

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020
(ORIGINALLY ISSUED IN TURKISH)**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

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

		<i>Current Period Unaudited 30 September 2020</i>	<i>Audited 31 December 2019</i>
	Notes		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,411,939,796	746,806,508
Trade receivables			
- Related parties	5.21	164,924,754	66,762,265
- Other parties	5	418,364,616	400,237,204
Inventories	6	707,822,443	631,694,053
Prepaid expenses	11	2,718,200	713,774
Current tax assets	19	-	14,218,962
Other current assets	10	56,976,716	75,398,426
TOTAL CURRENT ASSETS		2,762,746,525	1,935,831,192
NON-CURRENT ASSETS			
Trade receivables			
- Other parties	5	109,458	908,760
Other receivables			
- Other parties		381,632	390,365
Property, plant and equipment	7	544,146,899	584,676,374
Right of use assets	8	22,785,965	25,878,400
Intangible assets	9	306,073,622	295,718,210
Prepaid expenses	11	3,396,412	1,043,485
Deferred tax assets	19	90,893,523	71,324,643
TOTAL NON-CURRENT ASSETS		967,787,511	979,940,237
TOTAL ASSETS		3,730,534,036	2,915,771,429

The financial statements prepared as at and for the period ended 30 September 2020 have been approved by the Board of Directors on 26 October 2020.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH**

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020**

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

	Notes	Current Period Unaudited 30 September 2020	Audited 31 December 2019
LIABILITIES			
CURRENT LIABILITIES			
Short-term financial liabilities			
Other parties			
- Bank borrowings	4	70,014,583	17,729
Short-term portion of long-term financial liabilities			
Related parties			
- Lease liabilities	4	5,734,574	5,522,687
Other parties			
- Bank borrowings	4	265,046,715	388,047,179
- Lease liabilities	4	3,645,212	3,510,525
Trade payables			
- Related parties	5, 21	60,602,115	52,475,109
- Other parties	5	1,022,389,325	556,368,934
Payables related to employee benefits	13	42,180,451	28,873,543
Other payables			
- Other parties		34,484,716	13,310,653
Government incentives and aids	10	4,269,115	4,113,292
Deferred income	11	81,647,069	16,153,833
Current tax liabilities		43,808,473	-
Short-term provisions			
- Provision for employee benefits	12	3,747,606	1,688,128
- Other provisions	12	25,418,449	24,956,722
TOTAL CURRENT LIABILITIES		1,662,988,403	1,095,038,334
NON-CURRENT LIABILITIES			
Long-term financial liabilities			
Related parties			
- Lease liabilities	4	12,167,305	13,647,550
Other parties			
- Bank borrowings	4	958,329,788	979,761,447
- Lease liabilities	4	5,351,375	6,002,410
Long-term provision			
- Provision for employee benefits	12	45,577,831	39,946,649
- Other provisions	12	25,310,196	17,360,774
TOTAL NON-CURRENT LIABILITIES		1,046,736,495	1,056,718,830
SHAREHOLDERS' EQUITY		1,020,809,138	764,014,265
Equity attributable to parent			
Paid-in share capital	14	53,369,000	53,369,000
Adjustments to share capital	14	39,014,356	39,014,356
Merger reserve		(5,569,000)	(5,569,000)
Restricted profit reserves		145,353,605	135,620,450
Other accumulated comprehensive income and expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plans		(44,036,782)	(42,973,914)
Other accumulated comprehensive income and expense to be reclassified to profit or loss			
- Losses on cash flow hedging		(49,601,779)	(47,019,640)
Retained earnings		521,839,858	519,679,547
Net income for the period		360,439,880	111,893,466
TOTAL LIABILITIES AND EQUITY		3,730,534,036	2,915,771,429

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

		<i>Current Period Unaudited 1 January - 30 September 2020</i>	<i>Current Period Unaudited 1 July - 30 September 2020</i>	<i>Prior Period Unaudited 1 January - 30 September 2019</i>	<i>Prior Period Unaudited 1 July - 30 September 2019</i>
	Notes				
Revenue	15	3,802,684,784	1,624,085,254	2,722,983,090	983,171,552
Cost of sales (-)	15	(3,059,685,023)	(1,260,614,991)	(2,360,403,893)	(843,731,476)
GROSS PROFIT		742,999,761	363,470,263	362,579,197	139,440,076
Marketing expenses (-)		(132,373,625)	(44,619,566)	(117,348,222)	(37,249,271)
General administrative expenses (-)		(86,545,627)	(28,906,818)	(72,707,578)	(23,770,949)
Research and development expenses (-)		(33,621,271)	(10,672,461)	(22,798,473)	(7,996,036)
Other income from operating activities	16	293,070,017	99,219,900	232,639,554	36,209,307
Other expenses from operating expenses(-)	16	(294,905,984)	(110,070,495)	(202,368,800)	(46,582,822)
OPERATING PROFIT		488,623,271	268,420,823	179,995,678	60,050,305
Income from investing activities		915,877	154,789	4,438,189	92,085
OPERATING INCOME BEFORE FINANCIAL INCOME/(EXPENSES)		489,539,148	268,575,612	184,433,867	60,142,390
Financial income	17	116,019,097	53,327,593	152,510,174	77,076,253
Financial expenses (-)	18	(190,783,151)	(71,439,417)	(293,744,161)	(112,954,875)
PROFIT BEFORE TAXATION ON INCOME		414,775,094	250,463,788	43,199,880	24,263,768
Taxes on income	19	(72,876,015)	(71,554,459)	-	-
Deferred tax (expense)/income	19	18,540,801	20,968,921	404,281	(2,018,604)
NET PROFIT FOR THE PERIOD		360,439,880	199,878,250	43,604,161	22,245,164
Earnings per share (TL)	20	0.0675	0.0374	0.0082	0.0042
Other comprehensive expenses					
Other comprehensive expense not to be reclassified to profit or (loss):					
Actuarial loss arising from defined benefits plans	12	(1,362,651)	(331,925)	(5,562,172)	(98,470)
Other comprehensive expense not to be reclassified to profit or (loss):					
Actuarial gain/loss arising from defined benefit plans, tax effect	19	299,783	73,023	1,223,678	21,664
Other comprehensive expense to be reclassified to profit or loss:					
Losses on cash flow hedging		(3,310,435)	(3,779,150)	10,145,757	11,702,997
Other comprehensive expense to be reclassified to profit or loss, tax effect:					
Losses on cash flow hedging, tax effect	19	728,296	831,413	(2,232,067)	(2,574,660)
Other comprehensive expense after tax		(3,645,007)	(3,206,639)	3,575,196	9,051,531
TOTAL COMPREHENSIVE INCOME		356,794,873	196,671,611	47,179,357	31,296,695

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

				Other accumulated comprehensive income or expense items not be reclassified to profit or loss	Other accumulated comprehensive income or expense items to be reclassified to profit or loss				
	Paid in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedging	Restricted profit reserves	Retained earnings	Net income for the period	Total shareholders' equity
1 January 2020	53,369,000	39,014,356	(5,569,000)	(42,973,914)	(47,019,640)	135,620,450	519,679,547	111,893,466	764,014,265
Transfers	-	-	-	-	-	9,733,155	102,160,311	(111,893,466)	-
Dividends paid	-	-	-	-	-	-	(100,000,000)	-	(100,000,000)
Comprehensive income									
Net profit for the year	-	-	-	-	-	-	-	360,439,880	360,439,880
Other comprehensive income									
Actuarial loss arising from defined benefits plans	-	-	-	(1,062,868)	-	-	-	-	(1,062,868)
Losses on cash flow hedging	-	-	-	-	(2,582,139)	-	-	-	(2,582,139)
Total other comprehensive (expense)	-	-	-	(1,062,868)	(2,582,139)	-	-	-	(3,645,007)
Total comprehensive income/(expense)	-	-	-	(1,062,868)	(2,582,139)	-	-	360,439,880	356,794,873
30 September 2020	53,369,000	39,014,356	(5,569,000)	(44,036,782)	(49,601,779)	145,353,605	521,839,858	360,439,880	1,020,809,138

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

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ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020

