FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2020

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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CONVENIENCE TRANSLATION INTO ENGLISH OF INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
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STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

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

	Notes	Current period not reviewed 30 September 2020	Previous period audited 31 December 2019
Assets			
Current assets		**16,337,400**	**10,156,798**
Cash and cash equivalents	4	6,833,135	3,202,952
Trade receivables			
- Due from related parties	26	3,909,207	2,547,130
- Due from third parties	7	1,990,051	1,557,963
Other receivables			
- Due from third parties	8	20,859	1,870
Inventories	9	2,668,678	1,827,399
Prepaid expenses	12	439,013	178,382
Other current assets	16	473,985	841,102
Current tax asset	24	2,472	-
Non-current assets		**6,395,442**	**6,249,574**
Financial investments	5	19,375	22,355
Trade receivables			
- Due from third parties	7	4,000	2,903
Property, plant and equipment	10	4,243,619	4,436,548
Intangible assets	11	876,182	831,196
Right of use assets	33	81,992	99,714
Prepaid expenses	12	273,411	204,211
Deferred tax assets	24	894,362	650,146
Investments in associates and joint ventures	35	2,501	2,501
Total assets		**22,732,842**	**16,406,372**

Financial statements for the period ended 1 January - 30 September 2020 were approved for issue by the Board of Directors on 26 October 2020.

CONVENIENCE TRANSLATION INTO ENGLISH OF INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020 AND 31 DECEMBER 2019

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

	Notes	Current period not reviewed 30 September 2020	Previous period audited 31 December 2019
Liabilities			
Current liabilities		**12,528,355**	**8,645,371**
Short-term borrowings			
- Bank borrowings	6	3,438,786	2,589,213
Short-term portion of long-term borrowings			
- Bank borrowings	6	1,701,587	1,025,728
- Lease liabilities	6	33,781	33,169
Trade payables			
- Due to related parties	26	2,359,835	884,554
- Due to third parties	7	4,348,338	3,660,866
Other payables			
- Due to related parties	26	5,334	20,617
- Due to third parties	8	193,478	54,541
Deferred income	30	49,006	23,830
Short-term provisions			
- Other provisions	13	144,399	121,102
Employee benefit liabilities	15	253,811	220,273
Current income tax liability	24	-	11,478
Non-current liabilities		**5,431,248**	**3,096,080**
Long-term borrowings			
- Bank borrowings	6	4,752,624	2,503,852
- Lease liabilities	6	57,400	56,084
Long-term provisions			
- Provision for employment termination benefits	15	331,042	287,884
- Other provisions	13	232,641	174,740
Deferred income	30	14,659	10,838
Other non-current liabilities	31	41,280	61,235
Derivative financial liabilities	28	1,602	1,447
Equity	**17**	**4,773,239**	**4,664,921**
Paid-in capital		350,910	350,910
Capital adjustment differences		27,920	27,920
Share premium		8	8
Other comprehensive income/ loss not to be reclassified under profit or loss			
- Losses on remeasurements of defined benefit plans		(3,902)	(2,060)
- Gains from financial assets measured at fair value through other comprehensive income		17,478	20,309
Other comprehensive income/(loss) to be reclassified in profit or loss			
- Losses on cash flow hedges		(1,765,303)	(705,427)
Restricted reserves		410,493	302,764
Retained earnings		3,467,929	2,711,013
Net profit for the period		2,267,706	1,959,484
Total liabilities and equity		**22,732,842**	**16,406,372**

