.834.216)</b>	-	<b>(67.076.768)</b>
Charge for the period	(57.713)	(14.602.703)	(4.303.376)	-	<b>(18.963.792)</b>
<b>Closing balance as at 31 December 2019</b>	<b>(183.600)</b>	<b>(67.719.368)</b>	<b>(18.137.592)</b>	-	<b>(86.040.560)</b>
<b><u>Carrying Value</u></b>					
<b>Opening Balance as at 1 January 2019</b>	<b>682.333</b>	<b>49.731.021</b>	<b>8.441.350</b>	<b>32.706.177</b>	<b>91.560.881</b>
<b>Closing balance as at 31 December 2019</b>	<b>653.705</b>	<b>66.264.753</b>	<b>10.058.261</b>	<b>54.614.603</b>	<b>131.591.322</b>

(\*) As of 31 December 2019, TL 53.233.874 of the "Construction in Progress" amount is related to R&D projects and the remaining part is related to other intangible asset investments.

TL 11.663.409 of the depreciation expenses of intangible assets has been charged to cost of sales and TL 162.014 to research and development expenses and TL 476.649 to marketing expenses, TL 1.086.505 to general administrative expenses and TL 2.487.842 to R&D capitalization as of 31 December 2019.

**31 December 2018**

<u>Cost Value</u>	<u>Rights</u>	<u>Development Expenses</u>	<u>Other Intangible Assets</u>	<u>Construction in Progress and Advances (*)</u>	<u>TOTAL</u>
<b>Opening Balance as at 1 January 2018</b>	<b>370.007</b>	<b>73.279.357</b>	<b>18.324.258</b>	<b>24.870.334</b>	<b>116.843.956</b>
Additions	438.213	-	3.154.318	38.201.162	<b>41.793.693</b>
Transfer from Construction in Progress	-	29.568.329	796.990	(30.365.319)	-
<b>Closing balance as at 31 December 2018</b>	<b>808.220</b>	<b>102.847.686</b>	<b>22.275.566</b>	<b>32.706.177</b>	<b>158.637.649</b>
<b><u>Accumulated Amortization</u></b>					
<b>Opening Balance as at 1 January 2018</b>	<b>(95.518)</b>	<b>(42.363.735)</b>	<b>(10.842.285)</b>	-	<b>(53.301.538)</b>
Charge for the period	(30.369)	(10.752.930)	(2.991.931)	-	<b>(13.775.230)</b>
<b>Closing balance as at 31 December 2018</b>	<b>(125.887)</b>	<b>(53.116.665)</b>	<b>(13.834.216)</b>	-	<b>(67.076.768)</b>
<b><u>Carrying Value</u></b>					
<b>Opening Balance as at 1 January 2018</b>	<b>274.489</b>	<b>30.915.622</b>	<b>7.481.973</b>	<b>24.870.334</b>	<b>63.542.418</b>
<b>Closing balance as at 31 December 2018</b>	<b>682.333</b>	<b>49.731.021</b>	<b>8.441.350</b>	<b>32.706.177</b>	<b>91.560.881</b>

(\*) As of 31 December 2018, TL 30.704.294 of the "Construction in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

TL 10.907.970 of the depreciation expenses of intangible assets has been charged to cost of sales and TL 353.318 to research and development expenses and TL 341.219 to marketing expenses, TL 593.187 to general administrative expenses and TL 1.579.537 to R&D capitalization as of 31 December 2018.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### NOTE 12 – RIGHT-OF-USE ASSETS

The Group started to apply TFRS 16 Leases Standard for the first time on 1 January 2019. For the leases that are previously classified as operating leases in accordance with TAS 17, a right-of-use asset is included in the condensed consolidated financial statements over the same amount as lease liability restated according to all lease payment amounts that are prepaid and accrued as of 1 January 2019.

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

<u>Cost Value</u>	
Opening Balance as at 1 January 2019	3.413.133
Additions	3.599.412
Closing balance as at 31 December 2019	7.012.545
<u>Accumulated Amortization</u>	
Opening Balance as at 1 January 2019	-
Charge for the Period	(1.682.030)
Closing balance as at 31 December 2019	(1.682.030)
<u>Carrying Value</u>	
Opening Balance as at 1 January 2019	3.413.133
Closing balance as at 31 December 2019	5.330.515

TL 586.998 of depreciation expenses has been charged to cost of sales, and TL 1.095.032 to general administration expenses as of 31 December 2019.

#### NOTE 13 - GOODWILL

As of 31 December 2019, there is goodwill amounted to TL 2.340.995 (31 December 2018: TL 2.340.995). The Group has calculated the recoverable amount of goodwill and no impairment is recognized. In this calculation, a discount rate of 24% (2018: 25% per annum) was used with 5-year cash flows prepared based on the budgets approved by the management.

#### NOTE 14- GOVERNMENT GRANTS AND INCENTIVES

The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2019, is the TL 544.054. The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2018, was the TL 484.841.

The Group has R&D expenses which can be utilized for tax calculations with an amount of TL 183.309.407 as of 31 December 2019. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008. R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% (TL 101.193.234 as of 31 December 2018).

In order to benefit from the incentives and exemptions provided in line with the Law No. 5746, the Group applied to the Ministry of Industry and Commerce to become an R&D centre. On 3 June 2009, the Group was entitled to become an R&D centre.

Regarding the TL 8.688.585 spent as of 31 December 2019 in accordance with Incentive Certificate the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Other Short-term Provisions**

	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Warranty Provisions	11.436.342	9.647.216
Provision for Lawsuits	4.174.012	4.355.690
Provision for Premium and Commission	7.797.705	389.869
Other	28.002	-
<b>Total</b>	<b>23.436.061</b>	<b>14.392.775</b>

Movements of provisions during the period are as follows:

	<u>Warranty</u> <u>Provisions</u>	<u>Provision</u> <u>for</u> <u>Lawsuits</u>	<u>Other</u>	<u>Provision</u> <u>for</u> <u>Premium</u> <u>and</u> <u>Commission</u>	<u>Total</u>
<b>Opening Balance as at 1 January 2019</b>	9.647.216	4.355.690	-	389.869	<b>14.392.775</b>
Additions During The Period	17.818.209	2.063.918	28.002	7.797.705	<b>27.707.834</b>
Paid During The Period (-)	(16.029.083)	(2.245.596)	-	(389.869)	<b>(18.664.548)</b>
<b>Closing Balance as at 31 December 2019</b>	<b>11.436.342</b>	<b>4.174.012</b>	<b>28.002</b>	<b>7.797.705</b>	<b>23.436.061</b>

	<u>Warranty</u> <u>Provisions</u>	<u>Provision</u> <u>for</u> <u>Lawsuits</u>	<u>Other</u>	<u>Provision</u> <u>for</u> <u>Premium</u> <u>and</u> <u>Commission</u>	<u>Total</u>
<b>Opening Balance as at 1 January 2018</b>	11.642.227	3.567.284	-	109.869	<b>15.319.380</b>
Additions During The Period	10.433.281	2.209.093	-	389.869	<b>13.032.243</b>
Paid During The Period (-)	(12.428.292)	(989.915)	-	(109.869)	<b>(13.528.076)</b>
Reversal of provision (-)	-	(430.772)	-	-	<b>(430.772)</b>
<b>Closing Balance as at 31 December 2018</b>	<b>9.647.216</b>	<b>4.355.690</b>	<b>-</b>	<b>389.869</b>	<b>14.392.775</b>

**Lawsuits against the Group:**

As of 31 December 2019, there are 80 ongoing lawsuits filed against the Group due to the cancellation of employment termination and other claims for employment and other compensation. Based on these lawsuits, TL 4.174.012, which is recognized based on assessments of the lawyers, was reserved as lawsuit provision (as of 31 December 2018, the lawsuit provisions amount is TL 4.355.690).