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

				Other accumulated comprehensive income or expense items not be reclassified profit or loss	Other accumulated comprehensive income or expense items to be reclassified profit or loss				
	Paid-in share capital	Adjustment to share capital	Merger reserve	Actuarial loss arising from defined benefit plans	Losses on cash flow hedging	Restricted profit reserves	Retained earnings	Net income for the period	Total shareholders' equity
1 January 2019	53,369,000	39,014,356	(5,569,000)	(36,677,082)	(53,579,549)	135,620,450	279,572,898	240,106,649	651,857,722
Transfers	-	-	-	-	-	-	240,106,649	(240,106,649)	-
Comprehensive income	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	43,604,161	43,604,161
Other comprehensive income	-	-	-	-	-	-	-	-	-
Actuarial loss arising from defined benefits plans	-	-	-	(4,338,494)	-	-	-	-	(4,338,494)
Losses on cash flow hedging	-	-	-	-	7,913,690	-	-	-	7,913,690
Total other comprehensive (expense)	-	-	-	(4,338,494)	7,913,690	-	-	-	3,575,196
Total comprehensive income	-	-	-	(4,338,494)	7,913,690	-	-	43,604,161	47,179,357
30 September 2019	53,369,000	39,014,356	(5,569,000)	(41,015,576)	(45,665,859)	135,620,450	519,679,547	43,604,161	699,037,079

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020**

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

	<i>Current period unaudited 1 January - 30 September 2020</i>	<i>Prior period unaudited 1 January - 30 September 2019</i>
Notes		
A. CASH FLOWS FROM OPERATING ACTIVITIES	1,031,984,232	717,841,943
Net income for the period	360,439,880	43,604,161
Adjustments to reconcile profit for the period:	295,631,702	222,738,742
Depreciation and amortization	100,435,254	95,669,950
Adjustments related to provision for impairment on inventories	2,931,609	1,443,946
Adjustments related to provision for employee benefits	8,386,853	7,384,094
Adjustments related to provision for doubtful receivables	824,022	(586,042)
Adjustments related to other provisions	8,411,149	(16,091,110)
Adjustments related to interest income and expense	38,770,523	116,329,135
Adjustments related to tax expense	54,335,214	(404,281)
Adjustments related to (gain)/loss from sales of property plant and equipment	(915,877)	(4,438,189)
Other adjustments to reconcile profit	82,452,955	23,431,239
Changes in working capital	407,039,036	466,811,418
Trade receivables- other parties	(18,152,132)	(34,868,888)
Trade receivables- related parties	(98,162,489)	(3,241,543)
Inventories	(79,059,999)	410,606,137
Other current assets	32,640,672	111,372,657
Other receivables	8,732	(7,795)
Prepaid expenses	(4,357,353)	(5,012,017)
Trade payables from related parties	8,127,006	(7,384,908)
Trade payables from other parties	466,020,391	8,975,342
Deferred income	65,493,236	(18,061,011)
Other payables	21,174,064	4,851,921
Payables related to employee benefits	13,306,908	(418,477)
Net cash provided by operating activities	1,063,110,618	733,154,321
Employee termination benefits paid	(2,058,844)	(9,602,720)
Taxes paid	(29,067,542)	(5,709,658)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(58,129,445)	(87,372,096)
Proceeds from sales of property, plant and equipment and intangible assets	3,363,778	8,010,651
Payments for purchases of property, plant and equipment and intangible assets	(61,649,046)	(95,956,880)
Proceeds from government grants	155,823	574,133
C. CASH FLOWS FROM FINANCING ACTIVITIES	(316,920,273)	(433,913,917)
Proceeds from bank borrowings	1,044,500,000	1,146,304,200
Repayment of bank borrowings	(1,192,826,056)	(1,440,711,943)
Dividends paid	(100,000,000)	-
Interest paid	(113,964,028)	(209,147,747)
Interest received	58,168,492	79,314,801
Repayment of lease liabilities	(12,798,681)	(9,673,228)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)	656,934,514	196,555,930
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS	5,337,430	(856,912)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	662,271,944	195,699,018
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	745,445,410	408,307,825
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	1,407,717,354	604,006,843

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS OF THE COMPANY

Türk Traktör ve Ziraat Makineleri A.Ş. (the “Company”) was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. (“Koç Holding”). As of 31 December 2019, major shareholders of the Company are Koç Holding and CNHI Österreich GmbH (“CNHI Österreich”) (Note 14). The number of personnel working within the Company as of 30 September 2020 is 2,624 (Permanent: 2,077, temporary: 547) (31 December 2019: 2,123 (Permanent 2,123, temporary 0)). The average number of personnel working within the Company for the period is 2,239 (31 December 2019: 2,243).

The Company conducts marketing and selling activities in the domestic market, through its 121 tractor sales dealers, 150 spare part dealers and 42 construction equipment dealers (31 December 2019: 123 tractor sales dealers, 143 spare part dealers, 42 construction equipment dealers).

The Company signed an import and distribution agreement providing after-sales services for activities such as domestic oriented sales and marketing for CNHI International SA, New Holland and Case branded imported construction equipment.

The Company is registered in Turkey in the following address:

Gazi Mahallesi Anadolu Bulvarı No: 52-52A
06560 Yenimahalle Ankara

As of 30 September 2020, 25% of the shares of the Company are quoted on Borsa Istanbul (“BIST”) (31 December 2019: 25%) (Note 14).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The main accounting policies used for preparing the Company’s financial statements are stated below:

Principles governing the preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The financial statements are presented in accordance with “Announcement regarding with TFRS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

The condensed interim financial statements are prepared in accordance with the Communiqué and TAS 34 - “Interim Financial Reporting”. In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this framework, the Company has preferred to prepare condensed financial statements in the interim periods. These interim financial statements should be read in conjunction with the financial statements prepared for the year ended 31 December 2019.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TRY) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance.

The financial statements have been prepared under historical cost conventions except for the financial assets and liabilities carried at fair value and in functional and presentation currency, Turkish Lira, of the Company. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Functional and presentation currency

Functional and presentation currency of the Company is TRY.

2.2 Comparatives and restatement of prior periods’ financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The condensed interim statement of financial position of the Company at 30 September 2020 has been provided with the comparative financial information of 31 December 2019 and the statement of profit or loss, the statement of other comprehensive income, the statement of cash flows and the statement of changes in equity for the interim period between 1 January and 30 September 2020 have been provided with the comparative financial information, for the period between 1 January and 30 September 2019.

2.3 Changes in TFRS

The Company changes accounting policies when it is believed that the change will lead to better presentation of transactions and events in the financial statements. When the intentional change can affect the prior period results, the change is applied retrospectively as though it was already applied before. Accounting policy changes arising from the application of a new standard are applied considering the transition principles of the related standard, if any, retrospectively or forward. If no transition principle for the standard exists, the changes are applied retrospectively.

The accounting policies applied in the preparation of the interim condensed financial statements as of 1 January - 30 September 2020 are consistent with those applied in the preparation of the financial statements as of 31 December 2019, except for the new and amended TFRS standards which are valid as of 1 January 2020 and Turkey Financial Reporting Interpretations Committee’s (“TFRIC”) interpretations summarised below.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts expressed in Turkish Lira (TRY), unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Changes in TFRS (Continued)

a) Standards, amendments and interpretations applicable as at 30 September 2020:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.

The amendment did not have a significant impact over financial position or performance of the Company.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The amendment did not have a significant impact over financial position or performance of the Company.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The amendment did not have a significant impact over financial position or performance of the Company.
- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment did not have a significant impact over financial position or performance of the Company.

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NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

2.3 Changes in TFRS (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2020:

- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendment may not have an impact over financial position or performance of the Company.
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendment may not have an impact over financial position or performance of the Company.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

The amendment may not have an impact over financial position or performance of the Company.

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NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies

The accounting policies used in the preparation of these interim condensed financial statements for the period ended 30 September 2020 are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2019 except for the following:

Tax provisions at interim periods are recognized based on the expected tax rates and taxable profit of the Company at year end.

These interim condensed financial statements for the period 1 January- 30 September 2020 should be read in conjunction with the annual financial statements for the year 1 January - 31 December 2019.

The expenses that are not evenly distributed throughout the financial year are recognised in the interim financial statements in the case that those expenses can be estimated properly at year ends.

2.5 Significant accounting estimates and judgments

The preparation of financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. The Company makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Warranty expense provisions

The Company accounts for warranty provisions for the expenses incurred as a result of repair and maintenance activities for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period. The Company estimates ratio based on statistical information for possible future warranty services and returns of products, and calculates provision amount with respect to the products sold during the period (Note 12).

Deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available. If it is probable that future taxable profit will be available, deferred tax assets are accounted for over the deductible temporary differences and tax advantages resulted from investment incentives that enables the Company pay lower corporate tax.

The Company assess the recoverability of deferred tax assets based on business models that contain management estimations related to taxable profit for future periods. The models include key management estimations such as sales volume, sales prices and foreign exchange rates (Note 19).

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NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

2.5 Significant accounting estimates and judgments (Continued)

Cash flow hedge transactions

As explained in Note 22, the Company uses its loans amounting to EUR21,666,667 as a hedging instrument against the Euro ("EUR")spot exchange rate risk the Company is exposed to due to highly probable export sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed. The estimations in budgets for export income used for effectiveness test include estimations such as sales volume and sales prices.