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

STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

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

	Notes	Not reviewed 1 January - 30 September 2020	Not reviewed 1 July - 30 September 2020	Not reviewed 1 January - 30 September 2019	Not reviewed 1 July - 30 September 2019
Continuing operations					
Revenue	18	28,490,189	13,396,274	27,706,725	9,297,503
Cost of sales	18	(25,091,077)	(11,747,531)	(24,842,102)	(8,347,741)
Gross profit		**3,399,112**	**1,648,743**	**2,864,623**	**949,762**
Marketing expenses	19	(510,525)	(235,300)	(450,012)	(146,904)
General administrative expenses	19	(305,556)	(117,449)	(296,656)	(110,057)
Research and development expenses	19	(295,700)	(91,515)	(305,295)	(87,056)
Other income from operating activities	21	719,380	386,306	411,952	72,707
Other expenses from operating activities	21	(245,048)	(93,640)	(649,266)	(317,829)
Profit from operating activities		**2,761,663**	**1,497,145**	**1,575,346**	**360,623**
Income from investing activities	29	2,549	1,377	422	-
Expenses from investing activities	29	(728)	-	(1,162)	(51)
Share of profit/(loss) of investments accounted for by the equity method	32	-	-	(933)	(783)
Operating income before financial income/(expense)		**2,763,484**	**1,498,522**	**1,573,673**	**359,789**
Financial income	22	957,043	520,784	967,701	686,392
Financial expenses	23	(1,412,652)	(603,223)	(1,249,650)	(632,592)
Profit from continuing operations before tax		**2,307,875**	**1,416,083**	**1,291,724**	**413,589**
Tax income/(expense) from continuing operations		**(40,169)**	**(57,814)**	**50,983**	**40,830**
- Tax expenses for the period	24	(19,325)	(15,300)	(17,804)	(6,693)
- Deferred tax (expense)/income	24	(20,844)	(42,514)	68,787	47,523
Net profit		**2,267,706**	**1,358,269**	**1,342,707**	**454,419**
Earnings per share with a nominal value Kr	**25**	**6.46 Kr**	**3.87 Kr**	**3.83 Kr**	**1.29 Kr**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

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

	Notes	Not reviewed 1 January - 30 September 2020	Not reviewed 1 July - 30 September 2020	Not reviewed 1 January - 30 September 2019	Not reviewed 1 July - 30 September 2019
Net profit for the period		**2,267,706**	**1,358,269**	**1,342,707**	**454,419**
Other comprehensive income/(expense)					
Other comprehensive income not to be reclassified to profit or loss					
Gains/(losses) on remeasurements of defined benefit plans	17	(2,303)	1,077	41,164	16,932
Gains/(losses) from financial assets measured at fair value through other comprehensive income	17	(2,980)	(1,679)	6,574	2,953
Other comprehensive income taxes not to be reclassified to profit or loss					
Taxes relating to remeasurements of defined benefit plans	17	461	(215)	(8,233)	(3,387)
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	17	149	84	(329)	(148)
Other comprehensive income to be reclassified to profit or loss					
Other comprehensive income relating to cash flow hedges	17	(1,324,326)	(918,305)	247,207	245,631
Other comprehensive income taxes to be reclassified to profit or loss					
Taxes relating to cash flow hedges	17	264,450	184,175	(51,757)	(51,465)
Other comprehensive income/(expense)		**(1,064,549)**	**(734,863)**	**234,626**	**210,516**
Total comprehensive income		**1,203,157**	**623,406**	**1,577,333**	**664,935**

STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS 30 SEPTEMBER 2020 AND 2019

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

				Other comprehensive income not to be reclassified in profit or loss		Other comprehensive income to be reclassified profit or loss		Retained earnings		
	Paid in capital	Inflation adjustments on capital	Share premium	Gain/(losses) from financial assets measured at fair value through other comprehensive income	Gains/(losses) on remeasurements defined benefit plans	Cash flow hedge reserve	Restricted reserves	Accumulated profit	Net profit	Total equity
Balances at 1 January 2019	**350,910**	**27,920**	**8**	**10,859**	**(279)**	**(794,287)**	**370,599**	**2,244,313**	**1,683,196**	**3,893,239**
Profit for the period	-	-	-	-	-	-	-	-	1,342,707	1,342,707
Other comprehensive income/(loss)	-	-	-	6,245	32,931	195,450	-	-	-	234,626
Total comprehensive income	-	-	-	6,245	32,931	195,450	-	-	1,342,707	1,577,333
Transfers	-	-	-	-	-	-	83,517	1,599,679	(1,683,196)	-
Dividends (Not 17)	-	-	-	-	-	-	-	(852,711)	-	(852,711)
Balances at 30 September 2019	**350,910**	**27,920**	**8**	**17,104**	**32,652**	**(598,837)**	**454,116**	**2,991,281**	**1,342,707**	**4,617,861**
Balances at 1 January 2020	**350,910**	**27,920**	**8**	**20,309**	**(2,060)**	**(705,427)**	**302,764**	**2,711,013**	**1,959,484**	**4,664,921**
Profit for the period	-	-	-	-	-	-	-	-	2,267,706	2,267,706
Other comprehensive income/(loss)	-	-	-	(2,831)	(1,842)	(1,059,876)	-	-	-	(1,064,549)
Total comprehensive income	-	-	-	(2,831)	(1,842)	(1,059,876)	-	-	2,267,706	1,203,157
Transfers	-	-	-	-	-	-	107,729	1,851,755	(1,959,484)	-
Dividends (Note 17)	-	-	-	-	-	-	-	(1,094,839)	-	(1,094,839)
Balances at 30 September 2020	**350,910**	**27,920**	**8**	**17,478**	**(3,902)**	**(1,765,303)**	**410,493**	**3,467,929**	**2,267,706**	**4,773,239**