**Mortgages and guarantees on assets:**

There are not any mortgages and guarantees on assets.

**Total insurance coverage on assets:**

Total insurance coverage on assets is TL 812.616.800 as of 31 December 2019 (31 December 2018: TL 812.616.800).

**Contingent liabilities which are not shown in liabilities listed are as follows:**

<b>Type</b>	<u>31 December 2019</u>	<u>31 December 2018</u>
Given Letters of Guarantee	317.956.692	158.145.516
<b>Total</b>	<b>317.956.692</b>	<b>158.145.516</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 15 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

**Contingent liabilities which are not shown in liabilities listed are as follows (cont'd):**

	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>A. CPMs given in the name of its own legal personality</b>	<b>317.956.692</b>	<b>158.145.516</b>
i. Letter of Guarantee	317.956.692	158.145.516
<b>B. CPMs given on behalf of fully consolidated companies</b>	-	-
<b>C. CPMs given in the normal course of business activities on behalf of third parties</b>	-	-
<b>D. Total amount of other CPMs</b>	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>317.956.692</b>	<b>158.145.516</b>

The ratio of other CPM is given by the Group to the Group's equity is 0% as of 31 December 2019 (0% as of 31 December 2018).

The Group is exposed to foreign currency risk since its foreign currency denominated assets and liabilities are formed of different currencies. In order to hedge its foreign currency position due to the fluctuations in the foreign exchange parities, the Group enters into forward contracts.

**NOTE 16 – EMPLOYEE BENEFITS**

**a) Short-Term Provisions for Employee Benefits**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Provision for Employee Rights and Salaries	2.950.000	-
Provision for Unused Vacation	1.130.612	843.195
<b>Total</b>	<b>4.080.612</b>	<b>843.195</b>

Short-term provisions for employee benefits consist of provisions that were calculated and unpaid as of the end of period.

**b) Long-Term Provisions for Employee Benefits**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Provision for Employment Termination Benefits	27.764.472	23.885.435
<b>Total</b>	<b>27.764.472</b>	<b>23.885.435</b>

Within the framework of current laws in Turkey, it is obligatory to make the severance pay of each employee who has completed one year service period, has been paid off regardless of any related reason, has been called-up for military service along with men who have completed 25-year service period, women who have completed 20-year service period or those who have completed age of retirement (58 for women, 60 for men). Because there is not any funding obligation for the severance pay provision in Turkey, any special fund is not allocated in the financial statements.

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TL 6.760,15 (1 January 2019: TL 6.017,60) applicable as of 1 January 2020 has been regarded for the calculation of the Group's provision of severance pay.

Moreover, the severance payments are not made for those who leave the job with his/her wish; estimated rate related to these severance pay amounts that will remain in the Group's account is considered.

Considering the Liability of Severance Pay are related to the next periods as per TAS 19, current values of the severance payments which will be made as of the balance sheet date are calculated to determine an approximate inflation expectation whose net difference refers a real discount rate and find an appropriate discount rate.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 16 – EMPLOYEE BENEFITS (cont'd)**

The actuarial assumptions considered in the calculation of the provision for employment termination benefits are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Annual Net Discount Rate (%)	3,72	3,64
Turnover Rate to Estimate the Probability of Retirement (%)	4,41	3,99

The provision calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees is recognised to the consolidated financial statements.

Movements of the provision for employee termination benefit during the period are as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Opening Balance	23.885.435	19.448.904
Interest Cost	888.760	802.936
Gain/(Loss) on Remeasurement of Defined Benefit Plans	2.922.142	3.724.197
Paid within the period	(2.903.783)	(3.293.349)
Current service cost	2.971.918	3.202.747
<b>Closing Balance</b>	<b>27.764.472</b>	<b>23.885.435</b>

**NOTE 17- OTHER ASSETS AND LIABILITIES**

**a) Prepaid Expenses**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Advances Given	6.365.848	20.516.548
Prepaid Insurance Expenses	146.406	181.116
Prepaid Subscription Expenses	55.492	27.240
Prepaid Advertisement Expenses	178.799	315.378
Prepaid Other Expenses	3.133.341	1.300.213
<b>Total</b>	<b>9.879.886</b>	<b>22.340.495</b>

**b) Other Current Assets**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Deferred VAT	26.467.386	53.375.930
Other Current Assets	4.322.209	810.827
<b>Total</b>	<b>30.789.595</b>	<b>54.186.757</b>

**c) Prepaid Expenses**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Prepaid Expenses	8.534.328	2.059.179
<b>Total</b>	<b>8.534.328</b>	<b>2.059.179</b>

**d) Deferred Income (Short-Term)**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Order Advances Received	6.069.884	6.309.007
Deferred Income (*)	712.466	14.105.470
<b>Total</b>	<b>6.782.350</b>	<b>20.414.477</b>

(\*) The amount of cash incentives received for the company's R&D activities and which should be transferred to the income statement for upcoming months as of 31 December 2019 is TL 369.845 (31 December 2018: R&D cash support income that will be transferred to the income statement for upcoming months is TL 360.791).

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 17- OTHER ASSETS AND LIABILITIES (cont'd)**

**e) Deferred Income (Long-Term)**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Deferred Income (*)	683.841	590.029
<b>Total</b>	<b>683.841</b>	<b>590.029</b>

(\*) The amount of cash incentives received for the company's R&D activities and which should be transferred to the income statement for upcoming months as of 31 December 2019 is TL 683.841 (31 December 2018: TL 590.029).

**f) Liabilities Arising from Customer Contracts (Long-Term)**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Deferred Maintenance and Repair Income	19.945.190	13.492.820
<b>Total</b>	<b>19.945.190</b>	<b>13.492.820</b>

**NOTE 18- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

**a) Capital / Elimination Adjustments**

As of 31 December 2019, the share capital of the Company is TL 84.000.000 (31 December 2018: TL 84.000.000).

