

**Katmerciler Araç Üstü Ekipman  
Sanayi ve Ticaret A.Ş.  
and  
Its Subsidiaries**

Convenience translation into English of condensed  
consolidated interim financial statements for the six-month  
period ended 30 June 2020  
(Originally Issued in Turkish)

**Katmerciler Araç Üstü Ekipman Sanayi Ve Ticaret A.Ş.  
And Its Subsidiaries**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REVIEW  
REPORT ORIGINALLY ISSUED IN TURKISH ON CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
(Originally issued in Turkish)**

**To the Board of Directors of Katmerciler Araç Üstü Ekipman San.ve Tic. Anonim Şirketi**

**1) Introduction**

We have audited the consolidated financial statements of Katmerciler Araç Üstü Ekipman San.ve Tic. A.Ş ("the Company") and its subsidiaries (together referred to as the "Group") which comprise the consolidated the statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month-period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

The management of the Group 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 condensed consolidated interim financial information based on our review.

**2) Scope of a review**

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review is substantially less in scope than an independent audit performed in accordance with the Standards of Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the condensed consolidated interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been 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 conclude that the accompanying condensed consolidated interim financial information of Group is not prepared, in all material respects, in accordance with TAS 34.

Tayyip Yaşar, YMM  
Partner

14 August 2020  
İstanbul, Turkey

Aksis Uluslararası Bağımsız Denetim Anonim Şirketi



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020  
Monetary Unit: Turkish Lira (“TL”)

Assets	Note	Reviewed	
		30 June 2020	31 December 2019
<b>Current assets</b>			
Cash and cash equivalents	4	23.535.507	33.948.135
Financial investments	5	146.622	8.181.583
<b>Trade receivables</b>		<b>154.995.270</b>	<b>145.840.710</b>
- Trade receivables from Related parties	7	5.004.758	3.107.750
- Trade receivables from Non-Related parties	7	149.990.512	142.732.960
<b>Other receivables</b>		<b>5.647.599</b>	<b>7.836.647</b>
- Other receivables from Non-Related parties	8	5.647.599	7.836.647
Inventories	9	520.415.850	467.711.106
Prepaid expenses	10	64.782.322	51.880.824
Current tax assets	19	1.016.171	1.015.208
Other current assets	17	57.387.918	48.368.892
<b>Total current assets</b>		<b>827.927.259</b>	<b>764.783.105</b>
<b>Non-Current assets</b>			
<b>Other receivables</b>		<b>22.676</b>	<b>22.676</b>
- Other receivables from Non-Related parties	8	22.676	22.676
Equity accounted investees	11	46.789	99.568
Investment property	12	2.172.000	2.172.000
Property, plant and equipment		67.852.426	68.347.434
<b>Intangible assets</b>		<b>27.714.664</b>	<b>24.089.252</b>
- Other Intangible Assets		27.714.664	24.089.252
Prepaid expenses	10	12.594.300	8.079.540
Deferred tax assets	19	29.106.324	21.998.637
<b>Total non-current assets</b>		<b>139.509.179</b>	<b>124.809.107</b>
<b>Total assets</b>		<b>967.436.438</b>	<b>889.592.212</b>



KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020  
Monetary Unit: Turkish Lira ("TL")

Liabilities	Note	Reviewed	
		30 June 2020	31 December 2019
<b>Short term liabilities</b>			
Short-term borrowings	6	59.891.822	25.148.303
Short-term portion of long-term borrowings	6	-	1.178.518
<b>Trade payables</b>		<b>80.350.404</b>	<b>70.314.642</b>
- Trade payables to Non-Related parties	7	80.350.404	70.314.642
Payables related to the employee benefits	16	4.090.167	2.088.522
<b>Other payables</b>		<b>6.100.923</b>	<b>5.767.046</b>
- Other payables to Related Parties	8	3.295.972	2.984.817
- Other payables to Non-Related Parties	8	2.804.951	2.782.229
Deferred income	10	105.315.418	120.827.538
<b>Short term provision</b>		<b>3.109.657</b>	<b>2.899.386</b>
- Short term provisions for employee benefits	16	1.178.430	1.373.615
- Other short-term provisions	15	1.931.227	1.525.771
<b>Total short-term liabilities</b>		<b>258.858.391</b>	<b>228.223.955</b>
<b>Long term liabilities</b>			
Long term borrowings	6	598.755.581	530.571.065
<b>Long term provisions</b>		<b>7.194.560</b>	<b>6.506.676</b>
- Long term provisions for employee benefits	16	7.194.560	6.506.676
Deferred tax liability	19	12.237.773	11.507.658
<b>Total long-term liabilities</b>		<b>618.187.914</b>	<b>548.585.399</b>
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>		<b>90.288.923</b>	<b>112.702.230</b>
Paid-in share capital	18	75.000.000	75.000.000
Share premium	18	2.239.089	2.239.089
<b>Other comprehensive income or expenses not to be reclassified in profit or loss</b>		<b>16.878.854</b>	<b>16.644.698</b>
- Revaluation reserves	18	16.766.665	16.766.665
- Actuarial gain/(loss)	18	112.189	(121.967)
Restricted reserves	18	4.668.916	4.515.382
Reserve from common control transactions	18	(1.759.039)	(1.759.039)
Retained earnings	18	15.908.566	29.626.010
Net Loss for the Year	18	(22.647.463)	(13.563.910)
<b>Non-controlling interest</b>	18	<b>101.210</b>	<b>80.628</b>
<b>Total equity</b>		<b>90.390.133</b>	<b>112.782.858</b>
<b>Total equity and liabilities</b>		<b>967.436.438</b>	<b>889.592.212</b>



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX- MONTH PERIOD ENDED 30 JUNE 2020**

Monetary Unit: Turkish Lira ("TL")

		Reviewed	Reviewed	Non-Reviewed	Non-Reviewed
		1.01.2020	1.01.2019	1.04.2020	1.04.2019
Note		30.06.2020	30.06.2019	30.06.2020	30.06.2019
Revenue		125.191.870	132.569.094	57.583.820	65.662.544
Cost of sales(-)		(52.983.430)	(77.249.877)	(19.641.289)	(32.657.597)
<b>Gross profit</b>		<b>72.208.440</b>	<b>55.319.217</b>	<b>37.942.531</b>	<b>33.004.947</b>
General Administrative Expenses (-)		(9.514.746)	(12.755.584)	(4.528.497)	(7.619.451)
Marketing Expenses (-)		(4.968.765)	(9.107.797)	(1.853.585)	(4.784.306)
Research and Development Expenses (-)		(544.161)	(831.350)	(277.362)	(466.141)
Other Income		26.920.426	19.062.635	11.263.992	8.401.826
Other Expenses (-)		(21.025.392)	(11.188.926)	(7.531.675)	(6.795.546)
<b>Operating Profit /(Loss)</b>		<b>63.075.802</b>	<b>40.498.195</b>	<b>35.015.404</b>	<b>21.741.329</b>
Gain from Investment Activities		80.335	993.676	19.446	896.690
Loss from Investment Activities		(1.569)	-	(1.569)	-
Gain /(Loss) from Investments Accounted Through Equity Method (NET)		(52.779)	(10.126)	(68.845)	16.844
<b>Operating Profit/(Loss) Before Financial Income /(expenses) net</b>		<b>63.101.789</b>	<b>41.481.745</b>	<b>34.964.436</b>	<b>22.654.863</b>
Financial Income		4.664.394	6.538.251	2.317.128	3.346.811
Financial Expenses (-)		(95.441.692)	(58.290.312)	(46.177.059)	(30.462.045)
<b>Profit/(loss) Before Income Tax</b>		<b>(27.675.509)</b>	<b>(10.270.316)</b>	<b>(8.895.495)</b>	<b>(4.460.371)</b>
<b>Tax income / (expense)</b>		<b>5.048.628</b>	<b>1.659.186</b>	<b>1.208.811</b>	<b>694.395</b>
- Current tax expense for the period	19	(1.415.558)	(317.737)	(791.313)	(142.929)
- Deferred tax income/(expense)	19	6.464.186	1.976.923	2.000.124	837.324
<b>Distribution of Net Profit/ (Loss)</b>		<b>(22.626.881)</b>	<b>(8.611.130)</b>	<b>(7.686.684)</b>	<b>(3.765.976)</b>
Non-Controlling Interest		20.582	11.124	13.615	7.799
<b>Equity Holders of The Company</b>		<b>(22.647.463)</b>	<b>(8.622.254)</b>	<b>(7.700.299)</b>	<b>(3.773.775)</b>
<b>Earnings Per Share</b>		<b>(0,30)</b>	<b>(0,34)</b>	<b>(0,31)</b>	<b>(0,15)</b>
<b>Diluted Earnings Per Share</b>		<b>(0,30)</b>	<b>(0,34)</b>	<b>(0,31)</b>	<b>(0,15)</b>



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX- MONTH PERIOD ENDED 30 JUNE 2020**

Monetary Unit: Turkish Lira (“TL”)

	Reviewed 1.01.2020 30.06.2020	Reviewed 1.01.2019 30.06.2019	Non-Reviewed 1.04.2020 30.06.2020	Non-Reviewed 1.04.2019 30.06.2019
<b>Net Profit/(Loss) For the Period</b>	<b>(22.626.881)</b>	<b>(8.611.130)</b>	<b>(7.686.684)</b>	<b>(3.765.976)</b>
<b>Total Other Comprehensive Income/(Expenses)</b>				
<b>Not to Be Reclassified to Profit or Loss</b>	<b>234.156</b>	<b>153.758</b>	<b>(233.832)</b>	<b>(72.617)</b>
Actuarial Gain/(Loss) Arising from Employee Benefits	300.869	197.126	(299.116)	(93.099)
Other Comprehensive Income / (Loss) Not to Be Reclassified to Profit or Loss	(66.713)	(43.368)	65.284	20.482
- Deferred Tax Income/(Expense):	(66.713)	(43.368)	65.284	20.482
<b>Other Comprehensive Income (After Tax)</b>	<b>234.156</b>	<b>153.758</b>	<b>(233.832)</b>	<b>(72.617)</b>
<b>Total Comprehensive Income</b>	<b>(22.392.725)</b>	<b>(8.457.372)</b>	<b>(7.920.516)</b>	<b>(3.838.593)</b>
<b>Distribution of Total Comprehensive Income</b>				
Non-Controlling Interest	20.582	11.124	13.615	7.799
Equity Holders of The Company	(22.413.307)	(8.468.496)	(7.934.131)	(3.846.392)