STATEMENT OF CASH FLOWS FOR THE INTERIM PERIODS ENDED 30 SEPTEMBER 2020 AND 2019

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

	Notes	Current period not reviewed 30 September 2020	Previous period not reviewed 30 September 2019
Cash flows generated from/(used in) operating activities		**3,900,965**	**1,164,719**
Net profit for the period		2,267,706	1,342,707
Adjustments to reconcile profit or loss		**2,102,274**	**1,318,755**
Adjustments for depreciation and amortisation expense	10.11.33	673,900	561,709
Adjustments for impairment loss of inventories	9	(528)	(3,830)
Adjustments for provisions related with employee benefits		85,009	105,869
Adjustments for lawsuit and/or penalty provisions	13	13,621	7,531
Adjustments for warranty provisions	13	189,028	127,394
Adjustments for other provisions		13,390	10,934
Adjustments for dividend income	29	(1,172)	(422)
Adjustments for interest income	22	(209,361)	(80,909)
Adjustments for interest expense	23	144,801	58,904
Adjustments for tax expenses	24	40,169	(50,983)
Adjustments for unearned financing income	21	(114,528)	(162,682)
Adjustments for deferred financing expense	21	164,742	421,067
Adjustments for loss on sales of property, plant and equipment	29	(649)	1,162
Other adjustments for which cash effects are investing or financing cash flow		1,103,852	322,078
Undistributed profits of investments accounted for by the equity method	32	-	933
Changes in working capital		**(244,105)**	**(1,067,971)**
Decrease/(increase) in trade receivable		(1,802,354)	(251,091)
(Increase)/decrease in inventories		(846,665)	(854,296)
(Increase)/decrease in prepaid expenses		(261,338)	(51,094)
Increase/(decrease) in trade payable		2,165,809	37,379
(Increase) / decrease in other assets related to operations		367,747	26,147
Increase / (decrease) in other liabilities related to activities		132,696	24,984
Cash flows generated from operations		**4,125,875**	**1,593,491**
Interest paid		(157,650)	(443,705)
Interest received		111,472	169,658
Payments related with provisions for employee benefits	15	(10,616)	(13,651)
Payments related with other provisions		(134,841)	(128,991)
Taxes paid		(33,275)	(12,083)
Cash flows used in investing activities		**(554,094)**	**(787,114)**
Proceeds from sales of property, plant and equipment		28,548	1,814
Purchase of property, plant and equipment		(363,232)	(725,946)
Purchase of intangible assets		(152,089)	(91,368)
Cash advances given and payables		(68,493)	27,964
Dividends received	29	1,172	422
Cash flows (used in)/generated from financing activities		**249,819**	**(5,438)**
Proceeds from borrowings	6	6,488,300	4,063,465
Cash outflows related to borrowings	6	(5,186,975)	(3,225,443)
Dividends paid	17	(1,094,839)	(852,711)
Interest paid		(92,633)	(38,375)
Interest received		175,868	82,158
Cash outflows from acquisition or share or debt instruments of other entities	6	(39,902)	(34,532)
Net (decrease)/increase in cash and cash equivalents		**3,596,690**	**372,167**
Cash and cash equivalents at the beginning of the period		**3,200,229**	**1,391,021**
Cash and cash equivalents at the end of the period	**4**	**6,796,919**	**1,763,188**