This share capital is divided into 8.400.000.000 in total, including 4.515.314.511 A Group registered shares, 2.498.204.373 B Group registered shares, 1.386.481.116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

**31 December 2019**

<u>Shareholders</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Total Share</u>	
				<u>Amount</u>	<u>Share (%)</u>
AG Anadolu Grubu Holding A.Ş.	44.844.772	-	1.690.629	46.535.401	55,40
Isuzu Motors Ltd.	-	14.275.509	-	14.275.509	16,99
Itochu Corporation Tokyo	-	7.948.322	-	7.948.322	9,46
Itochu Corporation İstanbul	-	2.758.212	-	2.758.212	3,28
Other	308.373	-	12.174.183	12.482.556	14,87
<b>Total</b>	<b>45.153.145</b>	<b>24.982.043</b>	<b>13.864.812</b>	<b>84.000.000</b>	<b>100,00</b>

**31 December 2018**

<u>Shareholders</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Total Share</u>	
				<u>Amount</u>	<u>Share (%)</u>
AG Anadolu Grubu Holding A.Ş.	44.844.772	-	1.690.629	46.535.401	55,40
Isuzu Motors Ltd.	-	14.275.509	-	14.275.509	16,99
Itochu Corporation Tokyo	-	7.948.322	-	7.948.322	9,46
Itochu Corporation İstanbul	-	2.758.212	-	2.758.212	3,28
Other	308.373	-	12.174.183	12.482.556	14,87
<b>Total</b>	<b>45.153.145</b>	<b>24.982.043</b>	<b>13.864.812</b>	<b>84.000.000</b>	<b>100,00</b>



(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 18- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**

**b) Privileges Granted to the Share Groups**

The Company is directed by the fourteen members of the Board of Directors elected among shareholders by General Assembly in accordance with the regulations of Turkish Commercial Code.

Four members of the Board of Directors are elected from the candidates nominated by the shareholders of Group B and the remaining members of the Board of Directors are elected from the candidates nominated by the shareholders of Group A by the General Assembly.

<b>Equity</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Paid-in Capital	84.000.000	84.000.000
Capital Inflation Adjustment Difference	30.149.426	30.149.426
Reserves on Retained Earning	162.221.926	162.221.926
Retained Earnings	(140.840.586)	(60.331.986)
Gain / (Loss) on Revaluation and Measurement	417.373.045	417.373.045
(Losses) on Remeasurement of Defined Benefit Plans	(10.603.462)	(8.265.748)
Net Profit / (Loss) for The Period	21.787.825	(80.508.600)
<b>Shareholders' Equity Attributable to Equity Holders of the Group</b>	<b>564.088.174</b>	<b>544.638.063</b>
<b>Non-Controlling Shares</b>	<b>-</b>	<b>-</b>
<b>Total Shareholders' Equity</b>	<b>564.088.174</b>	<b>544.638.063</b>

**c) Restricted Reserves Appropriated from Profit**

Restricted reserves appropriated from profit are comprised of legal reserves and other reserves.

<b>Restricted Reserves Appropriated from Profit</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Legal Reserves	23.784.678	23.784.678
Real Estate Sale Profit Exemption	138.437.248	138.437.248
<b>Total</b>	<b>162.221.926</b>	<b>162.221.926</b>

Turkish Commercial Code ("TCC") stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In addition, the Group's profit on the sale of real estate, which is considered to be within the scope of Article 5/e of Corporate Income Tax Law No. 5520, is classified under this accounting category as a "Real estate sale profit exemption". As of 31 December 2019, the Group's total restricted reserves appropriated from profit are TL 162.221.926 (31 December 2018: TL 162.175.629).

**d) Retained Earnings/Losses**

Retained earnings is comprised of extraordinary reserves, miscellaneous inflation differences and other prior years' income.

The Group's prior years' income details as of period ends are as follows:

<b>Retained Earnings/Losses</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Extraordinary Reserves	9.661.446	9.661.446
Legal Reserves Inflation Difference	24.820.489	24.820.489
Retained Earnings / (Losses)	(175.322.521)	(94.813.921)
<b>Total</b>	<b>(140.840.586)</b>	<b>(60.331.986)</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 18- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**

Quoted companies make profit distributions as follows:

If the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit should be distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period. In accordance with the CMB's decision dated 27 January 2010, it is decided not to bring any obligation for any minimum profit distribution about dividend distribution which will be made for publicly owned companies.

Inflation adjustment on Equity; the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences will be liable to corporate tax if it is used in cash profit distribution.

Group's retained earnings is TL 140.840.586 based on the financial statements prepared in according with TAS/IFRS Financial Reporting Standard for the period ended 31 December 2019.

In accordance with the Communiqué No:XI-29 and related announcements of TAS/IFRS, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences (such as differences from inflation adjustment) shall be classified as follows:

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Capital Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

**NOTE 19- REVENUE AND COST OF SALES**

<b>Revenue</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Domestic Sales	689.547.039	736.727.927
Foreign Sales	804.352.370	528.831.949
Other Income	11.850.304	9.996.220
<b>Sales Total (Gross)</b>	<b>1.505.749.713</b>	<b>1.275.556.096</b>
Sales Discounts (-)	(82.761.814)	(87.693.311)
<b>Sales (Net)</b>	<b>1.422.987.899</b>	<b>1.187.862.785</b>
<b>Cost of Sales</b>	<b>(1.164.119.765)</b>	<b>(1.003.642.016)</b>
<b>Gross Operating Profit</b>	<b>258.868.134</b>	<b>184.220.769</b>

Cost of sales are summarised as follows;

<b>Cost of Sales</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Raw Materials and Supplies Expenses	(800.449.209)	(754.956.145)
Direct Labor Expenses	(53.524.460)	(54.282.041)
Depreciation and Amortization Expenses	(23.784.442)	(24.772.541)
Other Production Costs	(16.050.685)	(13.516.973)
<b>Total Cost of Production</b>	<b>(893.808.796)</b>	<b>(847.527.700)</b>
Change in Goods Inventory	(124.413.984)	24.617.287
Cost of Trade Goods Sold	(144.218.898)	(179.644.890)
Cost of Other Sales	(1.678.087)	(1.086.713)
<b>Cost of Sales</b>	<b>(1.164.119.765)</b>	<b>(1.003.642.016)</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 20- ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**

<b>a) Research and Development Expenses</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Depreciation Expenses	(1.077.730)	(727.248)
Outsourced Benefits and Services	(632.001)	(1.015.469)
Personnel Expenses	(484.891)	(363.917)
Other	(376.298)	(801.731)
<b>Total Research and Development Expenses</b>	<b>(2.570.920)</b>	<b>(2.908.365)</b>

<b>b) Marketing Expenses</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Export Expense	(19.825.184)	(11.305.852)
Personnel Expenses	(16.729.750)	(14.427.040)
Transportation, Freight Expenses	(15.032.371)	(10.059.601)
Domestic Sales Expense	(12.310.416)	(8.605.115)
Advertisement Expenses	(6.690.786)	(10.457.051)
Royalty Expenses (*)	(5.614.994)	(4.190.378)
Travel Expenses	(3.352.502)	(2.467.118)
Depreciation Expenses	(2.329.950)	(2.554.130)
Business and Service Expenses	(2.014.440)	(1.594.338)
Representation-Hospitality Expenses	(1.470.827)	(1.191.103)
Warranty Expense Provision	(999.084)	(1.173.031)
Tax, Duties and Fee Expenses	(543.050)	(2.102.765)
Consulting, Audit Expenses	(514.293)	(20.000)
Insurance Expenses	(393.535)	(308.013)
Maintenance and Repair Expenses	(128.224)	(118.464)
Other	(6.386.337)	(6.931.317)
<b>Total General Administrative Expenses</b>	<b>(94.335.743)</b>	<b>(77.505.316)</b>

(\*) As of 31 December 2019, TL 5.178.167 of royalty expenses amounting to 5.614.994 TL is related to license agreements with Isuzu Motors Ltd. Tokyo, TL 348.128 is related to license agreements with Isuzu Motors International Operation Thailand and TL 88.645 is related to license agreements with AG Anadolu Grubu Holding A.Ş. (As of 31 December 2018, TL 3.858.439 of royalty expenses amounting to TL 4.190.378 is related to license agreements with Isuzu Motors Ltd. Tokyo, TL 331.939 is related to license agreements with Isuzu Motors International Operation Thailand).