The useful life of tangible and intangible assets

The Company's management has made significant assumptions in determining the useful life of tangible and intangible assets.

Provision for employment termination benefits

Provisions for retirement payments, discount rate, future salary increases and employee turnover rates are determined by actuarial calculations based on certain assumptions. Due to the long term nature of these plans, such estimates are subject to significant uncertainty (Note 12).

Provision for impairment of inventories

Inventory is evaluated at each period in order to determine whether there is a need to have provision for potential impairment costs at the date of statement of financial position (Note 6).

2.6 Significant changes regarding to current period

Due to the COVID-19 epidemic affecting the whole world, in line with the developments/slowdowns in the sector and the general economic activity, there were disruptions in the procurement and sales processes of the Company, temporary stops in production activities and decreases in capacity utilization rates occurred. In this context, production activities were temporarily suspended at the Company's facilities in Ankara and Erenler between 23 March 2020 - 20 April 2020. In this process, the necessary actions were taken by the Company management to minimize the possible effects of COVID-19 on the Company's activities and financial status. Production and sales activities continue uninterrupted as of the date of the balance sheet, with the reduction of restrictions to prevent the spread of the epidemic.

For how long COVID-19 effect will continue in Turkey, and in the world, can not be estimated clearly. As the severity and duration of the effects become clear, it will be possible to make a more clear and healthy assessment for the medium and long term. However, while preparing the interim financial statements dated 30 September 2020, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, the Company has tested possible impairments in the financial assets, stocks, and tangible assets in the interim financial statements dated 30 September 2020 and no impairment has been identified.

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NOTE 3 - CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Banks:		
- TRY denominated demand deposits	23,213,081	16,600,418
- TRY denominated time deposits	1,275,122,442	611,561,098
- Foreign currency denominated demand deposits	3,838,870	1,261,902
- Foreign currency denominated time deposits	109,765,403	117,383,090
	1,411,939,796	746,806,508

As of 30 September 2020, the weighted average effective annual interest rates for TRY and EUR time deposits are 12.40% and 0.25% (31 December 2019: TRY: 10.96% EUR: 0.13%).

30 September 2020 and 31 December 2019 maturities of time deposits are less than three months.

The Company has no blocked deposits as of 30 September 2020 (31 December 2019: None).

The cash and cash equivalents included in the statement of cash flows at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Banks	1,411,939,796	746,806,508
Less: Interest accruals	(4,222,442)	(1,361,098)
Cash and cash equivalents	1,407,717,354	745,445,410

NOTE 4 - FINANCIAL LIABILITIES

	30 September 2020	31 December 2019
Short term financial liabilities		
Short term bank loans	70,014,583	17,729
Short-term portions of long-term bonds	-	77,743,352
Short-term portion of long-term bank loans	265,046,715	310,303,827
Short-term lease liabilities	9,379,786	9,033,212
	344,441,084	397,098,120
Long term financial liabilities		
Long-term bank loans	958,329,788	979,761,447
Long-term lease liabilities	17,518,680	19,649,960
	975,848,468	999,411,407

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

a) Short-term financial liabilities

Short-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
TRY borrowings	70,014,583	17,729	7.50	-	70,014,583	17,729
					70,014,583	17,729

Short term portions of long term bonds

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
TRY bonds (*)	-	77,743,352	-	15.00	-	77,743,352
					-	77,743,352

(*) The Company issued total of TRY150,000,000 bond, TRY75,000,000 of which is bond with 3 years maturity and floating interest rate and TRY75,000,000 of which is a bond with 2 years maturity and fixed interest rate in April 2017.

Short term portions of long term financial liabilities

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
EUR borrowings	14,810,693	35,622,004	1.92	1.99	135,193,484	236,907,700
TRY borrowings	129,853,231	73,396,127	7.80	20.06	129,853,231	73,396,127
					265,046,715	310,303,827

b) Long-term financial liabilities

Long-term bank borrowings

	Original currency		Weighted average effective interest rate p.a. (%)		TRY equivalent	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
EUR borrowings	14,514,864	9,451,472	2.13	1.99%	132,493,132	62,857,958
TRY borrowings	825,857,171	917,003,310	8.94	15.11%	825,857,171	917,003,310
					958,350,303	979,861,268
Prepaid borrowing commissions for debt (*)					(20,515)	(99,821)
					958,329,788	979,761,447

(*) Prepaid commission for debt consists of unrealized commission expenses paid to bank related to borrowings.

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long-term bank borrowings as of 30 September 2020 and 31 December 2019 are as follows:

Year	2020	2019
2021	18,256,200	408,046,957
2022	363,645,005	559,743,410
2023	570,953,720	7,980,720
2024	5,474,863	3,990,360
	958,329,788	979,761,447

As of September 30, 2020, the Company has a fixed-interest rate investment loan of 11.666.667 Euro, fixed-interest rate working capital loan of 14.200.000 Euro and floating interest rate working capital loan of 3.333.334 Euro. 11.666.666,64 Euro loan has 6-year maturity (15.07.2022 maturity date), principal and interest payments every 6 months, and the interest rate is fixed 0.95%. Out of 14.200.000 Euro fixed rate working capital loan; 10.000.000 Euro portion has 5-year maturity (14.11.2022 maturity date), principal and interest payments every 6 months and interest rate is 2.60%; 4.200.000 Euro portion has principal and interest payments every 6 months, the interest rate is 3.50% and the maturity is 29.03.2024. Working capital loan of . 3.333.334 Euro with floating interest rate has a maturity of 3 years (26.03.2021 at maturity), monthly interest payment, 2 years grace period for principle, and after the 2nd year principal payment every 6 months, interest rate is 2.25% + Euribor. The company has an obligation not to exceed the rate specified below, in accordance with contracts made with regard to investment loans they had used, calculated at the end of each fiscal period over the financial statements prepared in accordance with Turkey Financial Reporting Standards. There are no guarantees or mortgages given for loans.

Obligation rate is;

- Net financial liability (*) / Earnings before interest, taxes, depreciation and amortization should be lower than 3.75%.

(*) Net financial liability is calculated by deducting the cash and cash equivalents from total of financial liabilities (including short-term and long-term financial debts).

The Company met these conditions as of balance sheet date.

Carrying values and fair values of the bank borrowings are as shown below:

	Carrying value		Fair value	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Bank borrowings	1,293,391,086	1,290,083,003	1,232,401,555	1,375,015,329

As of 30 September 2020, fair values of the loans are determined by using the discounted cash flow method over annual average effective discount rates which is 0.61% for EUR loans and 13.80% for TRY denominated bank borrowings respectively (31 December 2019: EUR 0.48%, TRY: 11.23%).

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NOTE 4 - FINANCIAL LIABILITIES (Continued)

The movement of the borrowings for the years ended 2020 and 2019 are as follows:

	30 September 2020	30 September 2019
1 January	1,396,509,527	1,772,739,304
Borrowing received during the period	1,044,500,000	1,146,304,200
Lease liabilities on the balance sheet for the first time under IFRS 16	-	34,524,390
Repayment of lease liabilities	(12,798,681)	(9,673,228)
Effect of new lease contracts	10,206,345	5,070,446
Principal payments	(1,192,826,056)	(1,440,711,943)
Change of interest accruals	(14,163,670)	(6,066,095)
Change of exchange rates	88,862,087	13,378,200
	1,320,289,552	1,515,565,274

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

	30 September 2020	31 December 2019
Short-term trade receivables:		
Trade receivables	473,569,589	448,375,845
Notes receivables	4,416,060	7,600,071
	477,985,649	455,975,916
Less: Provision for doubtful receivables	(50,941,785)	(50,117,763)
Unearned financial income	(8,679,248)	(5,620,949)
Short-term trade receivables	418,364,616	400,237,204
Due from related parties (Note 21)	164,924,754	66,762,265
Total short-term trade receivables	583,289,370	466,999,469

As of 30 September 2020, the average maturity of trade receivables and payables are not longer than one year and weighted average effective annual interest rates for discount of TRY, USD and EUR are 12.25%, 0.19% and -0.52% (31 December 2019: 10.50%, 1.83% and 0.45%).