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

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

1. ORGANIZATION AND NATURE OF THE OPERATIONS

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assembles and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul ("BIST") where 17.89% of its shares are currently quoted. The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

In its Kocaeli compound; the Company has a Gölcük plant in which the Transit and Transit Custom vehicles are manufactured and a Yeniköy plant in which the Transit Courier vehicle is manufactured and in its Eskişehir İnönü compound; a Ford Trucks truck plant and engines and powertrain plant which manufactures for trucks and Transit vehicles.

Additionally, the Company has a spare part distribution warehouse, sales and marketing departments and a research and development (R&D) centre located in Sancaktepe, İstanbul.

The number of the personnel employed with respect to categories by the Company as of period ends are as follows:

	Average		**Period end**	
	2020 September	**2019 September**	**2020 September**	**2019 December**
Hourly	8,413	8,198	9,030	8,290
Salaried	2,622	2,491	2,591	2,609
	11,035	**10,689**	**11,621**	**10,899**

Research and development operations which are also subject to service export is conducted with 1,054 employees in Sancaktepe branch, conducted with 225 employees in R&D centre in Kocaeli plant, and conducted with 108 employees in R&D centre in Eskişehir İnönü plant, totally 1,387 employees as of 30 September 2020 (31 December 2019: 1,389).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The Company maintain its legal books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles issued by the Turkish Commercial Code ("TCC") and tax legislation.

The financial statements of the Group 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 June 13, 2013 which is published on Official Gazette numbered 28676.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

The Company prepared its interim financial statements as of 30 September 2020 in accordance with TAS 34 Interim Financial Reporting. The interim financial statements do not include all information required to be included in the annual financial statements and should be read in conjunction with the annual financial statements of the Company as of 31 December 2019.

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

Except for the financial assets and derivative instruments measured at fair value through other comprehensive income, the financial statements are prepared on a historical cost basis.

Company’s functional and presentation currency is accepted as TRY.

Going concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

Comparatives 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 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 2019 and 30 September 2019.

2.2 Amendments and interpretations in the standards

The new standards, amendments and interpretations

The Company has applied the new and revised standards and interpretations issued by the POA as of 1 January 2020 and related to its own activity.

(a) The new standards, amendments and interpretations which are effective as at 30 September 2020 are as follows:

- 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.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- Amendments to TFRS 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 amendments will not have an impact on the 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 amendments will not have an impact on the 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.

(b) The new standards, amendments and interpretations which are not yet effective as at 30 September 2020 are as follows:

- IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. 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 amendments will not have an impact on the financial position or performance of the Company.

- Amendment to IAS 1, "Presentation of financial statements" regarding the classification of liabilities; Valid for annual reporting periods starting on or after January 1, 2022. These narrow amendments to IAS 1, "Presentation of financial statements", explain that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The amendment also clarifies what TMS 1 means to "settle" a liability, The company evaluates the effects of the standard on its financial position and performance.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **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 changes to the explanatory examples of IFRS 1, 'First application of International Financial Reporting Standards'' IFRS 9 'Financial Instruments', IAS 41' Agricultural Activities' and IFRS 16.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

Trade receivables, impairment loss and expected credit losses

Trade receivables as a result of providing goods or services by the Company directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. Foreign exchange gain/loss and credit finance income of trade receivables are classified under "other operating income/expense".

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for receivables, debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, and their performance after the statement of the financial position date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

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

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

The Company measures the allowance for trade receivables at an amount equal to the "expected life-time credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument.

In the calculation of expected credit losses, the Company takes into account future credit loss experience as well as forecasts for the future.

The Company uses a provisioning matrix to measure the expected credit losses on trade receivables. Depending on the number of days the maturities of trade receivables are exceeded, certain maturity ratios are calculated and these ratios are reviewed at each reporting period and revised where necessary. Expected credit losses are accounted for under "other income / expense from operating activities" in the income statement. The Company collects receivables arising from domestic vehicles and spare parts sales through the “Direct Debit System” (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company’s bank accounts at the due dates (Notes 7 and 26).