<b>c) General Administrative Expenses</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Personnel Expenses	(23.255.987)	(18.140.418)
Business and Service Expenses	(11.024.623)	(9.392.269)
Consulting, Audit Expenses	(10.752.938)	(7.905.040)
Depreciation Expenses	(3.707.758)	(1.709.555)
Insurance Expenses	(3.124.035)	(2.679.891)
Tax, Duties and Fee Expenses	(2.929.624)	(2.770.764)
Travel Expenses	(535.685)	(542.007)
Representation-Hospitality Expenses	(490.877)	(206.483)
Maintenance and Repair Expenses	(211.632)	(208.846)
Rent Expenses	(202.724)	(1.400.054)
Other	(4.775.637)	(3.009.795)
<b>Total General Administrative Expenses</b>	<b>(61.011.520)</b>	<b>(47.965.122)</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 21- EXPENSES BY NATURE**

	<b>1 January 2019</b>	<b>1 January 2018</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Direct Raw Material and Supplies Costs	(800.449.209)	(754.956.145)
Cost of Trade Goods Sold	(144.218.898)	(179.644.890)
Change in Finished Goods and Semi-Finished Goods	(124.413.984)	24.617.287
Personnel Expenses	(93.995.088)	(87.213.416)
Depreciation And Amortisation Expenses	(30.899.880)	(29.763.474)
Other	(128.060.889)	(105.060.181)
<b>Total Expenses</b>	<b>(1.322.037.948)</b>	<b>(1.132.020.819)</b>

Expenses by nature include cost of goods sold, marketing, selling and distribution expenses, general administration expenses and research and development expenses.

**NOTE 22- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

<b>Other Income from Operating Activities:</b>	<b>1 January 2019</b>	<b>1 January 2018</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Foreign Exchange Income on Trade Receivables and Payables	31.080.787	74.409.060
Discount Income on Trade Payables	6.551.714	8.921.845
Service Income	4.121.761	1.179.802
Delay Interest Income	3.290.030	4.489.857
Incentive Income	1.861.704	2.692.001
Sale Support Income	1.006.440	9.184.995
Rent Income	479.937	279.628
Tubitak R&D Incentive	441.189	516.015
Insurance Indemnity Income	211.746	44.116
Released Provisions	181.678	-
Export D.F.I.F Support	153.615	15.488
Other Income	4.159.165	5.240.110
<b>Total</b>	<b>53.539.766</b>	<b>106.972.917</b>

<b>Other Expense from Operating Activities:</b>	<b>1 January 2019</b>	<b>1 January 2018</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Foreign Exchange Expense on Trade Receivables and Payables	(32.634.717)	(116.207.097)
Discount Income on Trade Receivables	(4.637.430)	(5.007.176)
Insurance Indemnity Income	(2.245.596)	(1.614.674)
Lawsuit Provisions	(189.907)	-
Donations and Contributions	(33.080)	(34.250)
Other Expenses	(159.775)	(241.339)
<b>Total</b>	<b>(39.900.505)</b>	<b>(123.104.536)</b>

**NOTE 23- INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

<b>Income From Investing Activities</b>	<b>1 January 2019</b>	<b>1 January 2018</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Gain on Sale of Machinery and Equipment	168.611	726.273
<b>Total</b>	<b>168.611</b>	<b>726.273</b>

<b>Expenses from Investing Activities</b>	<b>1 January 2019</b>	<b>1 January 2018</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Loss on Sale of Machinery and Equipment	(48.472)	(306.332)
<b>Total</b>	<b>(48.472)</b>	<b>(306.332)</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 24- FINANCE INCOME AND EXPENSES**

<b>Finance Income:</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Foreign Exchange Gain	56.585.083	76.904.569
Interest Income	3.507.444	6.985.048
<b>Total</b>	<b>60.092.527</b>	<b>83.889.617</b>

  

<b>Finance Expense:</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Interest Expense	(80.949.496)	(56.560.201)
Foreign Exchange Losses	(80.889.393)	(154.078.767)
Letter of Guarantee Expenses	(5.349.276)	(2.367.841)
Forward Purchase Expense	(1.338.944)	(1.947.378)
Expense from Derivative Transactions	(442.165)	(691.432)
Other Finance Expenses	(3.043.650)	(2.504.188)
<b>Total</b>	<b>(172.012.924)</b>	<b>(218.149.807)</b>

**NOTE 25- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

The Group's tax expense (or income) is comprised of current period corporate tax expense and deferred tax expense (or income).

<b>Account</b>	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Current Income Tax Provision (-)	(314.862)	(262.785)
Deferred Tax Income / (Expense) (Income Statement)	19.313.733	13.884.087
<b>Tax Income / (Expense) - Income Statement</b>	<b>18.998.871</b>	<b>13.621.302</b>
Tax Income / (Expense) (Comprehensive Income Statement)	584.428	744.839
<b>Total Tax Income / (Expense)</b>	<b>19.583.299</b>	<b>14.366.141</b>

  

	<b>31 December 2019</b>	<b>31 December 2018</b>
Current Corporate Tax Provision	314.862	262.785
Less: Prepaid Taxes	(739.109)	(1.098.616)
<b>Tax Payable</b>	<b>(424.247)</b>	<b>(835.831)</b>

As of 31 December 2019, the amount of corporate tax paid in advance is amounted to TL 424.247 which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation (31 December 2018: TL 835.831).

*i) Provision for Current Period Tax*

The Group is subjected to Corporate Tax in Turkey. Necessary provisions in supplementary financial statements have been made for estimated tax liabilities regarding Group's operations in the current period.

The corporate tax to be accrued over the taxable profit is calculated by adding non-deductible expenses to the accounting profit; deducting investment and research and development allowances, income that is not subjected to taxation and the dividends received, from companies located in Turkey, from the accounting profit.

Consolidation principle is not utilized to prepare financial statements related to tax that is effective in Turkey.

The effective tax rate in 2019 is 22% (2018: 22%).

According to the provisional article 10 added to the Corporate Tax Law, a corporate tax rate of 22% will be taken over the corporate earnings of the corporate taxpayers for the 2018, 2019 and 2020 accounting periods.

Tax losses can be carried forward to offset against future taxable income for up to five years. However, tax losses cannot be carried back to offset profits from previous periods.

According to Corporate Tax Law's 24th article, the corporate tax is imposed by the taxpayer's tax returns. There is not an exact mutual agreement procedure with Tax Authorities in Turkey. Annual corporate tax returns are submitted to the relating tax offices until the 25th of April in the following year. Tax authorities have the right to audit tax declarations and accounting records for 5 years and may issue re-assessment based on their findings.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 25- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**

**Income Withholding Tax:**

In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed. The rate of income tax withholding is 15%.