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the provisions for short-term doubtful receivables for the years ended 2020 and 2019 are as shown below:

	2020	2019
1 January	(50,117,763)	(51,547,274)
Cancelled/received during the year (Note 16)	617,765	2,155,350
Charge during the year (Note 16)	(1,441,787)	(1,569,308)
30 September	(50,941,785)	(50,961,232)
	30 September 2020	31 December 2019
Long - term trade receivables:		
Notes receivables	109,458	908,760
	109,458	908,760
	30 September 2020	31 December 2019
Trade payables:		
Trade payables	1,038,609,082	564,842,432
Less: Unincurred financial expense	(16,219,757)	(8,473,498)
Trade payables	1,022,389,325	556,368,934
Due to related parties (Note 21)	60,602,115	52,475,109
Total trade payables	1,082,991,440	608,844,043

NOTE 6 - INVENTORIES

	30 September 2020	31 December 2019
Raw materials	375,171,984	273,588,385
Work in progress	14,129,987	12,231,535
Finished goods	84,386,343	116,648,635
Commercial goods	37,124,074	116,234,947
Spare parts	64,079,186	56,243,482
Goods in transit (*)	166,628,384	87,512,976
Provision for impairment of inventory (-)	(33,697,515)	(30,765,907)
Inventories	707,822,443	631,694,053

The cost of inventories recognised as expense in the current period is amounting to TRY2,770,789,611 (30 September 2019: TRY2,105,470,999).

(*) Goods in transit comprised of commercial goods and spare parts are not arrived, but invoices are received as of period end.

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NOTE 6 – INVENTORIES (Continued)

Movements of provision for impairment of inventory for the years 2020 and 2019 is as follows

	2020	2019
1 January	(30,765,907)	(29,814,310)
Charge during the year for impairment of inventory	(2,931,608)	(1,443,947)
30 September	(33,697,515)	(31,258,257)

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	2020	2019
Raw materials	(27,276,099)	(25,549,986)
Commercial goods	(5,220,937)	(3,607,928)
Spare parts	(1,200,479)	(2,100,343)
30 September	(33,697,515)	(31,258,257)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Disposals	Transfers	30 September 2020
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	18,536,808	128,207	-	-	18,665,015
Buildings	244,876,713	866,329	-	1,756,968	247,500,010
Machinery and equipment	759,230,922	7,221,849	(754,667)	-	765,698,104
Special costs	6,664,109	-	-	-	6,664,109
Motor vehicles	10,402,866	1,824,725	(2,599,945)	-	9,627,646
Furniture and fixtures	99,378,769	2,023,828	(154,575)	-	101,248,022
Construction in progress	6,423,547	1,414,808	-	(1,756,968)	6,081,387
	1,197,932,114	13,479,746	(3,509,187)	-	1,207,902,673
<u>Accumulated depreciation</u>					
Land improvements	5,912,064	440,656	-	-	6,352,720
Buildings	66,063,267	4,006,124	-	-	70,069,391
Machinery and equipment	457,986,162	37,367,014	(590,624)	-	494,762,552
Special costs	5,150,356	415,287	-	-	5,565,643
Motor vehicles	2,888,376	1,103,247	(319,768)	-	3,671,855
Furniture and fixtures	75,255,515	8,228,992	(150,894)	-	83,333,613
	613,255,740	51,561,320	(1,061,286)	-	663,755,774
Net book value	584,676,374				544,146,899

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Additions	Disposals	Transfers	30 September 2019
<u>Cost</u>					
Land	52,418,380	-	-	-	52,418,380
Land improvements	15,920,720	2,410,702	-	-	18,331,422
Buildings	242,860,556	142,542	-	1,820,374	244,823,472
Machinery and equipment	705,553,430	38,224,676	(1,506,170)	3,888,257	746,160,193
Special costs	6,516,202	120,407	-	-	6,636,609
Motor vehicles	8,417,604	945,369	(3,643,813)	-	5,719,160
Furniture and fixtures	95,156,839	2,128,109	(3,239)	1,865	97,283,574
Construction in progress	7,439,146	1,382,058	-	(5,710,496)	3,110,708
	1,134,282,877	45,353,863	(5,153,222)	-	1,174,483,518
<u>Accumulated depreciation</u>					
Land improvements	5,370,659	395,987	-	-	5,766,646
Buildings	60,836,089	3,919,845	-	-	64,755,934
Machinery and equipment	406,349,245	42,358,849	(513,495)	-	448,194,599
Special costs	4,444,148	527,133	-	-	4,971,281
Motor vehicles	3,449,668	729,823	(1,064,026)	-	3,115,465
Furniture and fixtures	63,596,207	8,796,946	(3,239)	-	72,389,914
	544,046,016	56,728,583	(1,580,760)	-	599,193,839
Net book value	590,236,861				575,289,679

Allocation of the depreciation expenses of property, plant and equipment as of 30 September 2020 and 2019 is as follows:

	30 September 2020	30 September 2019
Production costs	35,477,560	41,025,733
General administrative expenses	10,203,296	10,514,164
Marketing, sales and distribution expenses	3,051,978	2,560,318
Research and development expenses	2,828,486	2,628,368
	51,561,320	56,728,583

The Company does not have any financial costs in the current period arising from foreign exchange denominated borrowings capitalized on construction in progress as of 30 September 2020 (31 December 2019: None).

There is not mortgage on property, plant and equipment as of 30 September 2020 (31 December 2019: None).

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NOTE 8 - RIGHT OF USE ASSETS

	1 January 2020	Additions	Disposals	30 September 2020
Cost				
Land and buildings	12,790,937	5,325,284	(4,263,939)	13,852,282
Machinery	14,078,774	-	(217,701)	13,861,073
Vehicles	12,725,125	4,881,062	-	17,606,187
	39,594,836	10,206,346	(4,481,640)	45,319,542
Accumulated amortization				
Land and buildings	4,333,770	4,433,275	(2,186,634)	6,580,411
Machinery	4,679,223	2,672,801	(56,270)	7,295,754
Vehicles	4,703,443	3,953,969	-	8,657,412
	13,716,436	11,060,045	(2,242,904)	22,533,577
Net book value	25,878,400			22,785,965
	1 January 2019	Additions	Disposals	30 September 2019
Cost				
Land and buildings	12,325,797	465,140	-	12,790,937
Machinery	12,608,603	1,470,171	-	14,078,774
Vehicles	9,589,991	3,135,134	-	12,725,125
	34,524,391	5,070,445	-	39,594,836
Accumulated amortization				
Land and buildings	-	3,250,327	-	3,250,327
Machinery	-	3,603,898	-	3,603,898
Vehicles	-	3,598,401	-	3,598,401
	-	10,452,626	-	10,452,626
Net book value	34,524,391			29,142,210

Allocation of the depreciation expenses of right of use assets as of 30 September 2020 and 2019 is as follows:

	30 September 2020	30 September 2019
Cost of sales	3,730,540	3,794,908
General and administrative expenses	692,425	757,108
Marketing, sales and distribution expenses	5,880,920	5,309,232
Research and development expenses	756,160	591,378
	11,060,045	10,452,626

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NOTE 9 - INTANGIBLE ASSETS

	1 January 2020	Additions	Disposals	Transfers	30 September 2020
<u>Cost</u>					
Rights	103,908,396	8,459,021	-	-	112,367,417
Development costs	294,798,630	-	-	15,625,597	310,424,227
Development costs in progress	51,580,173	43,694,303	-	(15,625,597)	79,648,879
	450,287,199	52,153,324	-	-	502,440,523
<u>Accumulated amortization</u>					
Rights	47,586,598	11,268,594	-	-	58,855,192
Development costs	106,982,391	30,529,318	-	-	137,511,709
	154,568,989	41,797,912	-	-	196,366,901
Net book value	295,718,210				306,073,622
	1 January 2019	Additions	Disposals	Transfers	30 September 2019
<u>Cost</u>					
Rights	88,912,993	9,208,733	-	-	98,121,726
Development costs	232,075,537	-	-	49,838,635	281,914,172
Development costs in progress	58,054,633	46,157,281	-	(49,838,635)	54,373,279
	379,043,163	55,366,014	-	-	434,409,177
<u>Accumulated amortization</u>					
Rights	34,329,690	9,738,659	-	-	44,068,349
Development costs	75,966,812	23,513,079	-	-	99,479,891
	110,296,502	33,251,738	-	-	143,548,240
Net book value	268,746,661				290,860,937

Development costs includes intangible assets generated by the Company. Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The amortisation is not calculated for the development costs in progress as the development process has not yet been completed.

