

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

**Condensed Consolidated Financial Statements
for the Interim Period
1 January – 30 June 2020 and
Independent Auditor's Review Report**

**(CONVENIENCE TRANSLATION OF THE REPORT AND THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Anadolu Isuzu Sanayi ve Ticaret A.Ş. (“the Company”) and its subsidiary (together will be referred as “the Group”) as of 30 June 2020 and the related condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

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


Koray Öztürk
Partner

İstanbul, 10 August 2020

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ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
 INDEPENDENT AUDITOR'S REVIEW REPORT AS AT 30 JUNE 2020 and
 AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2019

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Reviewed Current Period 30 June 2020	Audited Prior Period 31 December 2019
ASSETS			
Current Assets		949,354,044	857,423,932
Cash And Cash Equivalents	4	267,689,066	140,803,554
Trade Receivables		302,090,133	402,325,775
<i>Trade Receivables From Related Parties</i>	6-22	997,076	2,573,971
<i>Trade Receivables From Third Parties</i>	6	301.093.057	399,751,804
Other Receivables		5,535,115	13,904,303
<i>Other Receivables From Third Parties</i>		5,535,115	13,904,303
Inventories	8	315,137,401	258,854,407
Derivative Instruments	7	4,320,986	442,165
Prepaid Expenses	15	19,744,010	9,879,886
Assets Related To Current Tax		387,980	424,247
Other Current Assets	15	34,449,353	30,789,595
Non-Current Assets		744,220,086	719,020,218
Other Receivables		186	186
<i>Other Receivables From Third Parties</i>		186	186
Property, Plant And Equipment	9	558,313,911	557,688,250
Right-of-Use Assets	11	5,547,352	5,330,515
Intangible Assets		147,705,864	133,932,317
<i>Goodwill</i>		2,340,995	2,340,995
<i>Other Intangible Assets</i>	10	145,364,869	131,591,322
Prepaid Expenses	15	9,045,391	8,534,328
Deferred Tax Assets	20	23,607,382	13,534,622
TOTAL ASSETS		1,693,574,130	1,576,444,150

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
 INDEPENDENT AUDITOR'S REVIEW REPORT AS AT 30 JUNE 2020 and
 AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
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(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Reviewed Current Period 30 June 2020	Audited Prior Period 31 December 2019
LIABILITIES			
Current Liabilities		863,796,446	856,703,335
Short-Term Borrowings		428,399,326	189,542,901
Short-Term Borrowings from Third Parties	5	428,399,326	189,542,901
Bank Loans	5	428,399,326	189,542,901
Short-Term Portion of Long Term Borrowings		49,706,919	202,965,742
Long Term Borrowings From Third Parties			
Short Term Sections	5	49,706,919	202,965,742
Bank Loans	5	47,068,919	201,067,885
Obligations under Finance Leases	5	2,638,000	1,897,857
Trade Payables		321,431,688	421,671,065
Trade Payables to Related Parties	6,22	141,551,905	179,944,,348
Trade Payables to Third Parties	6	179,879,783	241,726,717
Other Payables		4,575,512	1,401,657
Other Payables to Related Parties	22	9,109	9,109
Other Payables to Third Parties		4,566,403	1,392,548
Derivative Instruments	7	1,149,108	-
Payables Related to Employee Benefits		12,852,131	6,822,947
Deferred Income	15	16,114,320	6,782,350
Short-Term Provisions		29,567,442	27,516,673
Short-Term Provisions for			
Employee Benefits	14	5,299,058	4,080,612
Other Short-Term Provisions	13	24,268,384	23,436,061
Non-Current Liabilities		299,257,299	155,652,641
Long-Term Borrowings	-	248,507,005	107,259,138
Long-Term Borrowings from Third Parties		248,507,005	107,259,138
Bank Loans	5	243,843,372	103,577,340
Obligations under Finance Leases	5	4,663,633	3,681,798
Liabilities arising from Contracts with Customers	15	20,938,339	19,945,190
Deferred Income	15	682,424	683,841
Long-Term Provisions for Employee Benefits	14	29,129,531	27,764,472
EQUITY		530,520,385	564,088,174
Equity Attributable to Owners of the Company		530,520,385	564,088,174
Share Capital	16	84,000,000	84,000,000
Adjustments to Share Capital	16	30,149,426	30,149,426
Revaluation and Remeasurement Earnings (Losses)	16	405,440,673	406,769,583
Restricted Reserves Appropriated from Profit	16	23,748,678	162,221,926
Prior Years' Profit/Losses	16	(140,840,586)	(240,840,586)
Net Profit/Loss for the Period	16	(32,238,879)	21,787,825
TOTAL LIABILITIES		1,693,574,130	1,576,444,150

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
 INDEPENDENT AUDITOR'S REVIEW REPORT AND
 AUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
 OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019
 (Amounts expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Reviewed 1 January- 30 June 2020	Reviewed 1 January- 30 June 2019	Not Reviewed 1 April- 30 June 2020	Not Reviewed 1 April- 30 June 2019
PROFIT OR LOSS					
Revenue	17	421,442,633	564,649,350	212,234,271	291,863,699
Cost of Sales (-)	17	(346,701,473)	(454,020,846)	(179,740,830)	(227,417,287)
GROSS PROFIT (LOSS)		74,741,160	110,628,504	32,493,441	64,446,412
Administrative Expenses (-)		(34,843,095)	(28,659,815)	(16,943,742)	(15,387,359)
Marketing Expenses (-)		(37,743,981)	(41,467,757)	(14,462,291)	(22,586,724)
Research and Development Expenses (-)		(1,942,607)	(1,345,468)	(907,784)	(170,894)
Other Income from Operating Activities	18	51,047,461	30,892,364	20,870,524	9,326,591
Other Expenses from Operating Activities (-)	18	(43,151,476)	(25,212,770)	(22,216,795)	(7,868,703)
OPERATING PROFIT (LOSS)		8,107,462	44,835,057	(1,166,647)	27,759,322
Income from Investing Activities		163,807	3,579	88,820	1,771
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		8,271,269	44,838,636	(1,077,827)	27,761,093
Finance Income	19	45,580,514	26,140,578	29,467,591	16,478,001
Finance Expenses (-)	19	(95,598,808)	(95,944,981)	(47,124,295)	(49,585,468)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(41,747,025)	(24,965,767)	(18,734,531)	(5,346,374)
Tax Income (Expense) From Continuing Operations		9,508,146	9,212,706	4,208,114	3,983,089
Current Tax (Expense) Income		(189,793)	(117,592)	(89,267)	(51,271)
Deferred Tax (Expense) Income		9,697,939	9,330,298	4,297,381	4,034,360
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(32,238,879)	(15,753,061)	(14,526,417)	(1,363,285)
PROFIT (LOSS) FOR THE YEAR	21	(32,238,879)	(15,753,061)	(14,526,417)	(1,363,285)
Profit (Loss) for the Year Attributable to Owners of The Company		(32,238,879)	(15,753,061)	(14,526,417)	(1,363,285)
Earnings (Losses) Per 100 Share from Continuing Operations	21	(0.3838)	(0.1875)	(0.1729)	(0.0162)
Items That Will Not Be Reclassified Subsequently to Profit or Loss					
Gain (Loss) on Remeasurement of Defined Benefit Plans		(1,703,731)	(1,626,767)	(1,563,993)	(1,402,724)
Gain (Loss) on Remeasurement of Defined Benefit Plans, Tax Effect		374,821	325,353	344,079	280,550
OTHER COMPREHENSIVE INCOME (EXPENSE)		(1,328,910)	(1,301,414)	(1,219,914)	(1,122,174)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(33,567,789)	(17,054,475)	(15,746,331)	(2,485,459)
Non-Controlling Interests		-	-	-	-
Owners of The Company		(33,567,789)	(17,054,475)	(15,746,331)	(2,485,459)

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AND AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