*ii) Deferred Tax*

The deferred tax asset and tax liability are based on the temporary differences, which arise between the financial statements prepared according to TAS/IFRS's accounting standards and statutory tax financial statements. These differences are usually due to the recognition of revenue and expenses in different reporting periods for the TAS/IFRS standards and tax purposes.

Timing differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Timing differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and liabilities, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset. Corporate tax rate used in the calculation of deferred taxes is 22% for temporary differences ending in 2018, 2019 and 2020, and 20% for other long-term temporary differences.

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets / (Liabilities)</u>	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets / (Liabilities)</u>
Inventories	576.786	126.893	739.530	162.697
Non-Current Assets (Net)	(518.424.296)	(65.032.304)	(517.378.544)	(64.823.153)
Provision for Employment				
Termination Benefits	27.764.472	5.552.894	23.885.435	4.777.087
Guarantee Provisions	11.436.343	2.515.995	9.647.216	2.122.388
R&D Discount	183.309.407	36.661.881	101.193.234	20.238.647
Current Year Financial Loss (*)	158.700.909	32.252.554	129.485.428	26.409.458
Rediscount Expenses/Income (Net)	(452.673)	(99.588)	1.461.611	321.554
Lawsuit Provisions	4.174.012	918.283	4.355.690	958.252
Other (Net)	2.900.059	638.014	15.770.600	3.469.531
<b>Total</b>		<b>13.534.622</b>		<b>(6.363.539)</b>

(\*) It is foreseen that the financial loss of the current period will be completely lowered in the next 4 years.

<b>Movement of Deferred Tax Assets / (Liabilities):</b>	<b>1 January 2019</b>	<b>1 January 2019</b>
	<b>31 December 2019</b>	<b>31 December 2019</b>
Opening Balance	(6.363.539)	(20.992.465)
Deferred Tax (Expense) / Income Charged to Profit or Loss	19.313.733	13.884.087
Deferred Tax Income Charged to Comprehensive Income	584.428	744.839
<b>Closing Balance</b>	<b>13.534.622</b>	<b>(6.363.539)</b>

The reconciliation of the current tax expense with the period profit/loss is as follows:

<b>Reconciliation of Tax Provision:</b>	<b>1 January 2019</b>	<b>1 January 2019</b>
	<b>31 December 2019</b>	<b>31 December 2019</b>
<b>Income / (Loss) from Continuing Operations</b>	<b>2.788.954</b>	<b>(94.129.902)</b>
Corporate Tax Rate 22%	(613.570)	20.708.578
Tax Effects of:		
-R&D Incentive	16.423.235	13.136.805
-R&D Support Income	97.062	113.523
-Non-deductible expenses	(33.328)	(141.248)
-Income Not Subject to Tax	3.070.432	183.835
-Other	55.040	(20.380.191)
<b>Income/(Expense) on Tax Provision Recognised in Profit or Loss</b>	<b>18.998.871</b>	<b>13.621.302</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 26 - EARNINGS / (LOSS) PER SHARE**

	<b>1 January 2019 31 December 2019</b>	<b>1 January 2018 31 December 2018</b>
Net Profit / (Loss) for The Period	21.787.825	(80.508.600)
Weighted Average Number of Shares with Nominal Value of 1 Piaster	8.400.000.000	8.400.000.000
<b>Income Per 100 Share with Nominal Value of TL 1 Each</b>	<b>0,2594</b>	<b>(0,9584)</b>

**NOTE 27- RELATED PARTY DISCLOSURES**

**a) Related Party Payable and Receivable Balances:**

Group's receivables from related parties are mainly due to trade goods, service sales and rent income. Group's payables to related parties are mainly due to raw material, service purchases and rent expenses.

The Group does not charge interest on its trade receivables from related parties.

<b>31 December 2019</b>	<b>Receivables</b>		<b>Payables</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
<b>Balances with Related Parties</b>				
Itochu Corporation Tokyo	1.223.666	-	170.457.879	-
Anadolu Motor Üretim ve Paz. A.Ş.	647.620	-	-	-
Çelik Motor Ticaret A.Ş.	613.628	-	-	-
Isuzu Motors Ltd. Tokyo	81.437	-	3.237.022	-
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	7.570	-	-	-
Isuzu Motors Europe NV	50	-	-	-
Isuzu Motors International Operation Thailand	-	-	4.510.104	-
AG Anadolu Grubu Holding A.Ş.	-	-	674.818	-
Efestur Turizm İşletmeleri A.Ş.	-	-	578.122	-
Migros Ticaret A.Ş.	-	-	417.402	-
AEH Sigorta Acenteliği A.Ş.	-	-	59.019	-
Adel Kalemçilik Tic. ve San. A.Ş.	-	-	5.485	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	-	-	4.364	-
Isuzu Motors Co. Thailand Ltd.	-	-	133	-
Payables to Shareholders (*)	-	-	-	9.109
<b>Total</b>	<b>2.573.971</b>	<b>-</b>	<b>179.944.348</b>	<b>9.109</b>

<b>31 December 2018</b>	<b>Receivables</b>		<b>Payables</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
<b>Balances with Related Parties</b>				
Itochu Corporation Tokyo	6.589.810	-	107.332.716	-
Isuzu Motors International Operation Thailand	1.088.993	-	-	-
Anadolu Motor Üretim ve Paz. A.Ş.	217.279	-	-	-
Çelik Motor Ticaret A.Ş.	61.918	-	-	-
Anadolu Bilişim Hizmetleri A.Ş.	50.945	-	-	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	12.262	-	-	-
Itochu Corporation Shangai	-	-	1.523.031	-
Migros Ticaret A.Ş.	-	-	367.531	-
Efestur Turizm İşletmeleri A.Ş.	-	-	123.061	-
Isuzu Motors Ltd. Tokyo	-	-	69.803	-
Oyex Handels GMBH	-	-	48.344	-
AEH Sigorta Acenteliği A.Ş.	-	-	31.735	-
AG Anadolu Grubu Holding A.Ş.	-	-	7.291	-
Adel Kalemçilik San. ve Tic. A.Ş.	-	-	5.519	-
Isuzu Motors Co. Thailand Ltd.	-	-	325	-
Payables to Shareholders (*)	-	-	-	9.109
<b>Total</b>	<b>8.021.207</b>	<b>-</b>	<b>109.509.356</b>	<b>9.109</b>

(\*) Non-Trade Payables to Shareholders balance is classified under other payables in balance sheet.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 27- RELATED PARTY DISCLOSURES (cont'd)**

**b) Related Party Transactions:**

**1 January-31 December 2019**

<b>Sales to Related Parties</b>	<b>Goods and Services Purchases</b>	<b>Fixed Assets Purchases</b>	<b>Other Income</b>	<b>Total Expense/ Purchases</b>
Isuzu Motors Ltd. Tokyo	47.549.471	-	-	47.549.471
Itochu Corporation Tokyo	2.123.310	-	-	2.123.310
Anadolu Motor Üretim ve Paz. A.Ş.	2.011.373	-	-	2.011.373
Çelik Motor Ticaret A.Ş.	1.364.043	-	24.030	1.388.073
Isuzu Motors International Operation Thailand	1.303.898	-	-	1.303.898
Itochu France	257.989	-	-	257.989
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	7.570	-	120.810	128.380
AG Anadolu Grubu Holding A.Ş.	22.205	8.200	9.769	40.174
Anadolu Bilişim Hizmetleri A.Ş.	-	-	16.362	16.362
Isuzu Motors Germany Gmbh	1.453	-	-	1.453
<b>Total</b>	<b>54.641.312</b>	<b>8.200</b>	<b>170.971</b>	<b>54.820.483</b>