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX- MONTH PERIOD ENDED 30 JUNE 2020**  
 Monetary Unit: Turkish Lira ("TL")

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Notes	Paid in Capital	Share Premiums	Other Comprehensive Profit / (Loss) Not to be Reclassified on Profit or Loss			Reserve from Common Control Transactions	Restricted Reserve	Retained Earnings			Equity Holders of the Company	Non Controlling Interests	Paid-In Share Capital	
			Identified Benefit Plans Reclassification Income/(Loss)	Increase from Revaluation Property, Plant and Equipment				Identified Plans Reclassification Income/(Loss)	Increase from Revaluation Property, Plant and Equipment	Retained Profit				Net Period Loss
18	25.000.000	1.839.173	(368.424)	16.766.665	(1.759.039)	4.477.769	45.827.308	(15.718.331)	76.065.121	52.425	76.117.546			
	--	--	--	--	--	37.613	(15.755.944)	15.718.331	--	--	--	--	--	
18	--	--	--	--	--	--	(445.353)	--	(445.353)	--	(445.353)	--	(445.353)	
18	14.095.466	--	153.758	--	--	--	--	(8.622.254)	(8.468.496)	11.124	(8.457.372)	--	(8.457.372)	
18	39,095,466	1,839,173	(214,666)	16,766,665	(1,759,039)	4,515,382	29,626,011	(8,622,254)	81,246,738	63,549	81,310,287			
<b>PREVIOUS PERIOD</b>														
	January 2019 Opening													
	Transfers													
	IFRS 16 Adjustment													
	Total Comprehensive Income													
	Capital Increase													
	Balance at 30 June 2019 Closing													
<b>CURRENT PERIOD</b>														
	January 2020 Opening													
	Transfers													
	Total Comprehensive Income													
	Balance at 30 June 2020 Closing													



**KATMERCİLER ARAÇ ÜSTÜ EKİPMAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX- MONTH PERIOD ENDED 30 JUNE 2020**

Monetary Unit: Turkish Lira ("TL")

	Notes	Reviewed 30 June 2020	Reviewed 30 June 2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(30.481.310)</b>	<b>(39.048.775)</b>
Net Profit/(Loss) for The Period		(22.626.881)	(8.611.130)
<b>Adjustments to Reconcile Net Profit/(Loss)</b>		<b>84.703.125</b>	<b>20.327.514</b>
Depreciation and Amortization		1.815.238	1.969.802
Provisions	15	1.277.087	(3.398.306)
Interest Income and Expense		12.242.139	204.799
Unrealized Exchange Loss / (Gain)		74.417.289	23.210.405
Other Profit / (Loss) Reconciliations		(5.048.628)	(1.659.186)
<b>Changes in Working Capital</b>		<b>(82.228.995)</b>	<b>(55.397.077)</b>
Increases / (Decreases) in Inventories	9	(52.704.744)	(67.074.602)
Increases / (Decreases) in Trade Receivables	7	(9.154.560)	(24.493.057)
Increases / (Decreases) in Other Receivables		2.189.048	(52.539)
Increases (Decreases) in Trade Payables	7	10.035.762	(2.297.382)
Increases (Decreases) in Other Payables		333.877	(6.137.375)
Other Increase / (Decreases) in Working Capital		(32.928.378)	44.552.800
<b>Cash Flow from Operating Activities</b>		<b>(20.152.751)</b>	<b>(43.680.693)</b>
Tax Payments / Returns	19	(1.416.521)	317.737
Other Cash Flows		(8.912.038)	4.314.181
<b>B. CASHFLOW PROVIDED BY INVESTING ACTIVITIES</b>		<b>(200.764)</b>	<b>35.003</b>
Purchase of Property, Plant and Equipment and Intangible Assets		(221.530)	-
Interest Received		20.766	35.003
<b>C. CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>		<b>9.384.467</b>	<b>67.176.239</b>
Proceeds from Borrowings		66.784.303	447.825.825
Payments of Borrowings		(44.937.048)	(352.975.448)
Payment of Finance Lease Liabilities		-	(674.599)
Interest Paid		(1.577.810)	(20.148.208)
Other Cash Inflows / Outflows	4	(10.884.978)	(6.851.331)
<b>NET INCREASE / (DECREASE) IN CASH EQUIVALENTS BEFORE FOREIGN CURRENCY CONVERSION ADJUSTMENTS (A+B+C)</b>		<b>(21.297.607)</b>	<b>28.162.467</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS(A+B+C)</b>		<b>(21.297.607)</b>	<b>28.162.467</b>
<b>D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4	<b>33.948.135</b>	<b>24.738.007</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (A+B+C+D)</b>	4	<b>12.650.528</b>	<b>52.900.474</b>



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## 1. ORGANIZATION AND ACTIVITIES

Katmerciler Araç Ustu Ekipman Sanayi ve Ticaret Anonim Sirketi ("Company") was established in 1985 by registered to İzmir Trade Registry and announced at 1380 numbered and 05.11.1985 dated trade registry gazette.

The Group's head office address: Ataturk Organized Industrial Zone 10032 Sokak No: 10 Çiğli / IZMIR. The Group has a branch which is located in Kızılırmak Mah. 1445 Sok. No: 2b/82 The Pragon İş Merkezi Çukurambar – Çankaya / ANKARA and has a branch which is located in production facility in Malıköy Mah. 23.Cad.No:3 Baskent OSB Sincan Ankara.

The Group also has a liaison office which is located in Küçükbakkalköy Mah. Kuçuk Setli Sk. Panorama Plaza Atasehir İstanbul.

The Company and its subsidiaries (together referred as the "Group" ) operate in all manner of onboard equipment manufacturing, painting workshop and weld workshop fields. The business segment which details given below underlie Group's reporting by field of activity.

Group 's main activities are as follows:

Painting Work - Painting of vehicle equipment

Weld Work - Onboard equipment weld workshop

Vehicle Equipment Manufacturing- onboard equipment manufacturing for the fire, trash, vacuum, grooving, ecological vehicle, transport vehicle, defense industry vehicles and construction industry vehicles.

Company shares were offered to the public in 2010, as at 30 June 2020, 56,59% (31 December 2019: 56,59 %) of shares are trading Istanbul Stock Exchange Inc. (Borsa İstanbul).

As of 30 June 2020, the total number of people employed by the Group is 419 (31 December 2019: 426).

The ultimate parent of Group is İsmail Katmerci. (Note 18).

The nature of operations of the subsidiaries included in consolidation are presented as follows:

<u>Company Title</u>	<u>Nature of Business</u>	<u>Establishment Place</u>
Katmerciler Profil San. ve Tic. A.S.	Painting Works	Turkey
Isıpan Otomotiv ve Ust Ekipman Metal ve Makine San. ve Tic. A.S.	Weld Workshop Onboard Equipment	Turkey
Gimkat Araç Ustu Ekipman San. ve Tic. A.S.	Manufacturing	Turkey

Company does not have any subsidiary whose shares are traded on the stock exchange market.



## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1. Basis of Presentation

The consolidated financial statements of the Group have been prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/IFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676.

In addition, financial statements and footnotes are presented in accordance with the formats announced by the CMB on 7 June 2013.

Consolidated financial statements are prepared on the basis of historical cost except for in financial assets, investment properties and land and buildings recognized, property, plant and equipment measured at their fair value. When the historical cost is determined, the fair value of the amount usually paid for the assets is taken as basis. The measurement principle of fair value is disclosed in the related accounting policies.

#### Approval of financial statements:

The financial statements of the Company for the fiscal period ending on 30 June 2020 were approved by the management on 14 August 2020. The General Assembly and certain regulatory bodies have the right to amend the financial statements after their publication.

#### 2.1.1. Functional and Presentation Currency

The consolidated financial statements are presented in ("TL"), which is Company's functional currency. The financial statements of the Group's subsidiaries are reported in terms of their local currencies which is ("TL") also as well.

#### 2.1.2. Consolidation Principles

The consolidated financial statements include the accounts of the parent company, its subsidiaries on the basis set out in sections below. Control is obtained by controlling over the activities of an entity's financial and operating policies in order to benefit from those activities.

#### *Subsidiaries*

Subsidiaries are those entities on which the Group has the power to control. The Group controls the companies when it is incurred changeable returns due to relations of any companies or has a right to own these returns and has a power to affect these returns. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group to the date on which control is transferred out from the Group. The Group has made adjustments on the financial statements of the subsidiaries to be inconsistent with the basis of applied accounting standards if it is necessary.

For each business combination, the Group elects to measure any non-controlling interests in the acquire either:

- At fair value; or
- At their proportionate share of the acquires identifiable net assets, which are generally at fair value

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

Losses in non-controlling interest of subsidiaries are transferred to non-controlling interest even if the result is negative.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.2 Basis of Consolidation (continued)

##### *Subsidiaries (continued)*

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus of deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The table below demonstrates the rates of the effective ownership held in terms of percentages (%) as of 30 June 2020 and 31 December 2019 for all subsidiaries directly or indirectly controlled by the Group and included in the scope of consolidation:

Subsidiaries	Main Operation	Functional Currency	Establishment & Operation Country	Effective Ownership Rate (%)	
				30 June 2020	31 December 2019
Katmerciler Profil San. ve Tic. A.Ş.(Katmerciler Profil)	Painting Works	Turkish Lira	Turkey	100,00	100,00
Isıpan Otomotiv ve Üst Ekipman Metal ve Makine San. ve Tic. A.Ş. (Ekipman Metal)	Weld Workshop	Turkish Lira	Turkey	95,67	95,67
Gimkat Araç Üstü Ekipman San. ve Tic. A.Ş.	Onboard Equipment Manufacturing	Turkish Lira	Turkey	100,00	100,00

##### *Equity Accounted Investees*

Associates are those entities, in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are accounted for using the equity accounting method.

The Group’s associates are accounted under equity accounting method in the accompanying consolidated financial statements. Under the equity accounting method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor’s share of net assets in the associate.