Prior Period	Paid-in Capital	Adjustments to Share Capital	Total Paid in Capital	Gain/Losses on Revaluation and Remeasurement That Will Not Be Reclassified to Profit or Loss			Retained Earnings			Non-Controlling Interests	Total Equity
				Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior Years' Profit/Losses	Net Profit/Loss for The Period	Equity Attributable to Owners of The Company		
Balances as of 1 January 2019:	84,000,000	30,149,426	114,149,426	417,373,045	(8,265,748)	162,221,926	(60,331,328)	(80,508,600)	544,638,063	-	544,638,063
Total Comprehensive Income (Expense)	-	-	-	-	-	-	-	(31,435,668)	(31,435,668)	-	(17,054,474)
Profit (Loss) for The Period	-	-	-	-	-	-	-	(31,435,668)	(31,435,668)	-	(15,753,060)
Other Comprehensive Expense	-	-	-	-	(1,301,414)	-	-	-	(1,301,414)	-	(1,301,414)
Transfers	-	-	-	-	-	-	(80,508,600)	80,508,600	-	-	-
Balances as of 30 June 2019:	84,000,000	30,149,426	114,149,426	417,373,045	(9,567,162)	162,221,926	(140,840,586)	(15,753,060)	527,583,589	-	527,583,589
Current Period											
Balances as of 1 January 2020:	84,000,000	30,149,426	114,149,426	417,373,045	(10,603,462)	162,221,926	(140,840,586)	21,787,825	564,088,174	-	564,583,174
Total Comprehensive Income (Expense)	-	-	-	-	(1,328,910)	-	-	(33,567,789)	(33,567,789)	-	(33,567,789)
Profit (Loss) for The Period	-	-	-	-	-	-	-	(32,238,879)	(32,238,879)	-	(32,258,879)
Other Comprehensive Income (Expense)	-	-	-	-	(1,328,910)	-	-	-	(1,328,910)	-	(1,328,910)
Transfers (*)	-	-	-	-	-	(138,437,248)	160,225,073	(21,787,825)	-	-	-
Balances as of 30 June 2020:	84,000,000	30,149,426	114,149,426	417,373,045	(11,932,372)	23,784,678	19,384,487	(32,238,879)	530,520,385	-	530,520,385

(*)“Real Estate Sales Profit Exemption” regarding the sale of real estate within the scope of Article 5 / e of the Corporate Tax Law No. 5520, has been classified into previous years' profits since 5 years have passed since the aforementioned sale.

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AND
AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 30 JUNE 2020 AND 30 JUNE 2019
(Amounts expressed in Turkish Lira unless otherwise indicated.)

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	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019
Cash Flows from Operating Activities		1,891,560	(257,174,472)
Profit (Loss) for The Period	16	(32,238,879)	(15,753,061)
Adjustments to Reconcile Profit (Loss) for The Year		101,046,032	102,983,433
Adjustments Related to Depreciation and Amortization Expenses	9-10-11	22,201,523	20,021,311
Adjustments Related to Provision for Employee Benefits (Released)	14	1,264,624	1,609,402
Adjustments Related to Tax (Income)		(9,508,146)	(9,212,706)
Adjustments Related to Provisions	13-18	577,763	1,272,993
Adjustments Related to Interest Incomes	18-19	(3,493,370)	(3,931,577)
Adjustments Related to Interest Expenses	18-19	27,635,507	29,917,483
Adjustments Related to Unrealized Currency Translation Differences		41,055,620	42,596,467
Provision for Impairment on Inventory	8	-	(181,092)
Other Adjustments to Profit/Loss Reconciliation		4,988,665	3,471,617
Other Adjustments to Other Provisions	13	16,487,653	9,565,066
Adjustments Related to (Gain) on Disposal of Property, Plant and Equipment		(163,807)	(3,579)
Changes in Working Capital		(48,501,431)	181,404,072
Adjustments Related to Decrease (Increase) in Trade Receivables	6	98,024,254	21,322,909
Adjustments Related to Decrease (Increase) in Inventories	8	(56,282,994)	26,811,807
Adjustments Related to Decrease (Increase) in Other Receivables from Operations		(8,997,248)	32,651,701
Adjustments Related to Increase (Decrease) in Trade Payables	6	(97,069,286)	(13,975,173)
Adjustments Related to Increase (Decrease) in Other Payables from Operations		26,407,666	118,144,993
Adjustments Related to (Increase) in Other Assets from Operations		(10,583,823)	(3,552,165)
Cash Generated from Operations		20,305,722	268,634,444
Income Tax Returns (Paid)		(577,773)	(519,922)
Payments to Provision of Employee Benefits	13	(16,233,093)	(9,152,554)
Payments for Other Provisions	14	(1,603,296)	(1,787,496)
Cash Flows from Investing Activities		(35,218,110)	(30,985,366)
Proceeds from Sale of Property, Plant and Equipment	9	171,997	(519,922)
Payments for Purchase of Property, Plant and Equipment	9	(9,584,636)	(9,152,554)
Payments for Purchase of Intangible Assets	10	(25,805,471)	(1,787,496)
Cash Flows from Financing Activities		159,863,538	(69,764,509)
Interest Received		3,144,846	3,836,423
Interest Paid	5	(25,256,222)	(50,986,810)
Proceeds from Loans	5	732,165,525	419,278,660
Cash Outflows from Repayment of Loans	5	(549,257,559)	(441,472,620)
Cash Outflows Related to Debt Payments due to Lease Contracts		(933,052)	(420,162)
Net Increase (Decrease) in Cash and Cash Equivalents		126,536,988	156,424,597
Cash and Cash Equivalents at The Beginning of The Period		140,790,569	96,481,488
Cash and Cash Equivalents at The End of The Period	4	267,327,557	252,906,085

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (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 Istanbul 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 30 June 2020 is 841 (31 December 2019: 817).

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 Grubu Holding Anonim Şirketi.

As of 30 June 2020 and 31 December 2019, details about the company’s subsidiary, which is subject to consolidation, is below:

Company Name	Principal Activity	Capital	30 June 2020 Participation Rate (%)	31 December 2019 Participation Rate (%)
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716,000	100.00	100.00

Approval of Financial Statements

Consolidated financial statements for the period 1 January – 30 June 2020 approved by the Board of Directors on 10 August 2020 and signed by Independent Member of the Board of Director Ahmet 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 Basis of Preparation and Presentation of Interim Condensed Consolidated Financial Statements

The Group companies operating in Turkey prepare their accounting records and statutory financial statements in Turkish Lira in accordance with accounting and financial reporting standards approved by Capital Market Board (respectively CMB Financial Reporting Standards and CMB), Turkish Commercial Code (TCC), provisions of Tax Legislation and conditions of Uniform Chart of Accounts published by Ministry of Treasury and Finance. Subsidiaries and joint ventures operating abroad prepare their accounting records and statutory financial statements in accordance with the laws and regulations of the country in which they operate.

The consolidated financial statements are based on the statutory records of the Company and its subsidiaries and joint ventures, expressed in TL and prepared in accordance with CMB communiqués, subject to adjustments and reclassifications for the purpose of fair presentation of the financial position of the Group. The main adjustments are the application of consolidation accounting, recording business combinations, calculation of deferred tax, severance pay and other provisions. Financial assets and liabilities carried at fair value are prepared on historical cost basis, except for the assets and liabilities included in derivative financial instruments and business combinations.

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

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

2.1 Basis of presentation (Cont'd)

2.1.1 Basis of Preparation and Presentation of Interim Condensed Consolidated Financial Statements (Cont'd)

In accordance with TAS 34 "Interim Financial Reporting", entities are permitted to prepare full set or condensed interim financial statements. Accordingly, the Group has preferred to prepare condensed consolidated interim financial statements in the interim periods. The interim (condensed consolidated) financial statements and the related notes to them are presented by including the information required by the CMB. In addition, in accordance with the Communiqué and its announcements, the collateral pledged mortgage table, foreign currency position table, total export and total import amounts and the hedged portion of the total foreign exchange liabilities are presented in the notes to the financial statements.

The condensed consolidated interim financial statements of the Group do not include all necessary explanations and notes, and the accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at 31 December 2019.

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.

2.1.2 Consolidation principles

Subsidiaries

Subsidiaries, including structured entities, are companies in the Group's control. The Group's control is provides 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 recognized 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 30 June 2020 and 31 December 2019.