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NOTE 9 - INTANGIBLE ASSETS (Continued)

Allocation of the amortization expenses of intangible assets for the years ended at 30 September 2020 and 2019 is as follows:

	30 September 2020	30 September 2019
Cost of sales	8,237,926	6,861,431
General administrative expenses	2,006,333	1,755,253
Marketing, selling and distribution expenses	511,211	588,916
Research and development expenses	27,058,419	19,283,141
Construction in progress	3,984,023	4,762,997
	41,797,912	33,251,738

NOTE 10 - OTHER ASSETS AND LIABILITIES

	30 September 2020	31 December 2019
a) Other current assets:		
Deferred value added tax ("VAT")	28,707,228	34,130,325
Reclaimed VAT	28,269,488	41,268,101
	56,976,716	75,398,426

	30 September 2020	31 December 2019
b) Government grants and aids:		
Government grants and aids	4,269,115	4,113,292
	4,269,115	4,113,292

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2020	31 December 2019
a) Prepaid expenses:		
Prepaid expenses for future months	2,718,200	713,774
	2,718,200	713,774

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NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	30 September 2020	31 December 2019
b) Long-term prepaid expenses		
Advances given for purchases of fixed assets	3,396,412	1,043,485
	3,396,412	1,043,485
	30 September 2020	31 December 2019
c) Deferred income:		
Deferred income (*)	10,386,565	16,153,833
Advances received	71,260,504	-
	81,647,069	16,153,833

(*) Deferred income represents the sales amount of the tractors for which the invoices were issued as of 30 September 2020 and 2019, but the delivery of the risk and responsibility to the customers has not yet reached 90 days from the invoice date.

NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Short - term provisions

Short - term provision for employee benefits

	30 September 2020	31 December 2019
Provision for unused vacation	3,747,606	1,688,128
	3,747,606	1,688,128
Movements of the provision for unused vacation rights for the years are as follows:		
	2020	2019
1 January	1,688,128	1,807,491
Charge/(used) for the year, net	2,059,478	617,507
30 September	3,747,606	2,424,998

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**NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

a) Short - term provisions (Continued)

Communiqué require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	30 September 2020	31 December 2019
Inflation rate (%)	7.00	7.00
Interest rate (%)	12.00	12.00
Turnover rate to estimate the probability of retirement (%)	92.36	93.17

Other short-term provisions

	30 September 2020	31 December 2019
Warranty expense provisions	15,897,118	15,707,907
Provision for legal cases (*)	9,521,331	9,248,815
	25,418,449	24,956,722

(*) It represents provision for legal cases which were filed against the Company.

Movements of the lawsuit provisions for the periods are as follows:

	2020	2019
1 January	9,248,815	6,881,714
Charge for the period (Note 16)	3,145,564	1,989,333
Cancelled provision for the period (Note 16)	(2,873,048)	(1,690,547)
30 September	9,521,331	7,180,500

b) Long-term provisions

Long-term provision for employee benefits

	30 September 2020	31 December 2019
Provision for employee termination benefits	45,577,831	39,946,649
	45,577,831	39,946,649

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**NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS
(Continued)**

b) Long-term provisions (Continued)

Provision for employee termination benefit is recorded in line with the legal arrangements explained below:

Under the Turkish Labour Law, 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, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TRY 7,117.17 (1 January 2019: TRY6,017.60) which is effective from 1 July 2020 has been taken into consideration in calculating the provision for employee termination benefits of the Company.

Movements of the provision for employee termination benefits during the years are as follows:

	2020	2019
1 January	39,946,649	34,199,225
Interest cost	3,595,198	4,296,278
Service cost	2,732,177	2,470,309
Paid during the period	(2,058,844)	(9,602,720)
Actuarial loss	1,362,651	5,562,172
30 September	45,577,831	36,925,264

Sensitivity analysis of key assumptions used for termination benefits calculations as at 30 September 2020 are as follows:

Sensitivity level	Net discount rate		Turnover related to the probability of retirement	
	0,5% decrease	0,5% increase	0,5% decrease	0,5% increase
Rate	4.17 (%)	5.17 (%)	91.86 (%)	92.86 (%)
Change in employee benefits liability	2.321.891	(2.088.096)	(559.567)	578.609

Other long-term provisions

	30 September 2020	31 December 2019
Warranty provision	25,310,196	17,360,774
	25,310,196	17,360,774

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NOTE 12 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

Other long-term provisions (Continued)

Movements of the short-term and long-term warranty provisions for the years are as follows:

	2020	2019
1 January	33,068,681	49,833,148
Used during the period	(1,682,236)	(35,599,346)
Charge for the period	9,820,869	19,209,450
30 September	41,207,313	33,443,252

c) Contingent liabilities

The commitments and contingent liabilities that are not expected to cause material loss or debts to the Company are summarized below:

As of 30 September 2020 and 31 December 2019; the Company's guarantee/pledge/mortgage positions are as follows:

	30 September 2020	31 December 2019
A. The total amount of collaterals given on behalf of its own legal entity	139.441.367	68,245,082
B. The total amount of collaterals given in favor of the companies in the scope of full consolidation		
C. The total amount of collaterals given for the purpose of providing debt to third parties in the course of ordinary business activities	-	-
D. The total amount of other collaterals given	-	-
i. The total amount of collaterals given in favor of the parent companies	-	-
ii. The total amount of collaterals given in favor of other group companies which are not in the scope of items B and C	-	-
iii. The total amount of collaterals given in favor of third parties other than the parties stated in item C	-	-
	139.441.367	68,245,082

As at 30 September 2020, the foreign currency collaterals amounts to EUR2,006,350 (31 December 2019: EUR2,006,350).

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NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Contingent assets

	Original currency amount						TRY equivalent	
	30 September 2020			31 December 2019			30 September	31 December
	EUR	USD	TRY	EUR	USD	TRY	2020	2019
Letters of guarantees received	-	270,000	531,867,672	-	270,000	557,136,472	533,975,832	558,740,326
Direct debit	-	-	665,443,265	-	-	460,031,615	665,443,265	460,031,615
Mortgages	-	-	438,714	-	-	438,714	438,714	438,714
Cash TL guarantees	-	-	1,194,365	-	-	759,019	1,194,365	759,019
Guarantee bonds	-	-	4,341,480	8,000	-	1,584,655	4,341,480	1,637,860
							1,205,393,656	1,021,607,534

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NOTE 13- PROVISION FOR EMPLOYEE BENEFITS

Liabilities for employee benefits

	30 September 2020	31 December 2019
Accrued premiums and liabilities to personnel	19,434,627	17,290,321
Taxes payable and liabilities (*)	22,745,824	11,583,222
	42,180,451	28,873,543

(*) The balance consists of social security and withholding tax payables for the employees.

NOTE 14 -SHAREHOLDERS' EQUITY

Paid-in share capital

The Company's registered share capital amounts to TRY250,000,000 (31 December 2019: TRY250,000,000).

The Company's share capital is composed of 5,336,900,000 units of shares each Kr 1 nominal value. The nominal value of share capital is TRY53,369,000.

The composition of the Company's statutory share capital at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020		31 December 2019	
	Participation (%)	Share amount (TRY)	Participation (%)	Share amount (TRY)
Koç Holding	37.50	20,013,375	37.50	20,013,375
CNH Industrial Österreich	37.50	20,013,375	37.50	20,013,375
Public quotation in BIST	25.00	13,342,250	25.00	13,342,250
	100.00	53,369,000	100.00	53,369,000
Adjustments to share capital		39,014,356		39,014,356
		92,383,356		92,383,356

Adjustments to share capital represent the restatement effect of cash and cash equivalent contributions to share capital.

The Company's shares were organized as A, B and C Groups. A and B Group shares are privilege shares, and five Board members are selected from Group A's and five Board members are selected from Group B's nominated candidates.

As of 11 June 2004, the Company has been quoted to BIST and its shares started to be traded in the stock exchange market from that date. As of 30 September 2020, 25% of the Company shares are quoted at BIST (31 December 2019: 25%).

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NOTE 14 - SHAREHOLDERS' EQUITY (Continued)

Retained earnings, restricted profit reserves, fair value reserves, and other capital reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

In accordance with the CMB regulations effective until January 1, 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until January 1, 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised only in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences arising due to implementing the communiqué (such as inflation adjustment differences) shall be disclosed as follows:

- if the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment To Share Capital";
- if the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings",

Other equity items shall be carried at the amounts calculated based on TFRS.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

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NOTE 14 - SHAREHOLDERS' EQUITY (Continued)

Dividend distribution (Continued)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

Companies should include at least the following in their profit distribution policies:

- a) Whether dividends will be distributed, and if distributed, the dividend distribution rate for shareholders and for others participating in the distribution.
- b) Payment type of dividend distribution.
- c) Time of dividend distribution; on condition that the distribution procedures to be started at the latest of the end of the annual period in which general assembly meeting was held in which the distribution was agreed upon.
- d) Whether dividend advances will be distributed, and if distributed, the related principles.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

In dividend distribution, the Company follows a balanced and consistent policy between the benefits of the shareholders and the benefits of the Company in accordance with the Corporate Management Principles. The Board of Directors of the Company has decided; that at least 20% of the distributable net profit for the period calculated in accordance with the TCC, CMB regulations and the main agreement should be distributed to the shareholders as dividends, taking into consideration the economic conditions, long-term investment financing and business plans as well as profitability; that the dividend to be distributed may be realized in cash or by capital increase through bonus shares or partly in cash and partly through bonus shares; that the calculable dividend amount may remain undistributed in the event that it is less than 5% of the paid-in capital; and that this dividend distribution policy should be revised annually by the Board of Directors.