The table below demonstrates the rates of the effective ownership and the voting power held in terms of percentages (%) as of 30 June 2020 and 31 December 2019 for the associates:

	Main Operation	Functional Currency	Establishment & Operation Country	Effective Ownership Rate (%)	
				30 June 2020	31 December 2019
Lika	Defense Industry	Turkish Lira	Turkey	20,00	20,00



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.2 Basis of Consolidation (continued)

##### *Consolidation adjustments*

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

#### 2.1.3. Significant change in the Accounting Policies

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

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

#### **As of 30 June 2020, the standards and interpretations issued but not yet effective and not early adopted**

##### *Standards issued but not yet effective and not early adopted*

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

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

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

The amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

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

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

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



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.1. Basis of Presentation (continued)

#### 2.1.3. Significant change in the Accounting Policies (continued)

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

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

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

The practical expedient will only apply if:

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

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

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

- 1-) The revised Conceptual Framework (Version 2018)
- 2-) Amendments to IFRS 3 - Definition of a Business

The application of the amendment to IFRS 3 did not have a significant impact on the consolidated financial statements of the Group.

- 3-) Amendments to IAS 1 and IAS 8 - Definition of Material

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

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

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

#### 2.1.4. Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. There is no change in accounting estimates for the periods ended June 30, 2020 and December 31, 2019.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies

#### (a) Financial instruments

##### *Financial Assets*

##### Classification

Financial assets are classified in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the Institute's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

Financial assets are not reclassified after initial recognition except when the Company's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

##### Recognition and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings.

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (a) Financial instruments (continued)

##### Derecognition

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by The Company was recognized as a separate asset or liability.

##### Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets.

Provision for loss measured as below;

- 12- Month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL: results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12-month ECL measurement if it has not.

The Company may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement (simplified approach) always apply for trade receivables and contract assets without a significant financing.

##### Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are measured at amortized cost, using the effective interest rate method. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

The Company has preferred to apply "simplified approach" defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortized cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, The Company measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

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

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the consolidated statement of income or loss.

##### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months and shorter than 1 year are classified under short-term financial investments.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (a) Financial instruments (continued)

##### *Financial liabilities*

Financial liabilities are measured initially at fair value. Transaction costs which are directly related to the financial liability are added to the fair value. Financial liabilities are classified as equity instruments and other financial liabilities.

##### *Equity instruments*

Ordinary shares are classified as equity. Additional costs attributed directly to the issuance of ordinary shares are recognized as a decrease in shareholders' equity after deduction of tax effect.

##### *Other financial liabilities*

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

##### *Trade payables*

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

#### (b) Property, plant and equipment

##### *(I) Recognition and measurement*

Items of property, plant and equipment are stated historical costs less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of assets includes the following items:

- The material and direct labor costs;
- Expenses made in accordance to the company's purpose which are directly attributable to assets.
- Expenses; in case of disposal of the asset, de-structuring, relocating and also restoration of the area
- Capitalized borrowing costs.

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Lands have been recognized by using revaluation method. Increases of value are recognized under equity as "revaluation reserves".

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Property, plant and equipment of the subsidiaries and joint ventures that operate in Turkey and acquired before 1 January 2005 are stated at restated cost until 31 December 2004 less accumulated depreciation and permanent impairment losses. Property, plant and equipment of such entities acquired after 1 January 2005 are stated at cost, less accumulated depreciation and permanent impairment losses.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (b) Property, plant and equipment (continued)

##### (ii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

##### (iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is recognized on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation is recognized in profit or loss unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and the useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (c) Intangible assets

##### (I) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### (iii) Amortization:

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (d) Investment Property

Investment property is a land, building or part of a building or both held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. Investment properties are measured in accordance with fair value model. Related changes are recognized in profit or loss in the period.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects that the fair value of the property to be reliably determinable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Costs incurred during the acquisition and construction of these assets and subsequent expenditures are capitalized if it is probable that they will increase the future economic benefits obtained from that asset.

Leased properties are not classified as investment property in the context of operating leases.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (e) Impairment of Assets

##### *Non-Financial Assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that one not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### (f) Employee Benefits

##### *(I) Severance Indemnities*

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

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

Provision for severance pay for each year is calculated based on total gross salary and other benefits. As of 30 June 2020, it is maximum 6.730 TL (31 December 2019: 6.380 TL).

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



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (f) Employee Benefits (continued)

##### (ii) Other short-term employee benefits

Short-term employee benefits are calculated without discount and identified as an expense when they are serviced. If expected payables are measurable reliably, they are recorded for the short-term vacation pay liabilities originated from the past services of employees. According to Turkish Business Law, if employment is terminated without due cause by the Company, the Company is subject to pay the gross amount of the dates of unused vacations employee considering the gross amount of salary.

#### (g) Subsequent Events

Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected information.

The Group adjusts the amounts recognized in its consolidated financial statements to reflect adjusting events after the reporting period. Non adjusting events are disclosed in the notes to the consolidated financial statements, if material.

#### (h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

##### (I) Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

#### (I) Revenue

The Company transfers its revenue to a committed product or service customer and brings the proceeds to our financial statements. It is conceptually transferred when it passes (or passes).

The Company records the proceeds in the financial statements in accordance with the following basic principles:

- Determination of contracts with customers
- Determination of performance obligations in the contract
- Determination of the transaction price in the contract
- Dividing the transaction price into the contractual performance obligations.
- Revenue recognition when each performance obligation is met

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

- The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
- The Company may define rights related to the goods or services to be transferred by each party,
- The Company may define payment terms for the goods or services to be transferred,
- The contract is essentially commercial,



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (I) Revenue (continued)

(e) It is probable that the Company will be charged for the goods or services to be transferred to the customer.

When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

Service revenues are recognized as income in the period of service. Service revenues within the scope of maintenance contracts for more than one year are recognized by spreading equally to the contract periods and the amounts for the future periods are reflected to the financial statements as deferred income.

In the event that there is an important financing cost in the sales, the fair value is determined by discounting the future collections with the implied interest rate included in the financing cost. The difference between the fair value and the nominal value is considered as interest income on an accrual basis.

Interest income is accrued in the related period at the effective interest rate that reduces the estimated cash inflows from the financial asset to the carrying value of the asset during the expected life of the remaining principal amount.

#### (j) Government Subsidies and Incentives

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

#### (k) Related Parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with the Company (this includes Parent, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the Company that gives it significant influence over the Company; or
- (iii) has joint control over the Company;

(b) the party is an associate of the Company

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company as its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e)

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (I) Leases

##### The Group – as a lessee

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

To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use
- c) the Group has the right to direct use of the asset. The Group has the right to direct use of asset if either:
  - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

The Group recognizes a right of use and a rent obligation on the financial statements at the date of the lease.

##### Right of use asset

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

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

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

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability

The Group applies the straight-line method to depreciate the right of use. The Group apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (I) Leases (continued)

##### Lease Liability

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

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

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

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

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

##### *Extension and early termination options*

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

##### *Facilitative Practices*

Leases with a lease term of 12 months or less and leases of low-value assets determined by the Group are evaluated in scope of the exemption of the standard and payments associated with those leases are recognized on a straight-line basis as an expense in profit or loss.

#### (m) Finance income and finance cost

Finance income comprises interest income on funds invested, interest income on time deposits and receivables and foreign currency exchange gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on borrowings, foreign currency exchange losses, and other finance costs. All borrowing costs are recognized in profit or loss using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (n) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

##### (I) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Implementation details in Turkey are given in Note:19.

##### (ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax is not recognized for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

Taxable temporary differences related to initial recognition of goodwill.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

##### (iii) Tax Risk

The company takes into consideration whether it has the uncertain tax positions and tax surcharges and also interest surcharges. This assessment relate to the future events includes assumptions and judgments. Existence of new information about the Company's current tax liability will change the current tax expense which occurred during the term.



## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)**

### **2.2. Summary of significant accounting policies (continued)**

#### **(o) Cash Flow Statement**

Cash flows for the period are classified as cash flows from operations, investing activities and financing activities. Cash flows from operations are the cash flows generated from the principal activities of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

Cash flows from investing activities represent the cash flows used in/provided from investing activities (purchase of property, plant and equipment and intangible assets and financial investments).

Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Cash and cash equivalents are short term investments with high liquidity that comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

#### **(p) Dividends**

Dividend receivables are recorded as income in the period of declaration. Dividend payments are recognized in consolidated financial statements when a distribution of profit decided by General Assembly

#### **(q) Segment Reporting**

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

#### **(r) Gain or losses from investing activities**

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

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

#### **(s) Other operating income and expenses**

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

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

Foreign exchange differences arising from financial instruments other than debt instruments are reported on a net basis for each Group entity.



## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

### 2.2. Summary of significant accounting policies (continued)

#### (t) Determination of fair value

A number of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### (I) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes

##### (ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values of trade and other receivables are determined as their costs and are assumed to approximate to their carrying value

### 2.3 Summary of Significant Accounting Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with TFRS requires management to make judgments, estimates and assumptions that affect both the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting judgements, estimates and assumptions used in preparing the consolidated financial statements, are consistent with the accounting judgements, estimates and assumptions used in preparing the consolidated financial statements as at 31 December 2019.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### 2.4. Going concern

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

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



### 3. SEGMENT REPORTING

Since the proportion of the revenues from the departments other than "On-Board Equipment Production ", which is the main section reported earlier, is lower than 1% of the total revenues, and the " Weld Workshop " and "Painting Work" sections are inseparable part of main section and cannot generate revenue by themselves.

### 4. CASH AND CASH EQUIVALENTS

	<u>30.06.2020</u>	<u>31.12.2019</u>
Cash on Hand	141.543	25.370
Banks	<b>23.387.324</b>	<b>33.893.115</b>
-Demand Deposits	<b>23.377.324</b>	<b>33.883.115</b>
TL	5.082.242	11.489.402
USD	3.257.896	11.828.599
EURO	15.037.186	10.565.114
-Time Deposit (*)	<b>10.000</b>	<b>10.000</b>
TL	10.000	10.000
Credit Cards	6.640	29.650
<b>Total</b>	<b><u>23.535.507</u></b>	<b><u>33.948.135</u></b>

As of 30 June 2020, there are cash blockages amounting to TL 10.884.978 (31.12.2019: TL 6.955.816) in the accounts of the Company.