Subsidiary	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100.00	100.00	100.00	100.00

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.

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

2.1 Basis of presentation (Cont'd)

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

a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in TFRSs</i>

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 group. 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 group of assets.

Amendments to TAS 1 and TAS 8 *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.

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

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions*

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there are no substantive changes to other terms and conditions of the lease.

COVID-19 Related Rent Concessions - the changes in TFRS 16 will be applied in the annual periods beginning on or after 1 June 2020. Early implementation is allowed.

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)

a) Amendments that are mandatorily effective from 2020 (Cont'd)

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

b) New and revised TFRSs in issue but not yet effective

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</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 TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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)

b) New and revised TFRSs in issue but not yet effective

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

2.2 Impacts of Changed Accounting Policies

The Group applied TFRS 16 "Leases" as of 1 January 2019, the date of initial application, which replaces TAS 17 "Leases". The Group has not restated comparable amounts for the previous year using the simplified transition application. With this method, all right-of-use assets are measured at the amount of the lease payables (adjusted for the prepaid or accrued lease costs) at the time of application.

2.3 Summary of Significant Accounting Policies

Interim condensed consolidated financial statements for the period ending on 30 June 2020 have been prepared in accordance with TAS 34 standard for the preparation of interim financial statements of TMS / TFRS. The interim condensed consolidated financial statements for the period ended 30 June 2020 have been prepared by applying accounting policies consistent with the accounting policies applied during the preparation of the consolidated financial statements for the year ended 31 December 2019. Therefore, these interim condensed consolidated financial statements should be evaluated together with the consolidated financial statements for the year ended 31 December 2019.

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

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 financial statements of prior period are restated.

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 recognized only when sufficient taxable profit is likely to occur in the upcoming periods. During assessment, future profit projections and applicable approaches of unused losses within the scope of tax legislation has been taken into consideration. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 30 June 2020, the Group has financial loss that can be offset amounting to TL 195,415,558 (31 December 2019: 158,700,909). Deferred tax asset amounting to TL 39,595,484 (31 December 2019: TL 32,252,554) over TL 195,415,558 of these losses has been recognized as it is probable that sufficient taxable profit will occur in subsequent periods.
- 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 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. The estimation usage required by these calculations is disclosed in Note 12.

2.5 Important Developments Regarding the Current Period

The Covid-19 outbreak, which has affected the entire world, continues to affect the regions where the Group operates. The Group management comprehensively evaluates the general activities, operational results and financial status effects of the aforementioned situation and implements plans to reduce the possible negative impacts of the pandemic on the financial statements.

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 as of the ends of the periods are as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Cash	71,251	92,839
Banks-Demand Deposits	2,944,328	5,512,789
Banks-Time Deposits (up to 3 months)	262,899,518	134,588,657
Other Liquid Assets (*)	1,773,969	609,269
Total	267,689,066	140,803,554

(*) As of 30 June 2020 and 31 December 2019, balance in "Other Liquid Assets" line item consists of the Group's assets in Direct Debit System of the bank.

There are no blocked deposits as of 30 June 2020 and 31 December 2019.

Cash and cash equivalents presented in the consolidated cash flow statements as of 30 June 2020 and 31 December 2019 are as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Liquid Assets	267,689,066	140,803,554
Interest Accruals (-)	(361,509)	(12,985)
Total (Excluding Interest Accruals)	267,327,557	140,790,569

The details of time deposits are as follows:

	<u>30 June 2020</u>		<u>31 December 2019</u>	
	<u>Amount</u> <u>(TL Equivalent)</u>	<u>Annual Average</u> <u>Interest Rate (%)</u>	<u>Amount</u> <u>(TL Equivalent)</u>	<u>Annual Average</u> <u>Interest Rate (%)</u>
TL	105,672,177	8.25	50,824,166	10.98
Euro	137,761,236	0.09	83,764,491	0.10
USD	19,466,105	0.09	-	-
Total	262,899,518		134,588,657	

The Group does not have any time deposits with maturities longer than 3 months, and the time deposits are composed of fixed interest rates.

NOTE 5 - FINANCIAL LIABILITIES

As of 30 June 2020 and 31 December 2019, details of the bank loans are as follows:

a) Short-Term Borrowings

Bank Loans

	<u>Annual Weighted Average</u> <u>Interest Rate (%)</u>		<u>Original</u> <u>Currency</u>		<u>TL</u> <u>Equivalent</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Euro	0.31	0.65	12,516,539	4,998,769	96,479,983	33,244,816
TL	9.26	18.59	331,919,344	156,298,087	331,919,343	156,298,085
Total					428,399,326	189,542,901

b) Short Term Portion of Long Term Financial Borrowings

Bank Loans

	<u>Annual Weighted Average</u> <u>Interest Rate (%)</u>		<u>Original</u> <u>Currency</u>		<u>TL</u> <u>Equivalent</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Euro	2.50	4.71	244,655	21,063,198	1,885,846	140,082,904
TL	9.26	18.25	45,183,073	60,984,981	45,183,073	60,984,981
Total					47,068,919	201,067,885

NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

b) Short Term Portion of Long Term Financial Borrowings (Cont'd)

Lease Payables

	<u>Annual Weighted Average</u> <u>Interest Rate (%)</u>		<u>Original</u> <u>Currency</u>		<u>Interest Included TL</u> <u>Equivalent</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Euro	3.72	4.75	20,040	72,098	223,846	479,492
TL	11.50	11.50	2,414,154	1,418,365	2,414,154	1,418,365
Total					2,638,000	1,897,857

c) Long-Term Borrowings

Bank Loans

	<u>Annual Weighted Average</u> <u>Interest Rate (%)</u>		<u>Original</u> <u>Currency</u>		<u>Interest Included TL</u> <u>Equivalent</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Euro	1.74	4.02	17,503,602	8,478,581	134,921,263	56,387,650
TL	11.10	13.03	108,922,108	47,189,690	108,922,109	47,189,690
Total					243,843,372	103,577,340

As of 30 June 2020 and 31 December 2019, repayment schedules of long-term bank loans are as follows:

	<u>30 June</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
To be paid between 1-2 years	116,191,391	46,381,747
To be paid between 2-3 years	89,100,727	30,247,179
To be paid between 3-4 years	12,082,950	8,549,695
To be paid between 4-5 years	9,498,986	6,950,723
To be paid between 5+ years	16,969,318	11,447,996
Total	243,843,372	103,577,340

Lease Payables

	<u>Annual Weighted Average</u> <u>Interest Rate (%)</u>		<u>Original</u> <u>Currency</u>		<u>Interest Included TL</u> <u>Equivalent</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>
Euro	3.72	4.75	62,920	75,344	485,000	501,086
TL	11.50	11.50	4,178,633	3,180,712	4,178,633	3,180,712
Total					4,663,633	3,681,798

Financial net debt reconciliation as of 30 June 2020 and 31 December 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Opening balance - 1 January	499,767,781	642,723,318
Interest expense	26,376,690	80,570,489
TFRS 16 Transition Effect	-	2,637,031
TFRS 16 Changes in Lease Liabilities	-	-
Interest paid	1,761,415	2,240,348
New loans	(25,256,222)	(90,868,149)
Loans repaid	732,165,525	712,726,254
Exchange difference	(549,257,559)	(878,214,837)
Closing balance - 30 June	726,613,250	499,767,781

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

a) Short-Term Trade Receivables

	30 June 2020	31 December 2019
Trade Receivables from Third Parties	305,047,086	401,494,445
Trade Receivables from Related Parties (Note 22)	997,076	2,573,971
Rediscount Expenses (-)	(3,954,029)	(1,742,641)
Doubtful Receivables	364,907	364,907
Allowance for Doubtful Receivables (-)	(364,907)	(364,907)
Total	302,090,133	402.325.775

Movements of provision for doubtful receivables are as follows:

	30 June 2020	31 December 2019
Opening Balance	364,907	175,000
Collections in the Period	-	189,907
Closing Balance	175,000	364,907

b) Trade Payables

	30 June 2019	31 December 2019
Trade Payables to Third Parties	183,861,129	243,892,572
Trade Payables to Related Parties	141,551,905	179,944,348
Rediscount on Trade Payables (-)	(3,981,346)	(2,165,855)
Total	321,431,688	421,671,065

NOTE 7- DERIVATIVE INSTRUMENTS

As of 30 June 2020, 3 foreign currency options with a total nominal value of JPY 184,935,649, designated as cash flow hedging instruments for the Group's possible raw material purchases and payments related to operational expenses exposed to foreign currency risk, with a total nominal value of 1,312,244,241 Japanese Yen. It has 22 forward contracts and 4 forward contracts with a nominal value of EUR 11,000,000 (31 December 2019: 30 foreign currency option contracts with a nominal value of JPY 1,818,500,326).