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory’s annual production plan are not associated with inventories and are recognized as cost of sales (Note 9).

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26). Foreign exchange gain/loss and credit finance charges of trade payables are classified under "other operating income/expense".

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	14,5 - 30 years
Buildings	14,5 - 36 years
Machinery and equipment	5 - 25 years
Moulds and models	Project lifetime
Furniture and fixtures	4 - 14,5 years
Motor vehicles	9 - 15 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in income/expense from investing activities. Repair and maintenance expenses are charged to the statement of profit or loss as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 10).

Intangible assets

Intangible assets comprise computer software, rights, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period depending on the project's lifetime.

Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2 Research and development expenses (Note 11).

The estimated useful lifetimes of such assets are as follows:

Rights	3 - 5 years
Capitalized improvement expenses	Project lifetime
Other intangible assets	5 years

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of profit or loss.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Financial assets

Classification and Measurement

The Company classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value though other comprehensive income, financial assets carried at fair value though profit of loss, Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

Financial assets carried at amortized cost", assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. The aforementioned assets are initially measured at fair values and measured at amortized cost using the effective interest rate method in subsequent reporting Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

"Financial assets carried at fair value through profit or loss", they consist of financial assets that are measured at amortized cost and whose fair value changes are reflected in other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the income statement.

"Financial assets carried at fair value through other comprehensive income", are the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on the related financial assets are recognized in other comprehensive income, except for impairment losses or gains or losses. If the assets whose fair value difference is recognized under consolidated other comprehensive income statement are sold, valuation differences classified under consolidated other comprehensive income statement are classified under "Retained Earnings/(Losses)".

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. If an entity makes the election, it shall recognize in profit or loss dividends from that investment.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Share Premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 29).

Taxes on income

Taxes include current period income taxes and deferred taxes.

<u>Current period income tax</u>

Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of statement of financial position date.

<u>Deferred tax</u>

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized. Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 24).

<u>Current and deferred tax</u>

Current and deferred taxes except those which are either related to the items directly recognized in the equity as receivable or payable (which, in such cases, the deferred tax regarding the related items are also recognized directly in the equity) or those which result from the initial recognition of an enterprise merger are recognized as income or loss in the income statement.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Revenue recognition

The Company adopted TFRS 15 "Revenue From Contracts with Customers" from 1 January 2018 which proposes a five step model framework mentioned below for recognizing the revenue.

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

The Company recognized revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Company can identify each party's rights regarding the goods or services to be transferred,
- Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Goods & services sales

Revenue comprises the invoiced value for the sale of goods and services. Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity.

For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. But if the Company makes a sales agreement with buyback commitment, which shall most likely be applied, the sales made in this scope are not recognized as revenue and monitored under "Other Non-Current Liabilities" (Note 31). Sales, which are subject to buyback commitment, are evaluated as operating lease and monitored as deferred income through allocating the difference between the price paid by the customers and their buyback price to leasing period. (Note 30). The revenue recognized on lease revenue for the periods over 1 year is recognized as "Long term deferred revenue" (Note 30).

The vehicles with repurchase commitments are classified in tangible assets (Note 10). The vehicles are amortised during the repurchase commitment period. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. Exported service sales are recorded when the service is delivered and the amount of revenue can be measured reliably.

Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on an accrual basis (Notes 18 and 21).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The Company is a principal if it controls a promised good or service before the Company transfers the good or service to a customer. When a Company that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services.

The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party.

The Company is an agent if the performance obligation is to act as an intermediary for the provision of goods or services by other parties and does not reflect the revenue for the performance obligation to the financial statements.

The Company pays customer premiums to its dealers based on their performance results. Amounts calculated as of the balance sheet date are recognized in other payables in the balance sheet and in revenue as discounts in revenue in the statement of profit or loss.

The Company provides legal warranty commitment to its customers depending on the type of goods and the location of sale between 2-4 years. These legal warranty commitments are mandatory by regulations, have not a separate price apart from the good and are not separately sold.