(\*) Time Deposit

	<u>30.06.2020</u>	<u>31.12.2019</u>
Between 30-60 Days	10.000	10.000

Explanations on the nature and level of risks in cash and equivalents are made on note 21.

### 5. FINANCIAL INVESTMENTS

	<u>30.06.2020</u>		<u>31.12.2019</u>	
	Nominal Value	Carrying Value	Nominal Value	Carrying Value
Financial assets at fair value through profit or loss				
Kuveyt Turk Bonds	-	-	1.499.999	8.037.714
Seker Bank Bonds	100.000	146.622	100.000	143.869
<b>Total</b>	<b>100.000</b>	<b>146.622</b>	<b>1.599.999</b>	<b>8.181.583</b>



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6. FINANCIAL BORROWINGS

	<u>30.06.2020</u>	<u>31.12.2019</u>
a) Bank Borrowing	652.546.601	551.456.748
b) Financial Leases	6.100.802	5.441.138
<b>Total</b>	<b>658.647.403</b>	<b>556.897.886</b>

a) Bank Loans

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>30.06.2020</u>		
		<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>
TL	7,50 – 25	30.407.685	-	55.166.184
USD	7 - 8,08	-	-	20.789.683
EURO	2,40 - 7,45	29.323.428	-	516.859.621
<b>Total</b>		<b>59.731.113</b>	<b>-</b>	<b>592.815.488</b>

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>31.12.2019</u>		
		<u>Short-Term</u>	<u>Short-Term Portion of Long-Term Borrowings</u>	<u>Long-Term</u>
TL	15,29 - 28	-	70.084	55.811.088
USD	7 – 8,08	-	-	17.525.951
EUR	6,84 – 7,45	24.887.907	1.108.434	452.053.284
<b>Total</b>		<b>24.887.907</b>	<b>1.178.518</b>	<b>525.390.323</b>

	<u>30.06.2020</u>	<u>31.12.2019</u>
Less than a year	59.731.113	26.066.425
Between 1-2 year	258.323.717	92.875.324
Between 2-3 year	117.906.593	175.453.208
Between 3-4 year	95.967.192	151.636.486
More than 4 year	120.617.986	105.425.305
<b>Total</b>	<b>652.546.601</b>	<b>551.456.748</b>

The fair value of short- and long-term debts is equal to its book value because the effect of amortization is insignificant. As of the reporting date, the bank loans have been secured over the values of the buildings of EUR 3.680.000, USD 5.000.000 and TL 77.750.000. (31.12.2019: EUR 3.680.000, USD 5.000.000 and TL 77.750.000).



**6. FINANCIAL BORROWINGS (continued)**

**b) Short-term Portions of Long-Term Loans**

<u>Currency</u>	<u>Average Interest Rate (%)</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
TL	15,29 – 28	-	70.084
EUR	6,84-7,45	-	1.108.434
<b>Total</b>		-	<b>1.178.518</b>

**c) Financial Lease Obligations**

Financial lease obligations show the unpaid portion of leasing obligations of plant, machinery and equipment acquired through financial leasing.

- Net carrying value of financial lease assets as at balance sheet dates:

<u>Net Value</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
Machinery, Equipment and Instalments (net)	6.100.802	5.441.138

**30.06.2020**

	<u>Less than 1 year</u>	<u>Between 1-8 years</u>	<u>More than 8 years</u>	<u>Total</u>
<b>Amount of minimum lease payments</b>				
TL denominated financial lease	64.309	681.452	-	745.761
EUR denominated financial lease	382.596	7.059.877	-	7.442.473
USD denominated financial lease	82.247	189.115	-	271.362
<b>Total</b>	<b>529.152</b>	<b>7.930.444</b>	-	<b>8.459.596</b>
<b>Present value of payments</b>				
TL denominated financial lease	25.660	398.977	-	424.637
EUR denominated financial lease	63.224	5.370.882	-	5.434.106
USD denominated financial lease	71.826	170.233	-	242.059
<b>Total</b>	<b>160.710</b>	<b>5.940.092</b>	-	<b>6.100.802</b>

**31.12.2019**

	<u>Less than 1 year</u>	<u>Between 1-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>Amount of minimum lease payments</b>				
TL denominated financial lease	128.617	681.450	-	810.067
EUR denominated financial lease	385.283	6.091.230	-	6.476.513
USD denominated financial lease	185.601	164.187	-	349.788
<b>Total</b>	<b>699.501</b>	<b>6.936.897</b>	-	<b>7.636.368</b>
<b>Present value of payments</b>				
TL denominated financial lease	48.972	398.978	-	447.950
EUR denominated financial lease	45.648	4.633.972	-	4.679.620
USD denominated financial lease	165.777	147.791	-	313.568
<b>Total</b>	<b>260.397</b>	<b>5.180.741</b>	-	<b>5.441.138</b>



**6. FINANCIAL BORROWINGS (continued)**

**c) Financial Lease Obligations (continued)**

Financial leasing’s are related to purchasing of machinery and fixtures whose rental periods are 8 years. Company has options to buy these machinery and fixtures. The Company’s obligations under finance leases, the lessor of the leased asset is secured by property right on.

The interest rates are fixed for the entire rental period. Contract average effective interest rate is about 7% per annum.

**7. TRADE RECEIVABLES AND PAYABLES**

**a) Trade Receivables:**

As at balance sheet date, the details of Group’s trade receivables are as follows:

<b>Short-Term Trade Receivables</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Current Accounts	149.864.652	142.585.606
Postdated Checks	136.500	275.000
Less: Unrealized Finance Income	(10.640)	(127.646)
Doubtful Trade Receivables (*)	8.373.642	7.687.988
Less: Provisions for Doubtful Trade Receivables	(8.373.642)	(7.687.988)
<b>Sub Total</b>	<b>149.990.512</b>	<b>142.732.960</b>
- Related Parties	5.004.758	3.107.750
<b>Total</b>	<b>154.995.270</b>	<b>145.840.710</b>

Current Accounts, Notes Receivables and Checks maturity details are as follows:

<b>Customers, Notes Receivables and Postdated Checks (*)</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Maturity between 1-3 months	120.904.610	116.774.685
Maturity between 3-6 months	34.101.300	29.193.671
<b>Total</b>	<b>155.005.910</b>	<b>145.968.356</b>

As of 30 June 2020, the weighted average interest rates to calculate unrealized finance income for the short-term trade receivables in terms of TL, USD and EUR are respectively % 8,41, %0,32 and %-0,38 (31.12.2019: respectively % 10,41, %1,88 and % -0,40)

As of 30 June 2020, the trade receivables amounting of TL 8.373.642 TL (31.12.2019: 7.687.988 TL) are doubtful receivables. The provision of doubtful receivables increased TL 44.057 with in the year (31.12.2019: TL 230.907). Doubtful receivables consist of uncollectible amounts related to customer receivables.

The details of doubtful trade receivables are as follows:

<b>Doubtful Trade Receivables</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
Opening	7.687.988	7.719.474
Period Expense	44.057	230.908
Exchange Differences	641.597	332.100
Less: Cancelled within the Period	-	(669.639)
<b>Closing</b>	<b>8.373.642</b>	<b>7.612.843</b>



## 7. TRADE RECEIVABLES AND PAYABLES (continued)

### b) Trade Payables:

As at balance sheet date, the details of Group's trade payables are as follows:

<b><u>Short-term Trade Payables</u></b>	<b><u>30.06.2020</u></b>	<b><u>31.12.2019</u></b>
Suppliers (*)	43.034.288	47.471.712
Notes Payables (*)	29.953.563	17.204.790
Less: Unrealized Finance Expense	(304.495)	(407.316)
Other Trade Payables	7.667.048	6.045.456
<b>Total</b>	<b>80.350.404</b>	<b>70.314.642</b>

(\*) Details of suppliers and notes payables are as follows:

<b><u>* Suppliers and Notes Payables</u></b>	<b><u>30.06.2020</u></b>	<b><u>31.12.2019</u></b>
Maturity between 0-6 months	51.091.496	45.273.551
Maturity between 6-9 months	21.896.355	19.402.951
<b>Total</b>	<b>72.987.851</b>	<b>64.676.502</b>

As of 30 June 2020, the weighted average interest rates to calculate unrealized finance expense for the short-term trade payable in terms of TL, USD and EUR are respectively % 8,41 %0,32 and % -0,38. (31.12.2019: %10,41 %1,88 and %-0,40)

## 8. OTHER RECEIVABLES AND PAYABLES

<b><u>Short-Term Other Receivables</u></b>	<b><u>30.06.2020</u></b>	<b><u>31.12.2019</u></b>
Deposits and Guarantees	134.807	198.221
Receivables from Tax Office	5.285.171	7.410.804
Receivables from Social Security Institution	6.316	6.316
Denizbank Blocked Receivables (*)	217.061	217.061
Other Receivables	4.245	4.245
<b>Total</b>	<b>5.647.599</b>	<b>7.836.647</b>

(\*) The amount consists of Denizbank loans and would be collected after closing of the loans.

<b><u>Long-Term Other Receivables</u></b>	<b><u>30.06.2020</u></b>	<b><u>31.12.2019</u></b>
Deposits and Guarantees	22.676	22.676
<b>Total</b>	<b>22.676</b>	<b>22.676</b>

<b><u>Short-Term Other Payables</u></b>	<b><u>30.06.2020</u></b>	<b><u>31.12.2019</u></b>
Tax and funds Payables	2.693.129	2.725.200
Other Payables	111.822	57.029
<b>Sub Total</b>	<b>2.804.951</b>	<b>2.782.229</b>
Related Parties	3.295.972	2.984.817
<b>Total</b>	<b>6.100.923</b>	<b>5.767.046</b>



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**9. INVENTORIES**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Raw Materials and Supplies	193.325.379	137.104.820
Work-in Progress	306.414.043	310.810.634
Finished Goods	13.814.615	13.814.615
Trading Goods	2.295.235	1.414.459
Other Inventories	4.566.578	4.566.578
<b>Total</b>	<b><u>520.415.850</u></b>	<b><u>467.711.106</u></b>

As of 30 June 2020, the Group has TL 30.000.000 insurance on its inventories. (31.12.2019: 30.000.000TL)

Group does not have any pledged inventory in return for loans as at 30 June 2020. (31.12.2019: None).