	30 June 2020		31 December 2019		
	Nominal Value	Fair Value Asset (Liability)	Nominal Value	Fair Value Asset (Liability)	
Option Transactions	11,775,593	- (272,491)	98,728,201	442,165	-
Forward Operations	166,583,340	4,320,986 (876,617)	-	-	-
Total	178,358,933	4,320,986 (1,149,108)	98,728,201	442,165	-

NOTE 8- INVENTORIES

Inventory balances as of period ends are as follows:

	<u>30 June 2019</u>	<u>31 December 2019</u>
Raw materials	120,176,199	94,609,705
Work in process goods	572,820	907,702
Finished goods	125,030,373	86,257,549
Trade goods	47,229,811	34,922,655
Other inventory	2,800,050	2,509,117
Goods in transit	19,816,150	40,135,681
Impairment in Finished Goods and Trade Goods	(488,002)	(488,002)
Total	<u>315,137,401</u>	<u>258,854,407</u>

	<u>30 June 2020</u>	<u>31 December 2019</u>
Movement of Provision for Inventory Impairment		
Opening Balance – 1 January	488,002	792,504
Provision Released due to Sale (-)	-	(318,261)
Current Period Impairment (+)	-	13,759
Closing Balance – 30 June	<u>488,002</u>	<u>488,002</u>

NOTE 9- PROPERTY, PLANT AND EQUIPMENT**30 June 2020**

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress	TOTAL
Opening Balance as at 1 January 2020	94,164,000	12,650,925	463,171,681	203,509,770	8,869,949	4,241,161	774,199	3,380,726	790,762,411
Additions	-	225,277	-	4,706,863	-	71,646	-	4,580,850	9,584,636
Disposals	-	-	-	(420,080)	(127,072)	-	-	-	(547,152)
Closing Balance as at 30 June 2020	94,164,000	12,876,202	463,171,681	207,796,553	8,742,877	4,312,807	774,199	7,961,576	799,799,895

Accumulated Depreciation

Opening Balance as at 1 January 2020	-	(8,906,896)	(61,210,559)	(153,374,461)	(5,584,871)	(3,227,787)	(769,587)	-	(233,074,161)
Charge for the year	-	(228,414)	(2,497,261)	(5,774,210)	(317,868)	(132,066)	(966)	-	(8,950,785)
Disposals	-	-	-	411,890	127,072	-	-	-	538,962
Closing Balance as at 30 June 2020	-	(9,135,310)	(63,707,820)	(158,736,781)	(5,775,667)	(3,359,853)	(770,553)	-	(241,485,984)

Net Carrying Value

Opening Balance as at 1 January 2020	94,164,000	3,744,029	401,961,122	50,135,309	3,285,078	1,013,374	4,612	3,380,726	557,688,250
Closing Balance as at 30 June 2020	94,164,000	3,740,892	399,463,861	49,059,772	2,967,210	952,954	3,646	7,961,576	558,313,911

For the period ended 30 June 2020, depreciation expenses of TL 4,212,277 has been included in cost of sales, TL 885,863 in research and development expenses, TL 625,952 in marketing expenses, TL 849,225 in general administrative expenses, TL 701,679 in capitalization of research and development.

NOTE 9- PROPERTY, PLANT AND EQUIPMENT (Cont'd)**30 June 2019**

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress	TOTAL
Opening Balance as at 1 January 2019	94.164.000	12.302.856	463.090.612	191.661.678	7.405.001	4.039.037	774.199	1.063.375	774.500.758
Additions	-	81.000	-	3.200.181	703.693	102.921	-	800.853	4.888.648
Disposals	-	-	-	(29.883)	-	-	-	-	(29.883)
Closing Balance as at 30 June 2019	94,164,000	12,383,856	463,090,612	194,831,976	8,108,694	4,141,958	774,199	1,864,228	779,359,523

Accumulated Depreciation

Opening Balance as at 1 January 2019	-	(8.457.257)	(52.493.027)	(144.569.431)	(4.615.565)	(2.949.856)	(766.995)	-	(213.852.131)
Charge for the year	-	(226.053)	(4.577.358)	(4.383.626)	(573.248)	(141.909)	(1.324)	-	(9.903.518)
Disposals	-	-	-	22.572	-	-	-	-	22.572
Closing Balance as at 30 June 2019	-	(8,683,310)	(57,070,385)	(148,930,485)	(5,188,813)	(3,091,765)	(768,319)	-	(223,733,077)

Net Carrying Value

Opening Balance as at 1 January 2019	94,164,000	3,485,599	410,597,585	47,092,247	2,789,346	1,089,181	7,204	1,063,375	560,648,627
Closing Balance as at 30 June 2019	94,164,000	3,700,546	406,020,227	45,901,491	2,919,881	1,050,193	5,880	1,864,228	555,626,446

For the period ended 30 June 2019, depreciation expenses of TL 5,509,512 has been included in cost of sales, TL 468,312 in research and development expenses, TL 974,083 in marketing expenses, TL 723,213 in general administrative expenses, TL 1,032,703 in capitalization of research and development.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 10 –INTANGIBLE ASSETS

30 June 2020

Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Opening Balance as at 1 January 2020	837,305	133,984,121	28,195,853	54,614,603	217,631,882
Additions	-	-	877,844	24,927,627	25,805,471
Closing balance as at 30 June 2020	837,,305	133,984,121	29,073,697	79,542,230	243,437,353

Accumulated Amortization

Opening Balance as at 1 January 2020	(183,600)	(67,719,368)	(18,137,592)	-	(86,,040,560)
Charge for the Period	(30,510)	(9,307,002)	(2,694,412)	-	(12,031,924)
Closing balance as at 30 June 2020	(214,110)	(77,026,370)	(20,832,004)	-	(98,072,484)

Net Carrying Value

Opening Balance as at 1 January 2020	653,705	66,264,753	10,058,261	54,614,603	131,591,322
Closing balance as at 30 June 2020	623,195	56,957,751	8,241,693	79,542,230	145,364,869

For the period ended 30 June 2020, amortization expenses of TL 7,736,908 has been included in cost of sales, TL 263,367 in research and development expenses, TL 257,917 in marketing expenses, TL 790,629 in general administrative expenses, TL 1,254,784 in capitalization of research and development.

30 June 2019

Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Opening Balance as at 1 January 2019	808,220	102,847,686	22,275,566	32,706,177	158,637,649
Additions	-	-	1,544,627	24,562,981	26,107,608
Closing balance as at 30 June 2019	808.220	102,847,686	23,820,193	57,269,158	184,745,257

Accumulated Amortization

Opening Balance as at 1 January 2019	(125,887)	(53,116,665)	(13,834,216)	-	(67,076,768)
Charge for the period	(28,575)	(7,119,020)	(2,029,076)	-	(9,176,671)
Closing balance as at 31 December 2019	(154,462)	(60,235,685)	(15,863,292)	-	(76,253,439)

Net Carrying Value

Opening Balance as at 1 January 2019	682,333	49,731,021	8,441,350	32,706,177	91,560,881
Opening Balance as at 30 June 2019	653,758	42,612,001	7,956,901	57,269,158	108,491,818

For the period ending on 30 June 2019, amortization expenses of TL 5,903,982 has been included in cost of sales, TL 26,039 in research and development expenses, TL 231,531 in marketing expenses, TL 491,734 in general administrative expenses, TL 1,242,080 in capitalization of research and development.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 11 – RIGHT-OF-USE ASSETS

As of 30 June 2020 and 30 June 2019, The balances of the right-of-use assets and depreciation expenses in the relevant period are as follows:

30 June 2020

<u>Cost Value</u>	<u>Right-of-Use Assets</u>
Opening Balance as at 1 January 2020	7,012,545
Additions	1,435,651
Closing Balance as at 30 June 2020	8,448,196

Accumulated Amortization

Opening Balance as at 1 January 2020	(1,682,030)
Charge for the Period	(1,218,814)
Closing Balance as at 30 June 2020	(2,900,844)

Net Carrying Value

Opening Balance as at 1 January 2020	5,330,515
Closing Balance as at 30 June 2020	5,547,352

For the period ending on 30 June 2020, amortization expenses of TL 318,774 has been included in cost of sales, TL 900,040 in general administrative expenses.