**1 January-31 December 2018**

<b>Sales to Related Parties</b>	<b>Goods and Services Purchases</b>	<b>Fixed Assets Purchases</b>	<b>Other Income</b>	<b>Total Expense/ Purchases</b>
Isuzu Motors Ltd. Tokyo	15.198.274	-	-	15.198.274
Itochu Corporation Tokyo	14.727.509	-	-	14.727.509
Isuzu Motors International Operation Thailand	3.228.112	-	-	3.228.112
Çelik Motor Ticaret A.Ş.	805.089	-	15.037	820.126
Anadolu Motor Üretim ve Pazarlama A.Ş.	360.684	-	-	360.684
AG Anadolu Grubu Holding A.Ş.	-	305.400	-	305.400
Migros Ticaret A.Ş.	-	101.400	-	101.400
Anadolu Bilişim Hizmetleri A.Ş.	71.639	-	-	71.639
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	-	-	43.130	43.130
<b>Total</b>	<b>34.391.307</b>	<b>406.800</b>	<b>58.167</b>	<b>34.856.274</b>

**1 January-31 December 2019**

<b>Purchases from Related Parties</b>	<b>Goods and Services Purchases</b>	<b>Fixed Assets Purchases</b>	<b>Other Expenses</b>	<b>Total Expense/ Purchases</b>
Itochu Corporation Tokyo	208.500.767	-	-	208.500.767
Isuzu Motors Ltd. Tokyo	13.924.946	-	-	13.924.946
AG Anadolu Grubu Holding A.Ş.	7.737.696	7.159	43.450	7.788.305
Isuzu Motors International Operation Thailand	5.749.890	-	-	5.749.890
Efestur Turizm İşletmeleri A.Ş.	5.018.167	-	-	5.018.167
Itochu Shanghai Ltd.	2.203.972	-	-	2.203.972
Çelik Motor Ticaret A.Ş.	1.629.913	30.500	51.930	1.712.343
Anadolu Bilişim Hizmetleri A.Ş.	1.205.309	9.400	-	1.214.709
Isuzu Motors Co. Thailand Ltd.	276.761	-	-	276.761
Migros Ticaret A.Ş.	218.942	-	-	218.942
Anadolu Motor Üretim ve Paz. A.Ş.	27.160	-	-	27.160
Adel Kalemçilik Tic. ve San. A.Ş.	22.159	-	-	22.159
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	14.406	3.403	-	17.809
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	14.779	-	-	14.779
Anadolu Sağlık Merkezi İktisadi İşletmesi	973	-	-	973
<b>Total</b>	<b>246.545.840</b>	<b>50.462</b>	<b>95.380</b>	<b>246.691.682</b>



(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 27- RELATED PARTY DISCLOSURES (cont'd)**

**b) Related Party Transactions (cont'd):**

**1 January-31 December 2018**

	<u>Goods and Services Purchases</u>	<u>Fixed Assets Purchases</u>	<u>Other Expenses</u>	<u>Total Expense/ Purchases</u>
<b><u>Purchases from Related Parties</u></b>				
Itochu Corporation Tokyo	202.716.307	-	-	<b>202.716.307</b>
Isuzu Motors International Operation Thailand	120.829.399	-	-	<b>120.829.399</b>
AG Anadolu Grubu Holding A.Ş.	6.554.703	-	-	<b>6.554.703</b>
Isuzu Motors Ltd. Tokyo	6.531.338	-	-	<b>6.531.338</b>
Efestur Turizm İşletmeleri A.Ş.	4.209.663	-	-	<b>4.209.663</b>
Çelik Motor Ticaret A.Ş.	2.075.067	-	93.706	<b>2.168.773</b>
Isuzu Motors Co. Thailand Ltd.	602.019	-	-	<b>602.019</b>
Migros Ticaret A.Ş.	134.034	-	-	<b>134.034</b>
Anadolu Motor Üretim ve Paz. A.Ş.	115.818	-	-	<b>115.818</b>
Oyex Handels Gmbh	60.358	-	-	<b>60.358</b>
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	35.999	12.296	-	<b>48.295</b>
Isuzu Motors Germany GMBH	47.899	-	-	<b>47.899</b>
Anadolu Sağlık Merkezi İktisadi İşletmesi	603	-	-	<b>603</b>
Kipa Ticaret A.Ş.	159	-	-	<b>159</b>
<b>Total</b>	<b>343.913.366</b>	<b>12.296</b>	<b>93.706</b>	<b>344.019.368</b>

**c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:**

As per the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. Donation was not made to Anadolu Eğitim ve Sosyal Yardım Vakfı by the Group in 2019 (Donation was not made in 2018).

**d) Key management compensation:**

	<u>31 December 2019</u>	<u>31 December 2018</u>
Salaries and other short-term benefits	10.960.402	9.184.708
<b>Total</b>	<b>10.960.402</b>	<b>9.184.708</b>

The benefits provided to top management (General managers and Directors) include salaries, bonuses, premiums, and the employer's share of social security.

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance.

The Group's equity comprised of cash and cash equivalents in Note 4 and equity items in Note 16.

Risks, associated with each capital class, and the capital cost are evaluated by the top management. It is aimed that the capital structure will be set in balance by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the top management evaluations.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

(a) Capital risk management (cont'd)

The Group monitors capital by using debt to total capital ratio. This ratio is calculated by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including credits, leasing and commercial debts as indicated in the balance sheet).

	<b>31 December 2019</b>	<b>31 December 2018</b>
Net Debt	780.635.292	871.436.343
Total Equity	564.088.174	544.638.063
<b>Net Debt/Total Equity</b>	<b>1,38</b>	<b>1,60</b>

Increase of the rate of net debts to equity compared to prior year arise from the periodical increase in using credits.

General strategy of the Group based on shareholders' equity is not different from previous periods.

The Group conducts hedging contracts (including derivative financial instruments) for the purpose of diversifying foreign currency fluctuation risks.

(b) Price risk

Equity instruments which are classified on Group's balance sheet as available-for-sale are subjected to price risk. In order to manage the price risk due to capital instruments. The Group has a limited number of financial assets which are available-for-sale.

(c) Market risk

The Group is subject to the financial risks related to the changes in the exchange rate (Please see (d) below) and interest rate (Please see (e) below) due to its operations and other (Please see (f) below). Also due to having financial instruments, the Group also bears the risk of other parties not meeting the requirements of agreements (Please see (g) below).

Market risks seen at the level of the Group are measured in accordance with sensitivity analyses.

The market risk of the Group incurred during the current year or the method of handling the encountered risks or the method of measuring those risks are not different from the previous year.