**10. PREPAID EXPENSES AND DEFERRED INCOME**

**Short-Term Prepaid Expenses**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Advances Given	62.175.491	51.589.236
Prepaid Expenses for Future Months	2.606.831	291.588
<b>Total</b>	<b><u>64.782.322</u></b>	<b><u>51.880.824</u></b>

**Long-Term Prepaid Expenses**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Advances Given for Real Estate	12.225.189	7.416.721
Prepaid Expenses for Future Years	369.111	662.819
<b>Total</b>	<b><u>12.594.300</u></b>	<b><u>8.079.540</u></b>

**Short-Term Deferred Income**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Deferred Income	105.315.418	120.827.538
<b>Total</b>	<b><u>105.315.418</u></b>	<b><u>120.827.538</u></b>

**11. EQUITY ACCOUNTED INVESTEEES**

	<u>30.06.2020</u>		<u>31.12.2019</u>	
	(%)	TL	(%)	TL
LİKA Savunma	20	46.789	20	99.568
<b>Total</b>	<b>20</b>	<b>46.789</b>	<b>20</b>	<b>99.568</b>

**Summary of Financial Information of Equity Accounted Investees**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Total Assets	192.929	195.667
Total Liabilities	192.929	195.667
Period Profit / (Loss)	(7.130)	(449.610)



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**12. INVESTMENT PROPERTY**

<u>Fair Value</u>	<u>01.01.2020</u>		<u>30.06.2020</u>
	<u>Opening Balance</u>	<u>Disposal (Sale)</u>	<u>Closing Balance</u>
Land	1.050.000	-	1.050.000
Building	1.122.000	-	1.122.000
Investment Property	<b>2.172.000</b>	-	<b>2.172.000</b>

<u>Fair Value</u>	<u>01.01.2019</u>		<u>30.06.2019</u>
	<u>Opening Balance</u>	<u>Disposal (Sale)</u>	<u>Closing Balance</u>
Land	1.050.000	--	1.050.000
Building	1.122.000	--	1.222.000
Investment Property	<b>2.172.000</b>	--	<b>2.172.000</b>

TSKB Gayrimenkul Değerleme A.S., which is an independent expertise company licensed by CMB, which is independent from the Group, valued the Group’s lands, buildings and apartments located in Gaziemir / İzmir and its buildings located in Guzelbahçe / İzmir and Atasehir. The Group Management believes that the valuation companies have professional background and have up-to-date information about the class and location of the investment properties.

According to expertise report dated 30 September 2017, the total fair value of the buildings and lands in Gaziemir / İzmir is TL 5,780,000 and the value of the lands in Guzelbahçe / İzmir is 1,050,000 TL and the fair with the amount of buildings in Atasehir / İstanbul TL 1,122,000. The fair value of real estate is determined by the methods of market value, cost method and discounted cash flow methods respectively.

The buildings and land in Gaziemir/Izmir with a fair value of 5.780.000 TL were sold for a value of 7.650.000 TL in 04.05.2018. Sales profit is accounted under income for investment activities.

As of the balance sheet date, there are no liabilities resulting from the construction or development, maintenance, repair or improvement contracts of the investment property.

In the current period, the Group earned 53.150 TL rent income from investment property (31.12.2019: 96.500 TL). The mortgage on the investment properties of the Group amounts to TL 4.250.000, EURO 1.080.000 (31.12.2019: TL 4.250.000, EURO 1.080.000).



### 13. PROPERTY, PLANT AND EQUIPMENT

TSKB Gayrimenkul Değerleme A.S., which is an independent expertise company with CMB license, which is independent from to the Group, has valued the factory building and building in Çiğli / İzmir and the Factory Building construction in Ankara. The group management believes that the valuation companies have professional background and have up-to-date information about the class and location of the investment property.

According to expertise report dated 30 September 2017, total fair values of factory building and lands located in Çiğli / İzmir amounts TL 33.725.000, the total value of land and factory located in Ankara Industrial Estate set as TL 3.528.000. Property fair values are calculated according to market value method and discounted cash flow methods.

The Group has purchased property, plant and equipment amounting to TL 533.834 (31.12.2019: TL 9.472.222) in the interim period and there is no sale of property, plant and equipment in the interim period. (31.12.2019: None).

As of 30.06.2020, there are USD 5.000.000, EUR 2.600.000 and TL 73.500.000 mortgage on property, plant and equipment (31.12.2019: EUR 2.600.000, USD 5.000.000 and TL 73.500.000 mortgage on property, plant and equipment). There is TL 10.406.000 insurance coverage (31.12.2017: TL 8.671.000).

### 14. INTANGIBLE ASSETS

The Group has purchased intangible fixed assets amounting to TL 7.845 in the interim period. (31.12.2019: None TL) There is no sale of intangible assets in the interim period. (31.12.2019: None.)

#### Cost of Borrowing

None. (31.12.2019: None)

### 15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<u>Short-Term Payable Provision</u>	<u>30.06.2020</u>	<u>31.12.2019</u>
Warranty Expense Provision	348.000	513.000
Provisions for Lawsuits	59.372	59.378
IAS 16 (correction provision)	1.083.978	953.393
IAS 9	439.877	-
<b>Total</b>	<b>1.931.227</b>	<b>1.525.771</b>

#### Ongoing Lawsuits and Execution Proceedings

There are 3 lawsuits amounting TL 59.372 filed and continuing as of 30 June 2020 which Group raised a full provision (31.12.2019: TL 59.378).



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**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

**Collateral, Pledges, Mortgages, Bails**

Collaterals, Pledges, Mortgages and Sureties position table as of 30 June 2020 ve 31 December 2019 as below:

	<b><u>30.06.2020</u></b>				
<b><u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u></b>	<b><u>TL Equivalent</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>QAR</u></b>	<b><u>TL</u></b>
A. CPMB's given for company's own legal personality	239.798.627	10.283.944	8.313.842	1.325.020	102.873.404
B. CPMB's given on behalf of fully consolidated Companies	-	-	-	-	-
C. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-	-
D. CPMB's given within the scope of Corporate Governance Communique's 12/2 clause					
i) Total amount of CPMB's given on behalf of majorly shareholder	-	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-	-
<b>Total</b>	<b>239.798.627</b>	<b>10.283.944</b>	<b>8.313.842</b>	<b>1.325.020</b>	<b>102.873.404</b>

	<b><u>31.12.2019</u></b>				
<b><u>CPMB's given by the Company (Collaterals, Pledges, Mortgages, Sureties)</u></b>	<b><u>TL Equivalent</u></b>	<b><u>USD</u></b>	<b><u>EUR</u></b>	<b><u>QAR</u></b>	<b><u>TL</u></b>
A. CPMB's given for company's own legal personality	288.409.873	10.891.624	16.214.828	162.000	115.607.058
B. CPMB's given on behalf of fully consolidated Companies	-	-	-	-	-
C. CPMB's given of behalf of third parties for ordinary course of business	-	-	-	-	-
D. CPMB's given within the scope of Corporate Governance Communique's 12/2 clause					
i) Total amount of CPMB's given on behalf of majorly shareholder	-	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-	-
<b>Total</b>	<b>288.409.873</b>	<b>10.891.624</b>	<b>16.214.828</b>	<b>162.000</b>	<b>115.607.058</b>

Group have not been given any “Other CPM”. (31.12.2019: None).



**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

Collaterals, Pledges, Mortgages and Sureties position table as of 30 June 2020 ve 31 December 2019 as below:

<u>Collaterals, Pledges, Mortgages</u>	<u>Total TL Equivalents</u>	<u>30.06.2020</u>				<u>31.12.2019</u>				
		<u>USD</u>	<u>EUR</u>	<u>QAR</u>	<u>TL</u>	<u>USD</u>	<u>EUR</u>	<u>QAR</u>	<u>TL</u>	
Collaterals	98.775.101	5.283.944	4.633.842	1.325.020	24.427.054	155.788.315	5.891.624	12.534.828	162.000	37.160.708
Pledges	696.350	-	-	-	696.350	696.350	-	-	-	696.350
Mortgages	140.327.176	5.000.000	3.680.000	-	77.750.000	131.925.208	5.000.000	3.680.000	-	77.750.000
<b>Total</b>	<b>239.798.627</b>	<b>10.283.944</b>	<b>8.313.842</b>	<b>1.325.02</b>	<b>102.873.40</b>	<b>288.409.873</b>	<b>10.891.624</b>	<b>16.214.828</b>	<b>162.000</b>	<b>115.607.058</b>

**16. EMPLOYEE BENEFITS**

**Provision for Short-Term Employee Benefits**

Unused Vacation Provision

**Total**

**30.06.2020**

1.178.430

**1.178.430**

**31.12.2019**

1.373.615

**1.373.615**

**Provision for Long-Term Employee Benefits**

Provision for employee termination benefits

**Total**

**30.06.2020**

7.194.560

**7.194.560**

**31.12.2019**

6.506.676

**6.506.676**

**Scope of Employee Benefit Obligations**

Payables to Personnel

Social Security Premiums Payable

**Total**

**30.06.2020**

443.581

3.646.586

**4.090.167**

**31.12.2019**

913.591

1.174.931

**2.088.522**

Under the Turkish Legislations, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. IAS 19 (“Employee Benefits”) stipulates the development of Company’s liabilities by using actuarial valuation methods under defined benefit plans.

As at balance sheet date, provisions calculated according to assumption % 5 expected salary increasing rate and % 8,41 inflation rate and retiring assumption as follows. (31.12.2019: %5 expected salary increasing rate, %10,41 inflation rate)

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of June 30, 2020 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

Group’s retirement pay provision calculated over amounting to TL 6.730 (31.12.2019: TL 6.380) which is effective from 1 January 2020.



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**16. EMPLOYEE BENEFITS (continued)**

The movement of provision for severance pay are as follows:

	<b>1 January- 30 June 2020</b>	<b>1 January- 30 June 2019</b>
Provision as of 1 set January	6.506.676	5.386.098
Service Cost	789.367	623.509
Interest Cost	527.296	450.990
Cancellation / Adjustments	(328.579)	(672.935)
Actuarial Gain / Loss (*)	(300.200)	(197.126)
<b>Total Provisions as of Period End</b>	<b>7.194.560</b>	<b>5.590.536</b>

(\*) For the year ended 30 June 2020, TL (300.200) (2018: TL (315.971)) actuarial gain / losses recognized in other comprehensive income.