30 June 2019

<u>Cost Value</u>	<u>Right-of-Use Assets</u>
Opening Balance as at 1 January 2019	3,413,545
Additions	(776,103)
Closing Balance as at 30 June 2019	2,637,030

Accumulated Amortization

Opening Balance as at 1 January 2019	-
Charge for the Period	(941,122)
Closing Balance as at 30 June 2019	(941,122)

Net Carrying Value

Opening Balance as at 1 January 2019	3,413,133
Closing Balance as at 30 June 2019	1,695,908

For the period ending on 30 June 2019, amortization expenses of TL 293,499 has been included in cost of sales, TL 647,623 in general administrative expenses.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 12- GOVERNMENT GRANTS AND INCENTIVES

The amount of cash support received from TÜBİTAK in 2020 regarding R&D activities is TL 241,431. In 2019, TL 544,054 cash support was collected from TÜBİTAK for R&D activities.

The amount of R&D deduction that the Group can use in tax calculation as of June 30, 2020 due to its expenses related to R&D studies is 210,004,911 TL. In accordance with the amendment made in Article 35 of the Law No. 5746 on Supporting R&D Activities, which entered into force on April 1, 2008, the R&D discount rate to be utilized for R&D expenditures was increased from 40% to 100% (As of 31 December 2019, the total 183,309,407 TL).

The Group applied for an R&D center in order to benefit from the incentives and exemptions provided within the framework of the Law No. 5746, and as a result of the examination made by the Ministry of Industry and Trade, the Group was given a R&D center certificate effective as of June 3, 2009.

The Group has spent a total of 10,310,559 TL as of 30 June 2020, based on the investment incentive certificate it owns, and will be able to benefit from the 20% investment contribution rate and 50% discounted corporate tax incentive in proportion to the effect of the investment on the income earned within the scope of Article 32 / A of the Corporate Tax Law.

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short-term Provisions	<u>30 June 2020</u>	<u>31 December 2019</u>
Warranty Provisions	11,800,106	11,436,342
Provision for Lawsuits	4,713,862	4,174,012
Provision for Premium and Commission	7,719,416	7,797,705
Other	35,000	28,002
Total	24,268,384	23,436,061

Movements of provisions during the period are as follows:

	<u>Warranty Provisions</u>	<u>Provision for Lawsuits</u>	<u>Other</u>	<u>Provision for Premium and Commission</u>	<u>Total</u>
Opening Balance as at 1 January 2020	11,436,342	4,174,012	28,002	7,797,705	23,436,061
Additions During The Period	8,733,237	577,763	35,000	7,719,416	17,065,416
Paid During the Period (-)	(8,369,473)	(37,913)	(28,002)	(7,797,705)	(16,233,093)
Closing Balance as at 30 June 2020	11,800,106	4,713,862	35,000	7,719,416	24,268,384

	<u>Warranty Provisions</u>	<u>Provision for Lawsuits</u>	<u>Other</u>	<u>Provision for Premium and Commission</u>	<u>Total</u>
Opening Balance as at 1 January 2019	9,647,216	4,355,690	-	389,869	14,392,775
Additions During The Period	5,746,589	1,272,993	-	3,818,477	10,838,059
Paid During the Period (-)	(7,518,413)	(1,244,272)	-	(389,869)	(9,152,554)
Closing Balance as at 30 June 2019	7,875,392	4,384,411	-	3,818,477	16,078,280

Lawsuits against the Group:

As of 30 June 2020, there are 69 lawsuits against the Group that are continuing, with reemployment and other employment termination benefit claims upon cancellation of termination of employment contract. Provision has been made for lawsuit amounting to TL 4,713,862 calculated by the evaluations by lawyers related to the lawsuits (As of 31 December 2019, provision for lawsuits amount to TL 4,174,012).

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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 1,094,454,746 as of 30 June 2020 (31 December 2019: TL 1,032,943,537).

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

Type	<u>30 June 2020</u>	<u>31 December 2019</u>
Letters of Guarantee Given	237,187,199	317,956,692
Total	237,187,199	317,956,692

Collaterals, pledges and mortgages "CPM" given by the Company as of 30 June 2020 and 31 December 2019 are as follows:

	<u>30 June 2020</u>	<u>31 December 2019</u>
A. CPMs given in the name of its own legal personality	237,187,199	317,956,692
i. Letter of Guarantee	237,187,199	317,956,692
B. CPMs given on behalf of fully consolidated companies	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
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	-	-
Total	287,027,423	317,956,692

As of 30 June 2020, the ratio of other GPMs over the Group's equity is 0% (31 December 2019: 0%).

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 14 – EMPLOYEE BENEFITS

Short-term Provisions for Employee Benefits	<u>30 June 2020</u>	<u>31 December 2019</u>
Provision for Wage Differential in Collective Labor Agreement	3,540,054	2,950,000
Provision for Unused Vacation	1,759,004	1,130,612
	5,299,058	4,080,612

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

Long-Term Provisions for Employee Benefits	<u>30 June 2019</u>	<u>31 December 2019</u>
Provision for Employment Termination Benefits	29,129,531	27,764,472
	29,129,531	27,764,472

NOTE 14 – EMPLOYEE BENEFITS (Cont'd)

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 7,717.17 (1 January 2020 TL 6,730.15) applicable as of 1 July 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.

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Annual Net Discount Rate (%)	3.72	3.72
Turnover Rate to Estimate the Probability of Retirement (%)	4.19	4.41

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

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

	<u>30 June 2020</u>	<u>30 June 2019</u>
Opening Balance	27,764,472	23,885,435
Service cost	515,133	488,996
Interest cost	1,703,731	1,626,767
Gain/(Loss) on Remeasurement of Defined Benefit Plans	(1,603,296)	(1,787,496)
Retirement payment paid	749,491	1,120,406
Closing Balance	29,129,531	25,334,108

NOTE 15- OTHER ASSETS AND LIABILITIES

a) Prepaid Expenses

	<u>30 June 2020</u>	<u>31 December 2019</u>
Advances Given	15,657,386	6,365,848
Prepaid Insurance Expenses	1,366,143	146,406
Prepaid Subscription Expenses	36,104	55,492
Prepaid Advertisement Expenses	555,470	178,799
Prepaid Other Expenses	2,128,907	3,133,341
Total	19,744,010	9,879,886

b) Other Current Assets

	<u>30 June 2020</u>	<u>31 December 2019</u>
Deferred VAT	32,084,929	26,467,386
Other Current Assets	2,364,424	4,322,209
Total	34,449,353	30,789,595

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 15- OTHER ASSETS AND LIABILITIES (Cont'd)

c) Prepaid Expense

	<u>30 June 2020</u>	<u>31 December 2019</u>
Prepaid Expenses	9,045,391	8,534,328
Total	9,045,391	8,534,328

d) Deferred Income (Short-Term)

	<u>30 June 2020</u>	<u>31 December 2019</u>
Order Advances Received (*)	15,134,062	6,069,884
Prepaid Expenses	980,258	712,466
Total	16,114,320	6,782,350

e) Deferred Income (Long-Term)

	<u>30 June 2019</u>	<u>31 December 2019</u>
Deferred Income	682,424	683,841
Total	682,424	683,841

f) Liabilities Arising from Contracts with Customers (Long-Term)

	<u>30 June 2020</u>	<u>31 December 2019</u>
Deferred maintenance and repair income	20,938,339	19,945,190
Total	20,938,339	19,945,190

NOTE 16- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Capital / Elimination Adjustments

As of 30 June 2019 the share capital of the Company is TL 84,000,000 (31 December 2019: 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,

30 June 2020

<u>Shareholders</u>	<u>GROUP A</u>	<u>GROUP B</u>	<u>GROUP C</u>	<u>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
Total	45,153,145	24,982,043	13,864,812	84,000,000	100.00

31 December 2019

<u>Shareholders</u>	<u>GROUP A</u>	<u>GROUP B</u>	<u>GROUP C</u>	<u>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
Total	45,153,145	24,982,043	13,864,812	84,000,000	100.00

NOTE 16- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Privileges Granted to Share Groups

The company is managed by a Board of Directors consisting of 14 members elected from among the shareholders by the General Assembly in accordance with the provisions of the Turkish Commercial Code.