(d) Foreign exchange risk management

Foreign currency transactions may result in foreign currency risk.

The Group maintains foreign currency time deposit accounts in banks as the Group has receivables and payables in foreign currencies. As a consequence, the Group is exposed to foreign currency exchange risk due to the changes in exchange rates used for converting assets and liabilities into TL. Foreign exchange risk arises from future trade operations and the differences between assets and liabilities.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

(d) Foreign exchange risk management (cont'd)

**Statement of Foreign Exchange Rate Sensitivity Analysis**

**31 December 2019**

	<b>Profit / Loss</b>	
	<b><u>Appreciation of Foreign Currency</u></b>	<b><u>Depreciation of Foreign Currency</u></b>
In case of US Dollar increases in 10% against TL;		
1 - US Dollar Net Asset / Liability	7.738.612	(7.738.612)
2- US Dollar Hedges (-)	-	-
<b>3- Net Effect of US Dollar (1 +2)</b>	<b>7.738.612</b>	<b>(7.738.612)</b>
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / Liability	(21.699.709)	21.699.709
5- Euro Hedges (-)	-	-
<b>6- Net Effect of Euro (4+5)</b>	<b>(21.699.709)</b>	<b>21.699.709</b>
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset / Liability	(7.744.715)	7.744.715
8- Other Exchange Rates Hedges (-)	-	-
<b>9- Net Effect of Other Exchange Rates (4+5)</b>	<b>(7.744.715)</b>	<b>7.744.715</b>
<b>TOTAL (3+6+9)</b>	<b>(21.705.812)</b>	<b>21.705.812</b>

**Statement of Foreign Exchange Rate Sensitivity Analysis**

**31 December 2018**

	<b>Profit / Loss</b>	
	<b><u>Appreciation of Foreign Currency</u></b>	<b><u>Depreciation of Foreign Currency</u></b>
In case of US Dollar increases in 10% against TL;		
1 - US Dollar Net Asset / Liability	(400.151)	400.151
2- US Dollar Hedges (-)	-	-
<b>3- Net Effect of US Dollar (1 +2)</b>	<b>(400.151)</b>	<b>400.151</b>
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / Liability	(26.061.449)	26.061.449
5- Euro Hedges (-)	-	-
<b>6- Net Effect of Euro (4+5)</b>	<b>(26.061.449)</b>	<b>26.061.449</b>
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset / Liability	(6.138.265)	6.138.265
8- Other Exchange Rates Hedges (-)	-	-
<b>9- Net Effect of Other Exchange Rates (4+5)</b>	<b>(6.138.265)</b>	<b>6.138.265</b>
<b>TOTAL (3+6+9)</b>	<b>(32.599.865)</b>	<b>32.599.865</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

(d) Foreign exchange risk management (cont'd)

	31 December 2019					31 December 2018				
	TL Amount	US Dollar	Euro	Yen	Other	TL Amount	US Dollar	Euro	Yen	Other
1. Trade Receivables	195.203.049	13.828.171	14.865.873	1.508.528	14.112.074	68.173.508	265.471	3.093.161	-	37.409.698
2a. Monetary Financial Assets	88.462.408	21.604	13.248.376	-	224.427	48.619.043	85.856	6.848.211	300.383	5.341.260
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	10.908.414	-	-	-	10.908.414	-	-	-	-	6.567.529
<b>4. Current Assets (1+2+3)</b>	<b>294.573.871</b>	<b>13.849.775</b>	<b>28.114.249</b>	<b>1.508.528</b>	<b>25.244.915</b>	<b>116.792.551</b>	<b>351.327</b>	<b>9.941.372</b>	<b>300.383</b>	<b>49.318.487</b>
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
<b>8. Non-current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>294.573.871</b>	<b>13.849.775</b>	<b>28.114.249</b>	<b>1.508.528</b>	<b>25.244.915</b>	<b>116.792.551</b>	<b>351.327</b>	<b>9.941.372</b>	<b>300.383</b>	<b>49.318.487</b>
10. Trade Payables	268.198.503	510.247	24.422.823	1.867.804.737	1.336.120	191.182.765	1.111.940	10.847.512	2.257.101.986	1.897.807
11. Financial Liabilities	173.807.213	-	26.134.065	-	-	161.751.331	-	26.833.333	-	-
12a. Monetary Other Liabilities	6.322.156	-	912.196	-	32.856	735.681	-	122.044	-	-
12b. Non-Monetary Other Liabilities	6.638.036	312.000	719.438	-	-	3.744.449	-	372.473	31.530.528	-
<b>13. Current Liabilities (10+11+12)</b>	<b>454.965.908</b>	<b>822.247</b>	<b>52.188.522</b>	<b>1.867.804.737</b>	<b>1.368.976</b>	<b>357.414.226</b>	<b>1.111.940</b>	<b>38.175.362</b>	<b>2.288.632.514</b>	<b>1.897.807</b>
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	56.888.734	-	8.553.925	-	-	90.420.000	-	15.000.000	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
<b>17. Non-current Liabilities (14+15+16)</b>	<b>56.888.734</b>	<b>-</b>	<b>8.553.925</b>	<b>-</b>	<b>-</b>	<b>90.420.000</b>	<b>-</b>	<b>15.000.000</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>511.854.642</b>	<b>822.247</b>	<b>60.742.447</b>	<b>1.867.804.737</b>	<b>1.368.976</b>	<b>447.834.226</b>	<b>1.111.940</b>	<b>53.175.362</b>	<b>2.288.632.514</b>	<b>1.897.807</b>
<b>19. Off-balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.a. Total Amount of Hedged Assets	-	-	-	-	-	-	-	-	-	-
19.b. Total Amount of Hedged Liabilities	-	-	-	-	-	-	-	-	-	-
<b>20. Net Foreign Currency Assets/(Liabilities) Position (9-18+19)</b>	<b>(217.280.771)</b>	<b>13.027.528</b>	<b>(32.628.198)</b>	<b>(1.866.296.209)</b>	<b>23.875.939</b>	<b>(331.041.675)</b>	<b>(760.613)</b>	<b>(43.233.990)</b>	<b>(2.288.332.131)</b>	<b>47.420.680</b>
<b>21. Monetary Items Net Foreign Currency Assets / (Liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(221.551.149)</b>	<b>13.339.528</b>	<b>(45.157.136)</b>	<b>(1.866.296.209)</b>	<b>12.967.525</b>	<b>(327.297.226)</b>	<b>(760.613)</b>	<b>(49.709.728)</b>	<b>(2.256.801.603)</b>	<b>40.853.151</b>
<b>22. Fair Value of Financial Instruments Used for Currency Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Hedged Foreign Currency Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Hedged Foreign Currency Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25. Export</b>	<b>804.352.370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528.831.949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26. Import</b>	<b>474.508.004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>521.332.895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

(e) Interest rate risk management

The Group is exposed to interest rate risk due to variable and fixed interest rates. Group's financial liabilities and assets with fixed and variable interest rates (guarantee etc.) are respectively shown at Note 4.