The total other service cost and interest costs have been included to the general administrative, marketing and general production expenses.

**17. OTHER ASSETS AND LIABILITIES**

<b><u>Other Current Assets</u></b>	<b><u>30.06.2020</u></b>	<b><u>31.12.2019</u></b>
Deferred VAT	56.905.629	47.896.284
Work Advances	383.079	461.993
Other	99.210	10.615
<b>Total</b>	<b>57.387.918</b>	<b>48.368.892</b>

**18. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS**

**a) Capital**

Company’s capital structure as of 30 June 2020 and 31 December 2019 are as follows:

	<b><u>30.06.2020</u></b>		<b><u>31.12.2019</u></b>	
	<b><u>%Rate</u></b>	<b><u>Share Amount</u></b>	<b><u>Share Rate</u></b>	<b><u>Share Amount</u></b>
<b><u>Shareholders</u></b>	<b><u>(%)</u></b>	<b><u>TL</u></b>	<b><u>(%)</u></b>	<b><u>TL</u></b>
İsmail Katmerci	25,81	19.354.000	25,81	19.354.000
Havva Katmerci	4,40	3.300.000	4,40	3.300.000
Mehmet Katmerci	4,40	3.300.000	4,40	3.300.000
Aysenur Çobanoğlu	4,40	3.300.000	4,40	3.300.000
Furkan Katmerci	4,40	3.300.000	4,40	3.300.000
Listed (*)	56,59	42.446.000	56,59	42.446.000
<b>Paid-in Capital</b>	<b>100,00</b>	<b>75.000.000</b>	<b>100,00</b>	<b>75.000.000</b>

(\*) The listed part of the capital is trading in Istanbul Stock Exchange, Inc. (BIST).

Company’s paid-in capital is TL 75.000.000 (31.12.2019: 75.000.000 TL) The paid-in capital consists of 75.000.000 registered shares. Each share nominal value is 1 TL. 6.000.000 pcs. of shares nominative A Group and 69.000.000 pcs. of shares are nominal B Group shares. There is not any restriction on Katmerciler shares.

A group shares are privileged and 4.800.000 pcs. owned by İsmail Katmerci, 300.000 pcs. own by Havva Katmerci, 300.000 pcs owned by Mehmet Katmerci, 300.000 pcs owned by Aysenur Çobanoğlu and 300.000 pcs owned by Furkan Katmerci. Privileged shares give right to owner as mentioned below;



**18. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**

**a) Capital (continued)**

Company manages by the board of management consist of 5 people chosen by general assembly from the A group shareholders accordingly with Turkish Commercial Code. (Articles of Association article 10) issued shares are fully paid.

**b) Gain from Sales of Treasury Shares**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Gain from Sales of Treasury Shares	2.239.089	2.239.089
	<u>2.239.089</u>	<u>2.239.089</u>

**c) Revaluation and Remeasurement Reserve**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Property, Plant and Equipment Revaluation and Remeasurement Gain / (Loss)	16.766.665	16.766.665
	<u>16.766.665</u>	<u>16.766.665</u>

	<u>30.06.2020</u>	<u>31.12.2019</u>
Property, Plant and Equipment Revaluation and Remeasurement Gain / (Loss)		
Opening Balance	16.766.665	16.766.665
Closing Balance	<u>16.766.665</u>	<u>16.766.665</u>

**d) Other Cumulative Comprehensive Income / Expense not to be Reclassified in Profit or Loss**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Defined Benefit Plans Actuarial Gain / Loss	112.189	(121.967)
	<u>112.189</u>	<u>(121.967)</u>

**e) Restricted Reserves**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Legal Reserves	4.668.916	4.515.382
<b>Total</b>	<u>4.668.916</u>	<u>4.515.382</u>

**f) Retained Profit / (Loss)**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Retained Profit / (Loss)	15.908.566	29.626.011
<b>Total</b>	<u>15.908.566</u>	<u>29.626.011</u>

**g) Non-controlling Interests**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Balance at 1 January	80.628	52.425
Additions / Disposals	-	-
Profit / (Loss) Attributable to Non-controlling Interest	20.582	28.203
Attributable to Non-controlling Interest	<u>101.210</u>	<u>80.628</u>

**h) Effect of Business combinations under Common Control**

	<u>30.06.2020</u>	<u>31.12.2019</u>
Effect of business combination under common control (*)	(1.759.039)	(1.759.039)
<b>Total</b>	<u>(1.759.039)</u>	<u>(1.759.039)</u>



**18. CAPITAL, RESERVES AND OTHER EQUITY COMPONENTS (continued)**

(\*) The Company purchased Isıpan and Profil’s TL 89.000 and TL 466.677 nominal number of shares by paying respectively TL 89.000 and TL 4.017.133 from shareholder İsmail Katmerci in the past years . This operation considered as “Effect of business combination under common control” and TL 1.759.039 difference between purchasing price and fair value discounted from purchasing price and presented as “Merge Effect of Common Control Transactions” in equity.

**i) Dividend Distribution**

Publicly held companies make their dividend distribution according to CMB’s announcement No-II-19, which published at 1 February 2014.

Partnerships, profits will be determined by the General Assembly in accordance with the dividend distribution policy and in accordance with the provisions of the relevant legislation by the General Assembly distributes. Comes within the scope of the notification a minimum distribution rate has not been determined. Companies based in contract or in the manner specified in the dividend distribution policy will pay dividends. In addition, dividends may be paid in installments of equal or different, consistent and interim financial statements of the profits in advance may distribute dividends in cash.

TCC based on separation of reserves required by the articles of association or dividend distribution policy for the shareholders determine dividend allotted other reserves to allocate to the next year to transfer profit and dividend shareholders , management board members subsidiaries to their employees and shareholders, persons other than the profit share to be distributed could not be given , as determined for the shareholders in cash dividends are paid on these shares may not be distributed to persons on the card.

**19. INCOME TAXES**

	01.01-30.06.2020		01.01-30.06.2019	
Profit/(Loss) for the year		(22.626.881)		(8.611.130)
Less: current period tax expense		5.048.628		1.659.186
<b>Profit/loss after tax</b>	<b>%</b>	<b>(27.675.509)</b>	<b>%</b>	<b>(10.270.316)</b>
Calculated tax via statutory rate	22%	6.088.612	22%	2.259.470
Non-deductible expenses	(3)%	(965.646)	(4)%	(457.937)
Discounts / exceptions	-	-	7%	671.803
Tax losses	-	-	5%	(465.626)
Other	(0)%	(74.338)	(3)%	(348.524)
<b>Total tax income/(expense) recognized in profit or loss</b>	<b>19%</b>	<b>5.048.628</b>	<b>27%</b>	<b>1.659.186</b>

**Corporate Tax**

The Group is subject to corporate tax resolutions applied in Turkey. Provision is made in the accompanying financial statements for the estimated tax liabilities related to the Group's results for the current period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2020 is %22 (2019: %22).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% in 2020 (2019: 22%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior year's retroactively.



**19. INCOME TAXES (continued)**

**Corporate Tax(continued)**

In Turkey, 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**

In addition to corporate taxes, for which their share of the profit from the distribution of dividends in the event of the company's income in the statements, including non-resident institutions and branches of foreign companies in Turkey on any dividends distributed, except for the calculation of income tax withholding is required. Income tax for the period 24 April 2003 - 22 July 2006 was 10%. This rate changed starting from 22 July 2006 with the decision of Council of Minister numbered 2006/10731 to be 15%. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

**Deferred Tax**

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is calculated using tax rates that have been enacted in the period in which assets acquired and/or liabilities carried out and included in the statement of income as income or expense.

Deferred tax rate is %22. (2019: %22)

The details of tax income / expense for the years ended 31 December are as follows:

	30.06.2020	30.06.2019
<b><u>Income tax expense recognized in profit or loss</u></b>		
<b>Current tax expense</b>		
Current tax expense	(1.415.558)	(317.737)
<b><u>Deferred tax income/(expense):</u></b>		
Arising from Temporary Differences	566.025	(139.558)
Arising from Tax losses carried forward	5.898.161	2.116.481
	<b>5.048.628</b>	<b>1.659.186</b>



19. INCOME TAXES (continued)

	30.06.2020	30.06.2019
<b>Recognized in Other comprehensive Income</b>		
<b>Recognized Deferred tax income/(expense):</b>		
Actuarial differences tax effect	(66.713)	(43.368)
<b>Total</b>	<b>(66.713)</b>	<b>(43.368)</b>
<b>Total tax effect income/ (expense)</b>	<b>4.981.915</b>	<b>1.615.818</b>
<b>Current Period Tax Assets/Liabilities</b>		
	30.06.2020	31.12.2019
Assets related to current period tax	1.016.171	1.015.208
<b>Total</b>	<b>1.016.171</b>	<b>1.015.208</b>
<b>Current tax reconciliation</b>		
	30.06.2020	31.12.2019
Balance at 1 January	(1.015.208)	(1.286.990)
Calculated corporation tax	1.415.558	680.156
Paid taxes	(1.416.521)	(408.374)
<b>Total</b>	<b>1.016.171</b>	<b>(1.015.208)</b>
<b>Deferred Tax Assets/Liabilities</b>		
	30.06.2020	31.12.2019
Deferred Tax Asset	29.106.324	21.998.637
Deferred Tax Liabilities	(12.237.773)	(11.507.658)
<b>Total</b>	<b>16.868.551</b>	<b>10.490.979</b>
<b>Deferred tax reconciliation</b>		
	30.06.2020	30.06.2019
Balance at 1 January	10.490.979	5.148.701
Recognized in profit or loss	6.464.186	1.976.923
Recognized in other comprehensive income	(66.713)	(43.368)
Effect of TFRS 16 adjustment	-	125.612
Other	(19.901)	-
<b>Total</b>	<b>16.868.551</b>	<b>7.207.868</b>



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**19. INCOME TAXES (continued)**

*Tax losses carried forward*

Year which tax loss occurred	Expiration Date	30.June.20		31.Dec.19		31.Dec.18	
		Tax Losses	Deferred Tax	Tax Losses	Deferred Tax	Tax Losses	Deferred Tax
2018	2023	11.136.866	2.450.110	11.136.866	2.450.110	11.136.866	2.450.110
2019	2024	16.340.659	3.594.945	16.340.659	3.594.945	-	-
2020/06	2025	26.809.824	5.898.161	-	-	-	-
<b>Total</b>		<b>54.287.349</b>	<b>11.943.216</b>	<b>27.477.525</b>	<b>6.045.055</b>	<b>11.136.866</b>	<b>2.450.110</b>

**20. EARNING PER SHARE**

<b>Earning Per Share</b>	<b>01.01.2020</b>	<b>30.06.2020</b>	<b>01.01.2019</b>	<b>30.06.2019</b>
Net Profit / (Loss), Parent		(22.647.463)		(8.622.254)
Weighted Average Number of Shares		75.000.000		25.233.627
Number of shares at the end of the period		75.000.000		39.095.466
Earnings / (Loss) Per Share from Continuing Operations		(0,30)		(0,34)



## 21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS

### a) Capital Risk Management

The aims of Group are to be beneficial for all shareholders and maintaining the best capital combination to reduce capital cost and keeping on entity when managing the capital.