Four members of the Board of Directors are elected by the General Assembly from among candidates nominated by Group B shareholders, eight members from among candidates nominated by Group A shareholders, and two members from among candidates to be nominated as independent board members.

Equity Statement	30 June 2020	31 December 2019
Capital	84,000,000	84,000,000
Capital Inflation Adjustment Differences	30,149,426	30,149,426
Restricted Reserves Allocated From Profits	23,784,678	162,221,926
Previous Year Profits	19,384,487	(140,840,586)
Revaluation and Measurement Gain / (Losses)	417,373,045	417,373,045
Remeasurement (Losses) of Defined Benefit Plans	(11,932,372)	(10,603,462)
Net Profit / (Loss)	(32,238,879)	21,787,825
Total Equity Belonging to the Parent Company	530,520,385	564,088,174
Total Equity	530,520,385	564,088,174

c) Restricted Reserves Allocated From Profit

Restricted reserves appropriated from profits consist of legal reserves.

Restricted Reserves Allocated From Profit	30 June 2020	31 December 2019
Legal Reserves	23,784,678	23,784,678
Real Estate Sales Profit Exception	-	138,437,248
Total	23,784,678	162,221,926

According to the provisions of the Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserves are reserved at the rate of 5% of the legal period profit until it reaches 20% of the historical or registered Company capital. Secondary legal reserves are reserved at the rate of 10% of all dividend distributions exceeding 5% of the company's capital. According to the Turkish Commercial Code, the first and second legal reserves cannot be distributed unless they exceed 50% of the total capital, but they can be used to cover the losses if the voluntary reserves are exhausted. The "Real Estate Sales Profit Exemption" regarding the sale of real estate, which is evaluated within the scope of Article 5 / e of the Corporate Tax Law No. 5520, was classified into previous years' profits since 5 years have passed since the sale in question.

d) Previous Years Profit / Loss

Past years profits; consists of extraordinary reserves, miscellaneous inflation differences and other retained earnings.

The details of the Group's previous years' profits as of period ends are as follows:

Previous Years Profit / Loss	30 June 2020	31 December 2019
Extraordinary Reserves	13,476,810	9,661,446
Legal Reserves Inflation Difference	24,820,489	24,820,489
Previous Years Profit / (Loss)	(18,912,812)	(175,322,521)
Total	19,384,487	(140,840,586)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 16- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

Public companies make their profit distribution as follows:

According to the regulations of the CMB, if the profit distribution amount calculated on the net distributable profit in accordance with the regulations of the CMB regarding profit distribution does not exceed the net distributable profit amount in the legal records, the whole amount may be distributed to the partners as a dividend if it exceeds. If there is any period loss in the financial statements prepared in accordance with the CMB regulations or in any of the statutory records, no profit distribution will be made. With the decision of the CMB dated January 27, 2010, it was decided not to impose any minimum dividend distribution requirement for the publicly held joint stock companies whose shares are traded on the stock exchange.

Equity inflation adjustment differences and recorded values of extraordinary reserves can be used for free capital increase, cash profit distribution or loss offset. However, equity inflation adjustment differences are subject to corporate tax if used in cash profit distribution.

Previous year profit as of 30 June 2020 in the financial statements of the Group prepared in accordance with TAS / TFRS It is 19,384,487 TL. At the Ordinary General Assembly Meeting of the Company held on April 15, 2020, it was decided not to distribute dividends, since there was no distributable period profit in the legal records of 2019.

According to the Communiqué Serial: XI, No: 29, which entered into force as of January 1, 2008, and the CMB announcements explaining it, "Paid-in capital", "Restricted reserves allocated from profit" and "Share premiums" must be presented in the financial statements over the statutory amounts. Differences arising as a result of valuation during the implementation of the aforementioned communiqué (such as differences arising from inflation adjustment):

- If it arises from the "paid-in capital" and has not been added to the capital yet, with the "Capital adjustment differences" item to be opened after the "Paid-in capital" item;
- If it arises from "restricted reserves allocated from profit" and "share premiums" and has not been subject to profit distribution or capital increase yet, it should be associated with "previous years profit / loss". Other equity items are shown with the amounts valued within the framework of CMB Financial Reporting Standards.

NOTE 17- REVENUE AND COST OF SALES

Revenue	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Domestic Sales	300,094,722	211,028,482	155,546,993	118,257,536
Foreign Sales	149,130,385	372,582,145	73,220,615	180,310,473
Other Income	3,178,391	8,040,928	1,686,648	4,684,790
Sales Total (Gross)	452,403,498	591,651,555	230,454,256	303,252,799
Sales Discounts	(30,960,865)	(27,002,205)	(18,219,985)	(11,389,100)
Sales (Net)	421,442,633	564,649,350	212,234,271	291,863,699
Cost of Sales	(346,701,473)	(454,020,846)	(179,740,830)	(227,417,287)
Gross Profit	74,741,160	110,628,504	32,493,441	64,446,412
Cost of Sales	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Raw Materials and Supplies Expenses	(296,197,607)	(340,775,517)	(132,456,630)	(193,548,625)
Direct Labor Expenses	(19,992,310)	(23,912,417)	(8,761,529)	(12,696,014)
Depreciation and Amortization Expenses	(12,267,959)	(14,183,993)	(6,027,153)	(7,070,170)
Other Production Costs	(7,125,047)	(6,182,282)	(3,166,975)	(3,080,144)
Total Cost of Production	(335,582,923)	(385,054,209)	(150,412,287)	(216,394,953)
Change in Goods Inventory	29,297,716	(32,703,253)	(6,460,442)	8,106,275
Cost of Trade Goods Sold	(39,587,171)	(35,202,486)	(22,493,313)	(18,539,512)
Cost of Other Sales	(829,095)	(1,060,898)	(374,788)	(589,097)
Total Cost of Sales	(346,701,473)	(454,020,846)	(179,740,830)	(227,417,287)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Foreign Exchange Income on Trade				
Receivables and Payables	40,260,267	16,198,639	16,641,424	6,407,060
Sale Support Income	2,387,766	1,059,141	916,468	281,669
Discount Income on Trade Payables	1,815,491	6,620,744	1,656,999	64,159
Incentive Income	740,710	1,120,488	13,068	566,331
Interest Income	344,203	1,841,695	265,931	859,312
Service Income	1,813,628	1,308,715	946,738	612,709
Tubitak R&D Incentive	209,065	-	110,677	-
Rent Income	213,785	326,150	99,572	214,612
Insurance Indemnity Income	192,991	6,175	-	6,175
Export D.F.I.F Support	23,065	53,748	2,006	-
Other Income	3,046,490	2,356,869	217,641	314,564
Total	51,047,461	30,892,364	20,870,524	9,326,591

Other Expense from Operating Activities:	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Foreign Exchange Expense on Trade				
Receivables and Payables	(39,566,015)	(18,226,736)	(19,528,772)	(7,325,629)
Discount Income on Trade Receivables	(2,240,847)	(5,677,024)	(2,127,247)	(34,674)
Legal Provisions	(539,850)	(28,721)	(20,970)	94,190
Donations	(266,240)	(14,530)	(260,000)	(10,500)
Insurance and Contract Compensation Expenses	(38,481)	(1,244,272)	(568)	(579,828)
Other Expenses	(500,043)	(21,487)	(279,238)	(12,262)
Total	(43,151,476)	(25,212,770)	(22,216,795)	(7,868,703)