The part of the of accumulated losses of the Company exceeding the total of retained earnings, general legal reserves including premiums related to shares and costs arising from the adjustment of equity items except for capital stock in accordance with inflation accounting is accounted for as discount items in the calculation of net distributable profit for the period.

The proposal for the distribution of the dividend in the amount of TRY100,000,000 from the profit of 2019 was accepted at the 65th Ordinary General Assembly Meeting dated March 17, 2020. It has been paid to shareholders in cash as of 20 March 2020 (Note 20). The dividend distributed per share is 1.87 kuruş ("Kr").

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NOTE 15 - SALES AND COST OF SALES

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Domestic sales	2,627,330,771	1,169,241,152	1,249,314,508	456,453,060
Export sales	1,587,461,272	634,410,659	1,669,149,115	598,244,154
Sales income (gross)	4,214,792,043	1,803,651,811	2,918,463,623	1,054,697,214
Less: Discount and returns	(412,107,259)	(179,566,557)	(195,480,533)	(71,525,662)
Sales income (net)	3,802,684,784	1,624,085,254	2,722,983,090	983,171,552
Cost of sales	(3,059,685,023)	(1,260,614,991)	(2,360,403,893)	(843,731,476)
Gross profit	742,999,761	363,470,263	362,579,197	139,440,076

Sales volume:

	1 January - 30 September 2020			1 January - 30 September 2019		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Tractor	13,210	8,990	22,200	6,893	11,905	18,798
Harvester	117	-	117	46	-	46
	13,327	8,990	22,317	6,939	11,905	18,844

NOTE 16 - OTHER OPERATING INCOME/ (EXPENSES)

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Foreign exchange gain from trade receivable/ payables	238,016,870	84,846,908	125,785,243	18,845,312
Financial income from credit sales	27,604,915	7,962,107	89,030,636	18,113,193
Reversal of provision for doubtful receivables (Note 5)	617,765	56,778	2,155,350	469,854
Reversal of provision for litigation expenses (Note 12)	2,873,048	(20,852)	1,690,547	50,820
Other income	23,957,419	6,374,959	13,977,778	(1,269,872)
Other operating income	293,070,017	99,219,900	232,639,554	36,209,307
Foreign exchange loss from trade receivable/ payables	(257,489,196)	(100,643,872)	(128,404,416)	(26,064,841)
Financial expense on credit purchases	(32,829,437)	(10,003,396)	(70,405,743)	(20,190,113)
Provision for litigation expenses (Note 5)	(3,145,564)	580,956	(1,989,333)	(482,487)
Provision for doubtful receivables (Note 12)	(1,441,787)	(4,183)	(1,569,308)	(119,644)
Other expenses	-	-	-	274,263
Other operating expenses	(294,905,984)	(110,070,495)	(202,368,800)	(46,582,822)

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NOTE 17 - FINANCIAL INCOME

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Interest income	61,029,836	25,092,834	87,702,148	31,087,228
Foreign exchange gain	54,989,261	28,234,759	64,808,026	45,989,024
Financial income	116,019,097	53,327,593	152,510,174	77,076,253

NOTE 18 - FINANCIAL EXPENSE

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Interest expenses of bank loans	(99,800,359)	(28,231,622)	(204,031,283)	(65,744,178)
Foreign exchange loss	(86,525,371)	(42,818,662)	(78,943,416)	(43,882,374)
Other	(4,457,421)	(389,133)	(10,769,462)	(3,328,323)
Financial expenses	(190,783,151)	(71,439,417)	(293,744,161)	(112,954,875)

NOTE 19 - TAX ASSETS AND LIABILITIES

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

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

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations.

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2019 and 2018.

As of 30 September 2020 and 2019, income tax payables are presented net of prepaid taxes in the balance sheet as follows:

	30 September 2020	31 December 2019
Corporate tax expenses	72,876,015	-
Less: Prepaid taxes	(29,067,542)	(14,218,962)
Tax liability/ (Current tax assets)	43,808,473	(14,218,962)

The breakdown of total tax expense for the periods ended 30 September 2020 and 2019 are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Corporate tax expense	(72.876.015)	(71.554.459)	-	-
Deferred tax income/(expense)	18.540.801	20.968.921	404.281	(2.018.604)
Total tax income/(expense)	(54.335.214)	(50.585.538)	404.281	(2.018.604)

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with the Turkish Financial Reporting Standards and their statutory financial statements, using the currently enacted tax rates. These temporary differences result in the recognition of revenue and expenses in different reporting periods for Turkish Financial Reporting Standards and tax purposes.

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NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 30 September 2020 and 2019 are as follows:

	Temporary differences		Deferred tax assets/ (liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Property, plant and equipment and intangible assets, restatement and useful life differences	307,141,982	292,238,713	(67,571,236)	(64,292,517)
Provision for employee termination benefits	(45,577,831)	(39,946,649)	10,027,123	8,788,263
Warranty provision	(41,207,314)	(33,068,681)	9,065,609	7,275,110
Provision for lawsuits	(9,521,331)	(9,248,815)	2,094,693	2,034,739
Unearned finance income/ expenses on trade receivables, payables and due from related parties, net	(11,956,747)	1,403,858	2,630,484	(308,849)
Provision for doubtful receivables	(824,022)	1,429,511	181,285	(314,492)
Provision for inventories	(33,697,515)	(30,765,907)	7,413,453	6,768,500
Sales premium accrued	(159,036,829)	(28,361,687)	34,988,102	6,239,571
Other expense provisions	(16,073,646)	(1,688,128)	3,536,202	371,388
Investment incentive tax assets	-	-	82,789,972	81,739,575
Research and development incentives	-	38,936,391	-	8,566,006
Deferred income	(22,586,856)	(16,153,833)	4,969,108	3,553,843
Other	(3,494,217)	(49,561,390)	768,728	10,903,506
Deferred tax assets			90,893,523	71,324,643

Movements of deferred tax assets during the periods are as follows:

	2020	2019
1 January	71,324,643	68,763,051
Charged to profit for the period	18,540,801	404,281
Charged to other comprehensive income/(expense)	1,028,079	(1,008,389)
30 September	90,893,523	68,158,942

The reconciliation of the current period tax charge is as follows:

	1 January - 30 September 2020	1 January - 30 September 2019
Profit before tax	414,775,093	43,199,880
Tax calculated at enacted tax rate	91,250,521	9,503,973
Investment incentives	(30,259,570)	-
Research and development incentives	(8,590,474)	(9,528,908)
Disallowable expenses	53,663	21,520
Other	1,881,074	(400,866)
Total tax expense/(income)	54,335,214	(404,281)

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NOTE 20 - EARNINGS PER SHARE

Earnings per share stated in the income statement are calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the period.

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue. Nominal value of one share of company is Kuruş ("Kr").

	1 Ocak - 30 Eylül 2020	1 Temmuz - 30 Eylül 2020	1 Ocak - 30 Eylül 2019	1 Temmuz - 30 Eylül 2019
Net profit for the period	360,439,880	199,878,250	43,604,161	22,245,164
Weighted average number of the ordinary shares	5,336,900,000	5,336,900,000	5,336,900,000	5,336,900,000
Earnings per share (Kr 1 nominal value per share as TL)	0.0675	0.0374	0.0082	0.0042

There is no difference between basic and diluted earnings per share in any period.

NOTE 21 - RELATED PARTY DISCLOSURES

The Company is jointly controlled by Koç Holding and CNHI Österreich. Related party balances and transaction disclosure are grouped by joint venture companies and group companies of joint venture companies.