The Group's share capital structure consists of the financial liabilities disclosed in Note 6, the cash and cash equivalents disclosed in Note 4 and paid-in capital, other reserves, premiums / discounts on shares, revaluation gains and losses, including the restated measurement of profit / loss, defined benefit plans, retained earnings / losses, retained earnings reserves and retained earnings/losses disclosed in Note 18.

Group capital cost and each risk regarding capital evaluate by executives. According to the evaluate company aim to equalize the capital structure by borrowing, redemption, dividend payment and issuance of shares.

The Group uses Liabilities / Equity rate while they follow capital sufficiency. This rate is found by net liabilities divided by total equity. Net liabilities are counted by cash and cash equivalents minus total liabilities which appears in balance sheet.

Equity to debts ratio as of 30 June 2020 and 31 December 2019 are as follows:

	<u>30.06.2020</u>	<u>31.12.2019</u>
Financial Liabilities	658.647.403	556.897.886
Less: Cash and Cash Equivalents	(23.535.507)	(33.948.135)
Net Financial Liabilities	<u>635.111.896</u>	<u>522.949.751</u>
Total Equity	90.390.133	112.782.858
Liabilities / Equity Ratio	<u>7,03</u>	<u>4,64</u>

The Group's current capital risk management strategy does not differ from previous periods.

### b) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

#### b.1) Credit Risk

Financial losses due to Group's receivables and financial assets which result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk. Company trying to decrease credit risk by making operations with confidential parties and attain enough collateral. Trade receivables contain lots of customers gathered on same sector and geographical area. Credit consideration making over Customer's trade receivables permanently.



**21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.1) Credit Risk (continued)**

**Types of credit risks subject to financial instruments:**

	30.06.2020	Receivables				Cash and Cash Equivalents
		Trade Receivables		Other Receivables		
Current Period		Related Parties	3rd Parties	Related Parties	3rd Parties	Banks Deposit
The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D) (1)		5,004.758	149,990.512	-	5,670.275	23,387.324
- Total receivable that have been secured with collaterals, other credit enhancements etc.		-	-	-	-	-
A. Financial assets that are either past due or impaired (2)		5,004.758	149,990.512	-	5,670.275	23,387.324
B. The amount of financial assets that are past due as at the end of reporting period but not impaired		-	-	-	-	-
C. The amount of financial assets that are impaired (3)		-	-	-	-	-
- Overdue (gross book value)		-	-	-	-	-
- Impairment (-)		-	-	-	-	-
- Net value guaranteed with collateral etc.		-	-	-	-	-
- Not overdue (gross book value)		-	-	-	-	-
- Impairment (-)		-	8,373.642	-	-	-
- Net value guaranteed with collateral etc.		-	(8,373.642)	-	-	-
D. Off balance sheet credit risk amount		-	-	-	-	-



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**21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.1) Credit Risk (continued)**

	31.12.2019		Receivables			Cash and Cash Equivalents Trade Receivables	
	Current Period		Trade Receivables		Other Receivables		
	Related Parties	3rd Parties	Related Parties	3rd Parties	Related Parties		3rd Parties
<b>The maximum amount of exposure to credit risk at the end of the reporting period (A+B+C+D) (1)</b>	<b>3.107.750</b>	<b>142.732.960</b>	<b>-</b>	<b>7.859.323</b>	<b>-</b>	<b>33.893.115</b>	
- Total receivable that have been secured with collaterals, other credit enhancements etc.	-	-	-	-	-	-	
A. Financial assets that are either past due or impaired (2)	3.107.750	142.732.960	-	7.859.323	-	33.893.115	
B. The amount of financial assets that are past due as at the end of reporting period but not impaired	-	-	-	-	-	-	
C. The amount of financial assets that are impaired (3)	-	-	-	-	-	-	
- Overdue (gross book value)	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	
- Net value guaranteed with collateral etc.	-	-	-	-	-	-	
- Not overdue (gross book value)	-	-	-	-	-	-	
- Impairment (-)	-	7.687.988	-	-	-	-	
- Net value guaranteed with collateral etc.	-	(7.687.988)	-	-	-	-	
D. Off balance sheet credit risk amount	-	-	-	-	-	-	

(1) It was not considered collaterals taken which is raising credit reliability when the amounts were determined.

(2) All of the trade receivables are receivables from clients. Company management predicted that it would not be encountered any problem regarding Collection of Receivables because of considering their past experiences.

(3) Impairment tests, Company's receivables from customers regarding the policy framework set by the management is made in doubtful receivables.



**21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.2) Liquidity Risk Management**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Company's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections. The Company manages short, medium- and long-term funding and liquidity management requirements by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments. The Company does not have any derivative liabilities.

**Current Period (30.06.2020)**

Terms According to Agreements	Book Value	According to the Contracts	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
		Total Cash Outflows (=I+II+III)			
<b>Non-derivative financial liabilities</b>	<b>745.098.730</b>	<b>745.098.730</b>	<b>66.527.365</b>	<b>79.815.785</b>	<b>598.755.580</b>
Bank Credits	652.546.601	652.546.601	28.816.383	30.914.730	592.815.488
Financial Leasing Liabilities	6.100.802	6.100.802	59.859	100.851	5.940.092
Trade Payables	80.350.404	80.350.404	31.550.200	48.800.204	-
Other Payables	6.100.923	6.100.923	6.100.923	-	-
<b>TOTAL</b>	<b>745.098.730</b>	<b>745.098.730</b>	<b>66.527.365</b>	<b>79.815.785</b>	<b>598.755.580</b>

**Previous Period (31.12.2019)**

Terms According to Agreements	Book Value	According to the Contracts	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
		Total Cash Outflows (=I+II+III+IV)			
<b>Non-derivative financial liabilities</b>	<b>632.979.574</b>	<b>632.979.574</b>	<b>40.898.513</b>	<b>61.509.996</b>	<b>530.571.065</b>
Bank Credits	550.278.230	550.278.230	7.487.709	17.400.198	525.390.323
Principals and Interest Payments of Long-Term Loans	1.178.518	1.178.518	-	1.178.518	-
Financial Leasing Liabilities	5.441.138	5.441.138	65.098	195.298	5.180.742
Trade Payables	70.314.642	70.314.642	27.578.660	42.735.982	-
Other Payables	5.767.046	5.767.046	5.767.046	-	-
<b>TOTAL</b>	<b>632.979.574</b>	<b>632.979.574</b>	<b>40.898.513</b>	<b>61.509.996</b>	<b>530.571.065</b>

**b.3) Market Risk Management**

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

In the current year, the Group's exposure to market risks or exposures to the risk management and assessment, has not changed compared to the previous year.



**21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

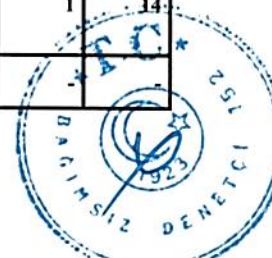
**b) Financial Risk Factors (continued)**

**b.3.1) Foreign Exchange Risk Management**

Foreign currency transactions expose the Group to foreign currency risk. These risks are monitored and limited by the analysis of foreign currency position.

The group's foreign currency denominated monetary and non-monetary assets and liabilities as of the date of the balance sheet are as follows:

CONSOLIDATED FOREIGN EXCHANGE POSITION TABLE							
30.06.2020							
	TL Equivalent	USD	Euro	GBP	CHF	QA	SE
1.Trade Receivables	163.722.336	8.013.112	14.127.166	-	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	18.505.476	500.295	1.956.672	-	-	1	14
2b. Non-Monetary Financial Assets	32.961.485	3.758.971	934.522	4.553	-	-	-
3.Other	-	-	-	-	-	-	-
<b>4.Current Assets (1+2+3)</b>	<b>215.189.297</b>	<b>12.272.378</b>	<b>17.018.359</b>	<b>4.553</b>	-	<b>1</b>	<b>14</b>
5. Trade Receivables	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-
<b>8.Non-Current Assets (5+6+7)</b>	-	-	-	-	-	-	-
<b>9.Total Assets (4+8)</b>	<b>215.189.297</b>	<b>12.272.378</b>	<b>17.018.359</b>	<b>4.553</b>	-	<b>1</b>	<b>14</b>
10.Trade Payables	40.513.660	1.395.219	4.004.997	10.380	1.176	-	-
11.Financial Liabilities	30.118.064	13.544	3.895.254	-	-	-	-
12a.Other Monetary Financial Liabilities	577.139	24.231	53.364	-	-	-	-
12b.Other Non-Monetary Financial Liabilities	83.215.526	7.974.386	3.717.234	-	-	-	-
<b>13.Short-Term Liabilities (10+11+12)</b>	<b>154.424.390</b>	<b>9.407.380</b>	<b>11.670.849</b>	<b>10.380</b>	<b>1.176</b>	-	-
14.Trade Payables	-	-	-	-	-	-	-
15.Financial Liabilities	546.606.172	3.068.849	68.188.227	-	-	-	-
16a.Other Monetary Financial Liabilities	-	-	-	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-
<b>17.Long-Term Liabilities (14+15+16)</b>	<b>546.606.172</b>	<b>3.068.849</b>	<b>68.188.227</b>	-	-	-	-
<b>18.Total Liabilities (13+17)</b>	<b>701.030.562</b>	<b>12.476.229</b>	<b>79.859.077</b>	<b>10.380</b>	<b>1.176</b>	-	-
19.Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-	-	-	-
19a.Total Assets Hedged	-	-	-	-	-	-	-
19b.Total Liabilities Hedged	-	-	-	-	-	-	-
<b>20.Net Foreign Currency Assets / (Liabilities) (9-18+19)</b>	<b>(485.841.266)</b>	<b>(203.851)</b>	<b>(62.840.718)</b>	<b>(5.827)</b>	<b>(1.176)</b>	<b>1</b>	<b>14</b>
<b>21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(435.587.224)</b>	<b>4.011.564</b>	<b>(60.058.006)</b>	<b>(10.380)</b>	<b>(1.176)</b>	<b>1</b>	<b>14</b>
22. Total Fair Value of Financial Instruments Used for Currency Hedge	-	-	-	-	-	-	-