NOTE 19- FINANCE INCOME

Finance Income:	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Foreign Exchange Gain	38,195,453	24,050,696	24,016,973	15,197,449
Income from Derivative Transactions	4,235,894	-	2,969,616	-
Interest income	3,149,167	2,089,882	2,481,002	1,280,552
Total	45,580,514	26,140,578	29,467,591	16,478,001

NOTE 19- FINANCE EXPENSES

Finance Expense:	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Interest Expenses	(25,444,732)	(47,276,945)	(12,224,275)	(21,969,392)
Foreign Exchange Loss	(67,081,173)	(43,687,091)	(33,914,666)	(24,921,281)
Letter of Guarantee Expenses	(1,452,880)	(2,384,047)	(524,060)	(1,297,721)
Financing Expenses for Term Purchases	(737,895)	(793,523)	(332,347)	(416,390)
Other Finance Expenses	(882,128)	(1,803,375)	(128,947)	(980,684)
Total	(95,598,808)	(95,944,981)	(47,124,295)	(49,585,468)

NOTE 20- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

i) Provision for Current 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 2020 is 22% (2019: 22%).

With the temporary article 10 added to the Corporate Tax Law, corporate tax at a rate of 22% will be collected on the corporate income of corporate taxpayers for the 2018, 2019 and 2020 accounting periods.

Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Tax Withholding:

The income tax withholding calculation is required for distributed dividends appropriated from net profit for the period after tax. Income tax withholding rate is 15%.

ii) Deferred Tax

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, 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>30 June 2020</u>		<u>31 December 2019</u>	
	<u>Cumulative</u> <u>Temporary</u> <u>Differences</u>	<u>Deferred Tax</u> <u>Assets / (Liabilities)</u>	<u>Cumulative</u> <u>Temporary</u> <u>Differences</u>	<u>Deferred Tax</u> <u>Assets /</u> <u>(Liabilities)</u>
Inventories	8,664,387	1,906,165	576,786	126,893
Non-Current Assets (Net)	(525,911,122)	(66,529,669)	(518,424,296)	(65,032,304)
Provision for Employment				
Termination Benefits	29,129,531	5,825,906	27,764,472	5,552,894
Guarantee Provisions	11,800,106	2,596,023	11,436,343	2,515,995
R&D Incentive	210,004,911	37,431,781	183,309,407	36,661,881
Current Year Financial Loss (*)	195,415,558	39,595,484	158,700,909	32,252,554
Rediscount Expenses/Income (Net)	(62,668)	(13,787)	(452,673)	(99,588)
Lawsuit Provisions	4,713,862	1,037,050	4,174,012	918,283
Other (Net)	7,992,859	1,758,429	2,900,059	638,014
Total		23,607,382		13,534,622

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 21- EARNING / (LOSS) PER SHARE

	1 January 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2020	1 April- 30 June 2019
Net Profit / (Loss)	(32,238,879)	(15,753,061)	(14,526,417)	(1.363,285)
Weighted Average Number of Shares with a Nominal Value of 1 Kurus	8,400,000,000	8,400,000,000	8,400,000,000	8,400,000,000
Earnings Per 100 Shares (TL)	(0.3838)	(0.1875)	(0.1729)	(0.0162)

NOTE 22- RELATED PARTY DISCLOSURES

a) Related Party 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 trade receivables from related parties.

30 June 2020	Receivables		Payables	
<u>Balances with Related Parties</u>	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
Itochu Corporation Tokyo	390,808	-	139,340,508	-
Anadolu Motor Üretim ve Paz. A.Ş.	389,191	-	-	-
Çelik Motor Ticaret A.Ş.	217,,019	-	-	-
Isuzu Motors Europe NV	58	-	-	-
Isuzu Motors Ltd. Tokyo	-	-	1,673,915	-
AEH Sigorta Acenteliği A.Ş.	-	-	221,709	-
Efestur Turizm İşletmeleri A.Ş.	-	-	75,832	-
Migros Ticaret A.Ş.	-	-	235,873	-
AG Anadolu Grubu Holding A.Ş.	-	-	4,068	-
Payables to shareholders (*)	-	-	-	9,109
Total	997,076	-	141,551,905	9,109

31 December 2019	Receivables		Payables	
<u>Balances with Related Parties</u>	<u>Trade</u>	<u>Non-Trade</u>	<u>Trade</u>	<u>Non-Trade</u>
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
Total	2,573,971	-	179,944,348	9,109

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 22- RELATED PARTY DISCLOSURES (Cont'd)

b) Related Party Transactions:

1 January-30 June 2020

<u>Sales to Related Parties</u>	<u>Goods and Services Sales</u>	<u>Fixed Asset Sales</u>	<u>Other</u>	<u>Total Income/ Sales</u>
Isuzu Motors Ltd. Tokyo	8,940,661	-	-	8,940,661
Isuzu Motors International Operation Thailand	2,362,497	-	-	2,362,497
Anadolu Motor Üretim ve Paz. A.Ş.	1,025,274	-	-	1,025,274
Çelik Motor Ticaret A.Ş.	569,646	-	115,000	684,646
Itochu Corporation Tokyo	342,187	-	-	342,187
AEH Sigorta Acenteligi A.S.	80,000	-	-	80,000
Isuzu Motors Europe NV	63,986	-	-	63,986
Total	13,384,251	-	115,000	13,499,251

1 January-30 June 2019

<u>Sales to Related Parties</u>	<u>Goods and Services Sales</u>	<u>Fixed Asset Sales</u>	<u>Other</u>	<u>Total Expenses/ Purchases</u>
Isuzu Motors Ltd. Tokyo	48,252,304	-	-	48,252,304
Itochu Corporation Tokyo	2,086,876	-	-	2,086,876
Isuzu Motors International Operation Thailand	906,287	-	-	906,287
Anadolu Motor Üretim ve Paz. A.Ş.	540,132	-	-	540,132
Çelik Motor Ticaret A.Ş.	444,713	-	-	444,713
Itochu France	257,989	-	-	257,989
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	104,622	-	-	104,622
AG Anadolu Grubu Holding A.Ş.	9,769	8,200	-	17,969
Isuzu Motors Germany GmbH	1,453	-	-	1,453
Anadolu Bilişim Hizmetleri A.Ş.	-	-	8,200	8,200
Total	52,604,145	8,200	8,200	52,620,545

1 January-30 June 2020

<u>Purchases from Related Parties</u>	<u>Goods and Services Sales</u>	<u>Fixed Asset Sales</u>	<u>Other</u>	<u>Total Expenses/ Purchases</u>
Itochu Corporation Tokyo	137,711,524	-	-	137,711,524
Isuzu Motors Ltd. Tokyo	4,332,129	-	-	4,332,129
AG Anadolu Grubu Holding A.Ş.	4,214,992	-	2,786	4,217,778
Efestur Turizm İşletmeleri A.Ş.	878,944	-	-	878,944
Çelik Motor Ticaret A.Ş.	82,797	-	1,012	83,809
Migros Ticaret A.Ş.	-	-	61,852	61,852
Anadolu Bilişim Hizmetleri A.Ş.	31,623	-	48	31,671
Anadolu Motor Üretim ve Paz. A.Ş.	6,515	8,043	-	14,558
Adel Kalemcilik Tic. ve San. A.Ş.	11,544	-	-	11,544
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	8,235	-	-	8,235
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	-	5,713	-	5,713
Total	147,278,303	13,756	65,698	147,357,757

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 22- RELATED PARTY DISCLOSURES (cont'd)