**Interest Rate Position Table**

	<u>31 December 2019</u>	<u>31 December 2018</u>
<b>Financial Assets with Fixed Rates</b>		
Financial Assets	134.588.657	85.072.854
Financial Liabilities	(460.943.310)	(634.669.115)
<b>Financial Liabilities With Variable Rates</b>		
Financial Assets	-	-
Financial Liabilities	(33.244.816)	(8.054.203)

As of 31 December 2019, if the market interest rate had increased/decreased by 100 basis point with all other variables held constant, period income before tax and consolidated equity of participations of the Group would have been higher/lower by TL 332.448 (31 December 2018: higher/lower by TL 80.542).

(f) Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

(g) Credit risk management

Holding financial instruments also carries the risk of the other party's not meeting the requirements of the agreement. The Group's collection risk is mainly derived from trade receivables. Trade receivables are evaluated by the management of the Group depending on their past experiences and current economic conditions and are presented in financial statements when necessary allowances for doubtful receivables are provided.

Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers. The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 31 December 2019 are TL 195.203.049 and there is no geographical concentration (31 December 2018: TL 68.173.508).

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

(g) Credit risk management (cont'd)

	Receivables				Note	Deposit	Note
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
<b>CURRENT PERIOD</b>							
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	2.573.971	399.751.804	-	13.904.489		140.101.446	
- Secured portion of the maximum credit risk by guarantees etc.	-	399.751.804	-	-	6	-	
<b>A. Net book value of financial assets which are undue or which is not impaired</b>	<b>2.573.971</b>	<b>383.942.454</b>	<b>-</b>	<b>13.904.489</b>	<b>7-8</b>	<b>140.101.446</b>	<b>4</b>
<b>B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	
<b>C. Net book value of assets, overdue but not impaired</b>	<b>-</b>	<b>15.809.350</b>	<b>-</b>	<b>-</b>	<b>7-8</b>	<b>-</b>	
- Secured by Guarantee, etc.	-	15.809.350	-	-	7-8	-	
<b>D. Net book value of assets decrease in value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	
- Overdue (gross book value)	-	(364.907)	-	-	7-8	-	
- Impairment (-)	-	364.907	-	-	7-8	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
<b>E. Elements containing credit risk off the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	

	Receivables				Note	Deposit	Note
	Trade Receivables		Other Receivables				
	Related Parties	Other Parties	Related Parties	Other Parties			
<b>PRIOR PERIOD</b>							
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	8.021.207	241.794.653	-	41.324.304		95.983.242	
- Secured portion of the maximum credit risk by guarantees etc.	-	241.794.653	-	-		-	
<b>A. Net book value of financial assets which are undue or which is not impaired</b>	<b>8.021.207</b>	<b>212.780.350</b>	<b>-</b>	<b>41.324.304</b>	<b>7-8</b>	<b>95.983.242</b>	<b>4</b>
<b>B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	
<b>C. Net book value of assets, overdue but not impaired</b>	<b>-</b>	<b>29.014.303</b>	<b>-</b>	<b>-</b>	<b>7-8</b>	<b>-</b>	
- Secured by Guarantee, etc.	-	29.014.303	-	-	7-8	-	
<b>D. Net book value of assets decrease in value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	
- Overdue (gross book value)	-	(175.000)	-	-	7-8	-	
- Impairment (-)	-	175.000	-	-	7-8	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
<b>E. Elements containing credit risk off the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	

The ageing of trade receivables, overdue but not impaired, is as follows:

	Receivables				Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables					
<b>31 December 2019</b>							
Past due up to 30 days	12.667.506	-	-	-	-	-	-
Past due 1 - 3 months	859.424	-	-	-	-	-	-
Past due 3 - 12 months	2.282.420	-	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-	-	-
Past due over 5 years	-	-	-	-	-	-	-
<b>Assets covered portion with guarantee letter etc.</b>	<b>15.809.350</b>						

(Amounts expressed in Turkish Lira unless otherwise indicated.)

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

	Receivables		Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables			
<b>31 December 2018</b>					
Past due up to 30 days	26.112.873	-	-	-	-
Past due 1 - 3 months	2.901.430	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
<b>Assets covered portion with guarantee letter etc.</b>	<b>29.014.303</b>	-	-	-	-

Impairment analysis on trade receivables is made over the ageing table and though assessing the management's best estimates.

The Group manages liquidity risk by maintaining adequate reserves, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Liquidity risk tables**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities.

The risk of meeting existing and probable future liabilities is managed only by means of having access to sufficient number of trustable creditors.

The table below indicates derivative and non-derivative financial liabilities of the Group in terms of TL and maturity term.

**Non-Derivative Financial Liabilities**

**31 December 2019**

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted</u>				
		<u>Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Bank Loans	494.188.126	554.733.379	121.580.810	290.148.705	121.409.201	21.594.663
Other Financial Liabilities	5.579.655	6.331.536	608.275	1.824.826	3.898.435	-
Trade Payables	421.671.065	423.866.378	290.188.520	133.677.858	-	-
Other Payables	8.215.495	8.215.495	8.215.495	-	-	-
<b>Total</b>	<b>929.654.341</b>	<b>993.146.788</b>	<b>420.593.100</b>	<b>425.651.389</b>	<b>125.307.636</b>	<b>21.594.663</b>

**31 December 2018**

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted</u>				
		<u>Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Bank Loans	642.723.318	664.959.718	186.190.469	383.902.438	94.866.811	-
Trade Payables	325.219.054	323.181.710	246.854.441	76.327.269	-	-
Other Payables	7.093.948	7.093.948	7.093.948	-	-	-
<b>Total</b>	<b>975.036.320</b>	<b>995.235.376</b>	<b>440.138.858</b>	<b>460.229.707</b>	<b>94.866.811</b>	<b>-</b>

**NOTE 28- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**Derivative Financial Liabilities**

The Group does not have derivative financial liabilities as of 31 December 2019 and 31 December 2018.

**Fair Value and Hedging Disclosures**

The Group believes that registered values of financial instruments reflect their fair values.

Objectives of financial risk management

Finding access to financial markets and managing financial risks arisen from operational activities of the Group fall under the responsibility of the Group's finance department. Aforementioned risks include market risk (foreign exchange risk, interest rate risk and price risk); financial risk covers market risk (exchange rate risk, fair value of interest risk and price risk), credit risk liquidity risk and cash flow risk.

Determination of the fair value of financial assets and liabilities are explained below:

Level 1: Valuation of the financial assets and liabilities over the stock exchange prices of similar assets and liabilities resulting from the transactions in active markets.

Level 2: Valuation of the financial assets and liabilities over the price calculated on the basis of the data that is directly or indirectly observable in the market other than the stock exchange price of the relevant asset or liability determined on the first level.

Level 3: Valuation of the financial assets and liabilities carried out in the absence of observable data in the market for determining the fair value of the relevant asset or liability.

**Derivative Financial Instruments**

In order to hedge these risks, the Group enters into forward foreign currency transaction agreements as a financial instrument where necessary.

As of 31 December 2019, the Group's foreign currency transaction agreement, which is a derivative financial instrument, is as follows (31 December 2018: None):

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Options	-	442.165	-	442.165
<b>Net</b>	<b>-</b>	<b>442.165</b>	<b>-</b>	<b>442.165</b>

**NOTE 29- EVENTS AFTER REPORTING PERIOD**

None.