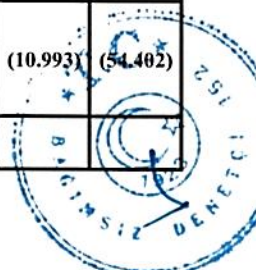
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**21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.3.1) Foreign Exchange Risk Management (continued)**

CONSOLIDATED FOREIGN EXCHANGE POSITION TABLE							
31.12.2019							
	TL Equivalent	USD	Euro	GBP	CHF	QA	SE
1.Trade Receivables	136.684.243	7.659.391	13.710.932	-	-	-	-
2a. Monetary Financial Assets (including cash and bank accounts)	22.568.474	2.014.142	1.593.013	1.231	-	-	14
2b. Non-Monetary Financial Assets	35.237.139	5.084.649	751.730	4.353	-	-	-
3.Other	-	-	-	-	-	-	-
<b>4.Current Assets (1+2+3)</b>	<b>194.489.856</b>	<b>14.758.182</b>	<b>16.055.675</b>	<b>5.584</b>	-	-	<b>14</b>
5. Trade Receivables	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-
<b>8.Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.Total Assets (4+8)</b>	<b>194.489.856</b>	<b>14.758.182</b>	<b>16.055.675</b>	<b>5.584</b>	-	-	<b>14</b>
10.Trade Payables	33.615.437	1.453.215	3.735.401	10.400	1.176	10.993	54.416
11.Financial Liabilities	26.926.007	34.582	4.017.770	-	-	-	-
12a.Other Monetary Financial Liabilities	442.609	20.192	48.516	-	-	-	-
12b.Other Non-Monetary Financial Liabilities	90.797.475	8.819.291	5.775.287	-	-	-	-
<b>13.Short-Term Liabilities (10+11+12)</b>	<b>151.781.529</b>	<b>10.327.281</b>	<b>13.576.974</b>	<b>10.400</b>	<b>1.176</b>	<b>10.993</b>	<b>54.416</b>
14.Trade Payables	-	-	-	-	-	-	-
15.Financial Liabilities	477.308.300	2.980.796	69.106.813	-	-	-	-
16a.Other Monetary Financial Liabilities	-	-	-	-	-	-	-
16b.Other Non-Monetary Financial Liabilities	-	-	-	-	-	-	-
<b>17.Long-Term Liabilities (14+15+16)</b>	<b>477.308.300</b>	<b>2.980.796</b>	<b>69.106.813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18.Total Liabilities (13+17)</b>	<b>629.089.828</b>	<b>13.308.077</b>	<b>82.683.787</b>	<b>10.400</b>	<b>1.176</b>	<b>10.993</b>	<b>54.416</b>
19.Off Balance Sheet Derivative Instruments Net Assets / (Liabilities) (19a-19b)	-	-	-	-	-	-	-
19a.Total Assets Hedged	-	-	-	-	-	-	-
19b.Total Liabilities Hedged	-	-	-	-	-	-	-
<b>20.Net Foreign Currency Assets / (Liabilities) (9-18+19)</b>	<b>(434.599.972)</b>	<b>1.450.105</b>	<b>(66.628.113)</b>	<b>(4.815)</b>	<b>(1.176)</b>	<b>(10.993)</b>	<b>(54.402)</b>
<b>21.Monetary Items Net Foreign Currency Assets / (Liability) Position (IFRS 7.B23) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(379.039.635)</b>	<b>5.184.747</b>	<b>(61.604.555)</b>	<b>(9.168)</b>	<b>(1.176)</b>	<b>(10.993)</b>	<b>(54.402)</b>
<b>22. Total Fair Value of Financial Instruments Used for Currency Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**21. QUALITY AND LEVEL OF RISKS FROM FINANCIAL INSTRUMENTS (continued)**

**b) Financial Risk Factors (continued)**

**b.3) Market Risk Management (continued)**

**b.3.1) Foreign Exchange Risk Management (continued)**

The Group is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD and EURO.

The following table details the Company's sensitivity to a 10% increase and decrease in the TL against USD, Euro. 10% is used in the reporting of currency risk to the key management and it represents the management's expectation on the potential exchange rate fluctuations. Sensitivity analysis can only be made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items.

Exchange Rate Risk Analysis Table			
30.06.2020			
	Profit / Loss		Equity
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency
10% change in USD against TL:			
1-USD Net Assets / Liabilities	(139.479)	139.479	-
2-The Amount of USD Hedging (-)	-	-	-
<b>3-USD Net Effect (1+2)</b>	<b>(139.479)</b>	<b>139.479</b>	<b>-</b>
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(48.438.882)	48.438.882	-
5-The Amount of EUR Hedging (-)	-	-	-
<b>6-EUR Net Effect (4+5)</b>	<b>(48.438.882)</b>	<b>48.438.882</b>	<b>-</b>
<b>TOTAL (3+6)</b>	<b>(48.578.361)</b>	<b>48.578.361</b>	<b>-</b>
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	(5.758)	5.758	-
8- The Amount of Other Hedging (-)	-	-	-
<b>9- Other Net Effect (7+8)</b>	<b>(5.758)</b>	<b>5.758</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>(48.584.119)</b>	<b>48.584.119</b>	<b>-</b>
Exchange Rate Risk Analysis Table			
31.12.2019			
	Profit/Loss		Equity
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency
10% change in USD against TL:			
1-USD Net Assets / Liabilities	861.391	(861.391)	-
2-The Amount of USD Hedging (-)	-	-	-
<b>3-USD Net Effect (1+2)</b>	<b>861.391</b>	<b>(861.391)</b>	<b>-</b>
10% change in EUR against TL:			
4- EUR Net Assets / Liabilities	(44.311.693)	44.311.693	-
5-The Amount of EUR Hedging (-)	-	-	-
<b>6-EUR Net Effect (4+5)</b>	<b>(44.311.693)</b>	<b>44.311.693</b>	<b>-</b>
<b>TOTAL (3+6)</b>	<b>(43.450.301)</b>	<b>43.450.301</b>	<b>-</b>
10% change in Other Currency against TL:			
7- Other Net Assets / Liabilities	(3.745)	3.745	-
8- The Amount of Other Hedging (-)	-	-	-
<b>9- Other Net Effect (7+8)</b>	<b>(3.745)</b>	<b>3.745</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>(43.454.046)</b>	<b>43.454.046</b>	<b>-</b>



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**22. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES)**

Group management think that the carrying values of financial instruments represent their fair values.

30.06.2020	Financial Assets at Fair Value		Financial Liabilities Measured at Amortized Cost		Book Value	Note
	Through Profit or Loss	Financial Asset Measured at Amortized Cost	Through Other Comprehensive Income	Measured at Amortized Cost		
<b>Financial Assets</b>						
Cash and Cash Equivalents	-	23.535.507	-	-	23.535.507	4
Trade Receivables	-	154.995.270	-	-	154.995.270	7
Other Receivables	-	5.670.275	-	-	5.670.275	8
Financial Investments	146.622	-	-	-	146.622	5
<b>Financial Liabilities</b>						
Financial Payables	-	-	-	658.647.403	658.647.403	6
Trade Payables	-	-	-	80.350.404	80.350.404	7
Other Payables	-	-	-	6.100.923	6.100.923	8

31.12.2019	Financial Assets at Fair Value		Financial Liabilities Measured at Amortized Cost		Book Value	Note
	Through Profit or Loss	Financial Asset Measured at Amortized Cost	Through Other Comprehensive Income	Measured at Amortized Cost		
<b>Financial Assets</b>						
Cash and Cash Equivalents	-	33.948.135	-	-	33.948.135	4
Trade Receivables	-	145.840.710	-	-	145.840.710	7
Other Receivables	-	7.859.323	-	-	7.859.323	8
Financial Investments	8.181.583	-	-	-	8.181.583	5
<b>Financial Liabilities</b>						
Financial Payables	-	-	-	556.897.886	556.897.886	6
Trade Payables	-	-	-	70.314.642	70.314.642	7
Other Payables	-	-	-	5.767.046	5.767.046	8



## **22. FINANCIAL INSTRUMENTS (FAIR VALUE OF FINANCIAL RISK MANAGEMENT DISCLOSURES) (continued)**

Financial Instrument fair values determine as follows;

- First Level: Financial Instruments valued with market values of the similar instruments which traded on active market.
- Second Level: Financial Instruments valued with data uses to find price which observable directly or indirectly on the market in addition to first level.
- Third Level: Financial Instruments valued with data which not based on data uses to find fair value of the instruments on the market.

## **23. SUBSEQUENT EVENTS**

30.06.2020:

- As at 30 June 2020, TL 6.730 severance pay ceiling has been increased to TL 7.117 to be effective from 1 July 2020
- Between June 30, 2020 and August 14, 2020, when the financial statements were approved, Turkish Lira depreciated significantly against major foreign currencies. This depreciation was 7% against the US Dollar, 12% against the Euro and 13% against the GBP.

31.12.2019:

- As at 31 December 2019, TL 6.380 severance pay ceiling has been increased to TL 6.730 to be effective from 1 January 2020.