1 January-30 June 2019

<u>Purchases from Related Parties</u>	<u>Goods and Services Purchases</u>	<u>Fixed Assets Purchases</u>	<u>Other</u>	<u>Total Expense/Purchases</u>
Itochu Corporation Tokyo	76,386,409	-	-	76,386,409
Isuzu Motors Ltd. Tokyo	5,549,926	-	-	5,549,926
Isuzu Motors International Operation Thailand	5,239,587	-	-	5,239,587
AG Anadolu Grubu Holding A.Ş.	3,708,952	7,159	-	3,716,111
Efestur Turizm İşletmeleri A.Ş.	2,260,804	-	-	2,260,804
Itochu Shanghai Ltd	2,127,212	-	-	2,127,212
Çelik Motor Ticaret A.Ş.	996,861	-	-	996,861
Anadolu Bilişim Hizmetleri A.Ş.	305,706	9,400	-	315,106
Migros Ticaret A.Ş.	176,715	-	-	176,715
Isuzu Motors Co. Thailand Ltd.	122,841	-	-	122,841
Anadolu Motor Üretim ve Paz. A.Ş.	26,745	415	-	27,160
Adel Kalemcilik Tic. ve San. A.Ş.	7,666	-	-	7,666
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	7,404	-	-	7,404
Anadolu Sağlık Merkezi İktisadi İşletmesi	974	-	-	974
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	-	3,403	-	3,403
Total	96,917,802	20,377	-	96,938,179

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the 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 2020 (Donation was not made in 2019).

d) Key management compensation:

	<u>1 January - 30 June 2020</u>	<u>1 January - 30 June 2019</u>
Salaries and other short-term benefits	5,576,528	3,895,435
Total	5,576,528	3,895,435

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 23- 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.

	30 June 2020	31 December 2019
Net Debt Amount	780,355,872	780,635,292
Total Equity	530,520,385	564,088,174
Net Debt / Equity Ratio	1.47	1.38

(a) Capital risk management (Cont'd)

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

The Group uses financial instruments (including derivative financial instruments) against parity changes and may be a party to the transactions related to the purchase and sale of such instruments with respect to the elimination of 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 23- 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

30 June 2020

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dollar increases in 10% against TL;		
1 - US Dollar Net Asset / (Liability)	5,212,422	(5,212,422)
2- US Dollar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	5,212,422	(5,212,422)
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / (Liability)	(6,134,754)	6,134,754
5- Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	(6,134,754)	6,134,754
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset / (Liability)	(9,355,505)	9,355,505
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	(9,355,505)	9,355,505
TOTAL (3+6+9)	(10,277,837)	10,277,837

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2019

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
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 (-)	-	-
3- Net Effect of US Dollar (1 +2)	7,738,612	(7,738,612)
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / (Liability)	(21,699,709)	21,699,709
5- Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	(21,699,709)	21,699,709
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 (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	(7,744,715)	7,744,715
TOTAL (3+6+9)	(21,705,812)	21,705,812

INDEPENDENT AUDITOR'S REVIEW REPORT NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE ACCOUNTING PERIOD ENDED 30 JUNE 2020

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

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

	<u>Statement of Foreign Currency Position</u>					<u>31 December 2019</u>				
	<u>30 June 2020</u>									
	<u>TL Amount</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Yen</u>	<u>Other TL Amount of Foreign Currency</u>	<u>TL Amount</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Yen</u>	<u>Other TL Amount of Foreign Currency</u>
1. Trade Receivables	151,202,137	5,488,431	14,743,371	-	4,342	195,203,049	13,828,171	14,865,873	1,508,528	14,112,074
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	158,416,494	2,865,261	17,874,408	15,314,019	57,188	88,462,408	21,604	13,248,376	-	224,427
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other Current Assets	-	-	-	-	-	10,908,414	-	-	-	10,908,414
4. Current Assets (1+2+3)	309,618,631	8,353,692	32,617,779	15,314,019	61,530	294,573,871	13,849,775	28,114,249	1,508,528	25,244,915
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	309,618,631	8,353,692	32,617,779	15,314,019	61,530	294,573,871	13,849,775	28,114,249	1,508,528	25,244,915
10. Trade Payables	254,398,366	687,642	20,258,196	1,469,032,194	-	268,198,503	510,247	24,422,823	1,867,804,737	1,336,120
11. Financial Liabilities	98,589,682	-	12,790,234	-	-	173,807,213	-	26,134,065	-	-
12a. Monetary Other Liabilities	1,065,990	-	1,746	16,530,004	-	6,099,507	-	912,196	-	32,856
12b. Non-Monetary Other Liabilities	7,726,895	48,000	959,818	-	-	6,638,036	312,000	719,438	-	-
13. Current Liabilities (10+11+12)	361,780,933	735,642	34,009,994	1,485,562,198	-	454,743,259	822,247	52,188,522	1,867,804,737	1,368,976
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	135,406,265	-	17,566,522	-	-	56,888,734	-	8,553,925	-	-
16. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
17. Non-current Liabilities (14+15+16)	135,406,265	-	17,566,522	-	-	56,888,734	-	8,553,925	-	-
18. Total Liabilities (13+17)	497,187,198	735,642	51,576,516	1,485,562,198	-	511,631,993	822,247	60,742,447	1,867,804,737	1,368,976
19 Off-balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)	84,790,200	-	11,000,000	-	-	-	-	-	-	-
19.a. Amount of Active Foreign Derivative Currency Off-Balance Sheet	-	-	-	-	-	-	-	-	-	-
19.b. Amount of Passive Foreign Derivative Currency Off-Balance Sheet	(84,790,200)	-	(11,000,000)	-	-	-	-	-	-	-
20. Net Foreign Currency Assets (Liabilities) Position (9-18+19)	(102,778,367)	7,618,050	(7,958,737)	(1,470,248,179)	61,530	(217,058,122)	13,027,528	(32,628,198)	(1,866,296,209)	23,875,939
21. Monetary Items Net Foreign Currency Assets / (Liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(179,841,672)	7,666,050	(35,873,327)	(1,470,248,179)	61,530	(221,328,500)	13,339,528	(45,157,136)	(1,866,296,209)	12,967,525
22. Fair Value of Financial Instruments Used for Currency Hedge	4,235,894	-	549,531	-	-	-	-	-	-	-
23. Hedged Foreign Currency Assets	(84,790,200)	-	(11,000,000)	-	-	-	-	-	-	-
24. Hedged Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-
25. Export	149,130,385	-	-	-	-	804,352,370	-	-	-	-
26. Import	209,284,690	-	-	-	-	474,508,004	-	-	-	-

As detailed in Note 7, derivative transaction contracts with nominal amount of JPY 1,497,179,890 have been set for EUR risks and are not included to foreign currency position

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)**(e) Interest rate risk**

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 (deposit etc.) are respectively shown at Note 5 and Note 4.

As of 30 June 2020, if the market interest rate had increased/decreased by 1% with all other variables held constant, income before taxes for the period would have been higher/lower by TL 547,848 (31 December 2019: higher/lower by TL 332,448).

(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.

Aging studies and estimations of the Group management as to the collectability of the receivables have been used in the impairment analysis related to the receivables.

The Group tries to manage its liquidity risk by monitoring the cash flows on a regular basis and maintaining sufficient funds and borrowing reserves by matching the maturities 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 high-quality credit facilities.

The risk of meeting existing and probable future liabilities is managed by maintaining the availability of access to sufficient number of trustable creditors.

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

Fair Value Disclosures and Explanations on Hedge Accounting

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

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Derivative Financial Instruments

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

Fair value of derivative financial instruments of the Group as of 30 June 2020 are as follows:

Financial assets carried at their fair values	Level 1	Level 2	Level 3	Total
Derivative assets (Note 7)	-	4,320,986	-	4,320,986
Total	-	4,320,986	-	4,320,986

Financial liabilities carried at their fair values	Level 1	Level 2	Level 3	Total
Derivative liabilities (Note 7)	-	1,149,108	-	1,149,108
Total	-	1,149,108	-	1,149,108

Fair value of derivative financial instruments of the Group as of 31 December 2019 are as follows:

Financial assets carried at their fair values	Level 1	Level 2	Level 3	Total
Derivative assets (Note 7)	-	442,165	-	442,165
Total	-	442,165	-	442,165

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

NOTE 24- EVENTS AFTER REPORTING PERIOD

None.