Summary of the intercompany balances as of 30 September 2020 and 31 December 2019 and significant intercompany transactions are as follows:

i) Balances with related parties as of 30 September 2020 and 31 December 2019:

a) Bank deposits and borrowings

	30 September 2020	31 December 2019
Deposits with related parties:		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	330,000,000	-
	330,000,000	-

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

b) Due from related parties

	30 September 2020	31 December 2019
Due from group companies		
CNHI International SA ("CNHI International") (*)	153,980,227	59,747,532
CNHI Italy SPA ("CNHI Italy")	5,214,639	3,393,956
CNH Industrial Argentina SA	2,490,116	1,856,620
CNH Industrial Brasil Ltda	1,649,808	816,094
Other	1,589,964	948,063
	164,924,754	66,762,265

(*) Due from related parties is arising from export sales of the Company realized via CNHI International. These receivables are collected on a regular basis in specified maturities within the business deals.

c) Due to related parties

	30 September 2020	31 December 2019
Koç Holding	350.055	4,940,364
Due to shareholders	350.055	4,940,364
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	34,080,043	25,882,104
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. ("Opet Fuchs")	20,816,356	11,934,097
Otokoç Otomotiv San. ve Tic. A.Ş. ("Otokoç")	2,329,886	830,599
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	1,763,293	6,319,420
Divan Turizm İşletmeleri ("Divan")	286,288	335,896
Ram Sigorta Aracılık Hizmetleri A.Ş. ("Ram Sigorta")	173,239	357,139
Opet Petrolcülük A.Ş. ("Opet")	102,552	151,700
Koçtaş Yapı Marketleri A.Ş. ("Koçtaş")	79,828	145,137
Akpa Dayanıklı Tüketim LPG ve Akaryakıt		
Ürünleri Paz. A.Ş. ("Akpa")	41,573	482,647
Setur Servis Turistik A.Ş. ("Setur")	17,874	938,773
Other	1,089,385	545,151
Due to group companies	60,780,317	47,922,663
Less: Unincurred financial expenses	(528,257)	(387,918)
	60,602,115	52,475,109

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

d) Lease liabilities to related parties

	30 September 2020	31 December 2019
Otokoç	11,636,581	9,566,438
Zer	8,561,707	8,812,661
Other	860,108	791,138
	21,058,396	19,170,237

ii) Significant sales and purchases transactions with related parties for the periods between

1 January – 30 September 2020 and 2019:

a) Product sales to related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Product sales to group companies:				
CNHI International (*)	1,557,670,002	619,344,807	1,692,866,988	638,841,846
CNHI Italy	11,213,199	5,422,129	10,371,916	2,157,627
CNHI Brasil	3,832,080	1,653,232	4,097,069	934,229
Iveco Argentina S.A.	4,199,572	2,500,127	953,007	-
Yapı Kredi Finansal Kiralama A.O.	1,730,805	1,025,805	400,000	-
Diğer	4,525,119	1,524,026	4,973,140	332,220
	1,583,170,777	631,470,126	1,713,662,119	643,842,003

(*) The Company realizes export sales through CNHI International.

b) Service sales to related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Service sales to group companies				
CNHI International (1)	2,497,752	1,239,579	8,125,542	5,850,592
Otokar Otomotiv ve Savunma San. A.Ş. ("Otokar")	-	-	1,835,726	-
CNHI Italy (2)	5,367,578	1,254,406	1,630,303	607,493
CNH Industrial (India) PRI	-	(643,582)	796,113	-
	7,865,330	1,850,403	12,387,684	6,458,085

(1) Services given to CNHI Italy is related to engineering and other various other services

(2) Services given to CNHI International are related to engineering, consultancy and various other services.

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

c) Product purchases from related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Product purchases from group companies				
CNHI International (1)	426,131,339	254,040,316	251,393,587	97,174,079
Opet Fuchs (2)	49,584,103	17,379,665	37,325,510	11,909,958
Zer	17,234,816	13,847,630	3,412,662	888,260
Koç Sistem	7,632,107	4,508,953	4,898,863	1,444,163
CNHI Industrial Italia SpA	3,204,337	2,503,326	878,552	677,762
Akpa	2,288,643	863,551	2,519,156	838,929
Opet (2)	1,410,368	465,934	2,198,722	682,512
CNHI India	239,522	126,119	691,929	582,486
Diğer	579,435	322,649	589,650	115,593
	508,304,670	294,058,143	303,908,631	114,313,742

(1) The Company purchases tractors, agricultural machineries, engine and spare parts.

(2) The Company purchases various oil for use in production and fuel for use for company vehicles.

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

d) Service purchases from related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Service purchases from shareholders				
Koç Holding (1)	4,345,703	1,280,000	3,874,500	1,549,500
	4,345,703	1,280,000	3,874,500	1,549,500
Service purchase from group companies				
Zer (2)	87,839,383	41,478,767	55,096,618	19,124,545
Entek (3)	6,197,483	4,622,923	-	-
Eltek (3)	6,384,069	36,521	9,342,899	3,173,406
Otokoç (4)	5,028,192	1,456,999	5,020,999	1,657,345
Setur (5)	4,265,952	17,582	5,510,174	903,091
Koç Sistem (6)	3,213,103	2,058,322	3,388,168	(697,695)
Ram Sigorta (7)	2,844,589	93,673	4,006,519	359,057
CNHI International (8)	2,029,849	(260,322)	12,633,014	40,921
Other	2,398,638	650,426	1,463,821	80,370
	120,201,258	50,154,891	96,462,212	24,641,040
	124,546,961	51,434,891	100,336,712	26,190,540

- (1) The amount contains finance, legal consultancy, planning, tax consultancy, senior management service costs invoiced by Koç Holding A.Ş. regarding their related services according to the concealed gain distribution described in Regulation No:11 Intra-Group Services of Transfer Pricing General Communiqué No:1.
- (2) Services purchased from Zer are related with security, cleaning, transportation and other services.
- (3) Service purchased from Eltek and Entek is related with electricity expenses.
- (4) Service purchased from Otokoç is related with motor vehicles leasing services.
- (5) Services purchased from Setur are generally arising from plane tickets, accommodation and associated with various organizations within the sales and marketing activities.
- (6) Services received from Koç Sistem mainly includes support services related to repair and maintenance of computers and licences.
- (7) Insurance service purchased from Ram Sigorta Aracılık Hizmetleri A.Ş. is related interim period include premium amounts paid and accrued ended on 30 September 2020.
- (8) Services purchased from CNHI International is related with engineering services, strategy development, consulting and brokerage.

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NOTE 21 - RELATED PARTY DISCLOSURES (Continued)

iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 30 September 2020 and 2019:

Financial income and expense from group companies

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Interest income				
Yapı Kredi	6.356.694	734.803	8,484,850	2,927,945
	6.356.694	734.803	8,484,850	2,927,945

iv) Dividends paid to shareholders:

	1 January - 30 September 2020	1 January - 30 September 2019
Koç Holding	37,500,000	-
CNHI Österreich	37,500,000	-
	75,000,000	-

v) Other transactions with related parties for the periods between 1 January - 30 September 2020 and 31 December 2019:

Key management personnel are identified as members of the Board of Directors, General Manager and Vice General Managers.

As of 30 September 2020 the Company paid TRY10,521,933 benefits to the key management personnel (30 September 2019: TRY9,286,113). All of this amount consists of short term benefits.

NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Risk management is carried out in accordance with the program set by the Board of Directors of the Company.

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk

Foreign currency risk

The Company is exposed to foreign exchange risks resulting from the foreign currency denominated commercial activities with the foreign companies and long-term investment loan. Currency risk arises due to foreign currency denominated recorded and prospective transactions resulting as assets and liabilities. These risks are monitored regularly and limited by analyses of the foreign currency position.

Cash flow hedge accounting

There is an affective foreign currency cash flow hedge relationship between EUR long term financial borrowing related with investment expenditures and highly probable EUR export sales income. In this content, the Company applied cash flow hedge accounting beginning from 15 July 2016. The related long term investment borrowings, designated as cash flow hedges and qualified as effective, are recognised in equity as “losses/gains on cash flow hedges. The amount of the related investment borrowing as of 30 September 2020 is EUR21,666,667 (31 December 2019 EUR29,500,000). The amount of foreign exchange losses recognized after tax in equity is TRY49,601,779 (30 September 2019: TRY46,654,042).

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**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

The amounts of foreign currency assets, liabilities and TRY equivalents of the Company as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020					
	TRY equivalent	USD	EUR	GBP	CHF	YEN
1, Trade receivables	170,917,299	1,525,039	17,419,813	-	-	-
2, Monetary financial assets (including banks accounts) (Note 3)	113,604,273	230,188	12,174,794	63,202	3,443	151,723
3, Other	-	-	-	-	-	-
4, Current assets(1+2+3)	284,521,572	1,755,227	29,594,607	63,202	3,443	151,723
5, Trade receivables	-	-	-	-	-	-
6, Other	-	-	-	-	-	-
7, Non-current assets(5+6)	-	-	-	-	-	-
8, Total assets (4+7)	284,521,572	1,755,227	29,594,607	63,202	3,443	151,723
9, Trade payables	201,933,868	4,160,711	16,103,234	38,884	-	299,195,488
10, Financial liabilities	140,636,429	-	15,406,977	-	-	-
11, Other monetary liabilities	14,655,680	-	1,605,556	-	-	-
12, Current liabilities (9+10+11)	357,225,977	4,160,711	33,115,768	38,884		299,195,488
13, Financial liabilities	142,658,952	-	15,628,548	-	-	-
14, Non-current liabilities (13)	142,658,952	-	15,628,548	-	-	-
15, Total liabilities (12+14)	499,884,929	4,160,711	48,744,316	38,884	-	299,195,488
16, Cash flow hedge accounting amounts	197,775,500		21,666,667	-	-	-
17, Fair value of hedged funds of foreign currency (16+18)	(17,587,857)	(2,405,484)	2,516,958	24,318	3,443	(299,043,765)
18, Net monetary foreign currency asset/ (liability) position (8-15)	(215,363,357)	(2,405,484)	(19,149,708)	24,318	3,443	(299,043,765)

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**NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

	31 December 2019					
	TRY Equivalent	USD	EUR	GBP	CHF	YEN
1.Trade receivables	75,065,291	1,516,592	9,932,285	100	-	-
2.Monetary financial assets (including banks accounts) (Note 3)	118,644,992	55,791	17,748,907	26,863	9,642	93,002
3.Other	-	-	-	-	-	-
4. Current assets (1+2+3)	193,710,283	1,572,383	27,681,192	26,963	9,642	93,002
5.Trade receivables	-	-	-	-	-	-
6.Other	-	-	-	-	-	-
7.Non-current assets (5+6)	-	-	-	-	-	-
8.Total assets (4+7)	193,710,283	1,572,383	27,681,192	26,963	9,642	93,002
9.Trade payables	98,567,549	2,590,037	12,217,831	53,022	-	27,886,477
10.Financial liabilities (Note 4)	243,004,697	-	36,538,763	-	-	-
11.Other monetary liabilities	20,336,047	-	3,057,776	-	-	-
12.Current liabilities (9+10+11)	361,908,293	2,590,037	51,814,370	53,022	-	27,886,477
13.Financial liabilities (Note 4)	73,649,194	-	11,074,068	-	-	-
14.Non-current liabilities (13)	73,649,194	-	11,074,068	-	-	-
15.Total liabilities (12+14)	435,557,487	2,590,037	62,888,438	53,022	-	27,886,477
16. Cash flow hedge accounting amounts	196,192,700	-	29,500,000	-	-	-
17. Fair value of hedged funds of foreign currency (16+18)	(45,654,505)	(1,017,655)	(5,707,245)	(26,059)	9,642	(27,793,475)
18.Net monetary foreign currency asset/ (liability) position (8-15)	(241,847,205)	(1,017,655)	(35,207,245)	(26,059)	9,642	(27,793,475)

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The import and export amounts of the Company for the periods ended 30 September 2020 and 2019 are as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Total export amount	1,587,461,272	634,410,659	1,669,149,115	598,244,154
Total import amount	1,014,881,312	486,782,757	698,530,600	236,676,087

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 30 September 2020 and 31 December 2019 under the assumption of the appreciation and depreciation of TRY against other currencies by 10% considering all variables are constant, the effect of net profit/loss and shareholder's equity for the period is as follows:

	30 September 2020			
	Profit/ Loss		Shareholders' equity	
	Appreciation of foreign currency	Depreciation f foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(1,878,202)	1,878,202	-	-
Hedged amount against USD risk (-)			-	-
Net effect of USD	(1,878,202)	1,878,202	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(17,480,045)	17,480,045	10,037,107	(10,037,107)
Hedged amount against EUR risk (-)	6,909,465	(6,909,465)	15,426,489	(15,426,489)
Net Effect of EUR	(10,570,580)	10,570,580	25,463,596	(25,463,596)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(2,395,897)	2,395,897	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(2,395,897)	2,395,897	-	-
Total net effect	(14,844,680)	14,844,680	25,463,596	(25,463,596)

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2019			
	Appreciation of foreign currency	Profit/ Loss Depreciation f foreign currency	Appreciation of foreign currency	Shareholders' equity Depreciation of foreign currency
Had TRY appreciate/ (depreciate) by 10% against USD				
Profit/(loss) from USD net asset position	(604,507)	604,507	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net effect of USD	(604,507)	604,507	-	-
Had TRY appreciate/ (depreciate) by 10% against EUR				
Profit/ (loss) from EUR net liability position	(23,414,930)	23,414,930	7,993,024	(7,993,024)
Hedged amount against EUR risk (-)	9,371,803	(9,371,803)	15,303,030	(15,303,030)
Net Effect of EUR	(14,043,127)	14,043,127	23,296,054	(23,296,054)
Had TRY appreciate/ (depreciate) by 10% against other				
Profit/(loss) from other net liability position	(181,811)	181,811	-	-
Hedged amount against other (-)	-	-	-	-
Net effect of other	(181,811)	181,811	-	-
Total net effect	(14,829,445)	14,829,445	23,296,055	(23,296,055)

Price risk

The Company does not have financial assets exposed to price risk.

Price risk

The Company does not have financial assets exposed to price risk.

Financial instruments with fixed interest rate

	30 September 2020	31 December 2019
Time deposits (Note 3)	1,384,887,845	728,944,188
Financial liabilities (Note 4)	1,262,964,080	1,201,320,355
Lease liabilities (Note 4)	26,898,466	28,683,172

Financial instruments with floating interest rate

	30 September 2020	31 December 2019
Financial liabilities (Note 4)	30,427,006	166,506,000

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

Price risk (Continued)

For financial instruments with variable interest rates, if the interest on 30 September 2020 in all currencies was higher/lower by 100 base points with all other variables held constant, the profit for the period before tax as a result of high/ low interest rate income/ expense consisting of loans with variable interest rates would be higher/ lower by TRY428,291 (30 September 2019: TRY1,439,498).

b) Credit risk

Financial assets are in hand carrying the risk of the inability of fulfilling the requirements of the agreements by the counter parties. The Company management manages these risks by limiting the average risk to any individual counterparty, by obtaining guarantees where necessary. The Company limits these risks that may arise from its dealers, by restricting the credit limits determined for the dealers according to the amount of the guarantees received, by updating the guarantee amounts regularly and by receiving the pledge of ownership of the tractors sold. Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customers' financial position, past experiences and other factors. Trade receivables are evaluated by the management of the Company depending on their past experiences and current economic conditions and are presented in financial statements net of provision for doubtful receivables (Note 5).

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's maximum exposure to credit risk as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020					
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party	Banks deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	164,924,754	416,285,431	-	381,632	1,411,939,796	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	2,188,643	-	-	-	-
Net book value of impaired assets						
- Due dated (gross book value)	-	50,941,785	-	-	-	-
- Impairment (-)	-	(50,941,785)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	164,924,754	418,474,074	-	381,632	1,411,939,796	-

(*) The factors, increasing the credit reliability and the guarantees received are not taken into consideration in calculation of the amount.

As of 30 September 2020, the guarantee amount of the maximum exposure to credit risk is TRY1,148,963,326. Besides, all assets which are due but not impaired and are impaired are guaranteed.

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2019					
	Trade receivables		Other receivables			
	Related party	Third party	Related party	Third party	Banks deposits	Derivative instruments
Net book value of financial assets which are undue and not impaired	66,762,265	389,650,680	-	390,365	746,806,508	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	11,495,284	-	-	-	-
Net book value of impaired assets	-	-	-	-	-	-
- Due dated (gross book value)	-	50,117,763	-	-	-	-
- Provision (-)	-	(50,117,763)	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-
Amount exposed to maximum credit risk (*)	66,762,265	401,145,964	-	390,365	746,806,508	-

(*) The factors, increasing the credit reliability and the guarantees received are not taken into consideration in calculation of the amount.

As of 31 December 2019, the guarantee amount of the maximum exposure to credit risk is TRY969,940,787. Besides, all assets which are due but not impaired are guaranteed.

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk

Liquidity risk is managed by maintaining cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. The Company management, in order to ensure continuous liquidity, closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of need by the Company.

d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the net financial debt/shareholder's equity ratio. Net financial debt calculated as total financial liabilities (including short and long-term bank borrowings) less cash and cash equivalents. This ratio is calculated as net financial debt divided by total shareholders' equity.

	30 September 2020	31 December 2019
Total Financial Liabilities	1,320,289,552	1,396,509,527
Less: Cash and cash equivalents (Note 3)	(1,411,939,796)	(746,806,508)
Net financial debt	(91,650,244)	649,703,019
Total shareholders' equity	1,020,809,138	764,014,265
Total liabilities	929,158,894	1,413,717,284
Net financial debt/ shareholders' equity	(9.86%)	%45.96

Fair value of financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practical to estimate fair value:

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NOTE 22 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying value.

The fair values of cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

The discounted carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

Financial liabilities

The fair values of short-term and long-term bank borrowings are disclosed in Note 4.

Trade payables, which are measured at amortised cost, are considered to approximate their carrying value.

NOTE 23 - SUBSEQUENT EVENT

None.

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