Revenue from extended warranty and maintenance package

The Company sells extended warranty to its customer for the period after the termination of legal warranty provided for all goods. The price of extended warranty and maintenance package are determined separately from the price of the goods and it is a separate performance obligation in the contract. Therefore, the Company treats the service that will be provided due to the sale of extended warranty as a separate performance obligation.

The Company determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. The Company delivers the control of services related to the sale of extended warranty and maintenance packages over time and it fulfills the performance obligation of those over time. Therefore, Company measures the delivery status of its performance obligation and recognize revenue in the consolidated financial statements accordingly.

Dividend and interest income

Dividend income from the stock investments are recorded when the stockholders become entitled to receive a dividend. Interest income is realized on a time period basis and the accrued income is determined by taking into account the valid interest rate and the interest rate that is to be effective until its maturity date.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the Central Bank of Turkey exchange rates prevailing at the statement of the financial position dates.

Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized under the other operating income/expenses and financial income/expense in the statement of profit or loss (Notes 21, 22, 23 and 27).

Foreign currency exchange rates used by the Company at the time of statement of financial position dates are as follows:

	TRY/USD	TRY/EUR	TRY/GBP
30 September 2020	**7.8080**	**9.1281**	**10.0309**
31 December 2019	5.9402	6.6506	7.7765
30 September 2019	5.6591	6.1836	6.9487

Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Bank letters of collaterals received from dealers for the exceeding part of DDS limit, regarding domestic vehicle sales and spare part sales is another method in the management of the credit risk (Note 7).

Conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company and its subsidiaries are collected in 14 days for export vehicle sales regularly. Receivables from Ford Motor Company and its subsidiaries, except vehicle sales, are collected in 45 days in average. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Price risk

The Company is exposed to equity securities price risk because of investments classified on the statement of financial position as financial assets at fair value through other comprehensive income. The Company limits the financial assets at fair value through other comprehensive income in order to manage the price risk arising from investments in equity securities.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain 21 days cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 100 million and factoring agreement amounting to Euro 120 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the "net financial debt to earnings before interest tax and depreciation". This ratio is calculated as net financial debt divided by EBITDA (earnings before interest tax and depreciation) of last four quarters. Net financial debt is calculated as total short and long term borrowings minus cash and cash equivalents. Company management, this ratio is expected not to exceed 3.5.

	30 September 2020	**31 December 2019**
Net financial debt	3,151,043	3,005,094
EBITDA (Rolling) (*)	4,496,524	3,198,016
Net financial debt / EBITDA (*)	**0.70**	**0.94**

(*) EBITDA (Profit before tax depreciation and interest) covering the last four quarters.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Fair value of financial instruments

The Company measures derivatives and financial assets whose fair value changes reflected into other comprehensive income at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Financial assets

Foreign currency balances are translated into TRY at the exchange rates prevailing at the balance sheet date. These balances are estimated to be close to the book value. Certain financial assets, including cash and cash equivalents, are carried at cost and are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Financial liabilities

Bank borrowings are recorded over their fair value of which the transaction costs are discounted. In the following periods, they are evaluated and recognized with their discounted costs by using the effective rate of interest method. The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Cash flow hedge accounting

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as "hedging reserves".

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Where the forecasted transaction or firm commitment results in the recognition of a non-financial asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the income statement in the period in which the hedged firm commitment or forecasted transaction affects the income statement. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Company has entered into swap transactions in order to manage its interest rate risk. Swap transactions are initially recognized at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. The fair value of interest swap contracts is determined by using valuation methods based on observable data in the market.

Derivative financial instruments are initially recognized at the transaction cost reflecting the fair value at the date of the contract is entered into and are subsequently measured at fair value. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities when the fair value is negative. The fair value differences of the Company are reflected in derivative financial instruments and consist of forward foreign currency purchase and sale contracts. Fair value is determined using valuation methods based on observable market data.

Investments accounted for by the equity method

Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of the acquisition. The investor's share of profit or loss of the investee is recognized in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount are necessary for the change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such adjustments include revaluation of property, plant and equipment or foreign currency translation differences. The investor's proportionate interest in the investee arising from changes are accounted in the investee's other comprehensive income.

Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings (Note 6). With respect to assets which take long time to get ready for use and sale, borrowing costs related to production or construction are integrated to the cost of the asset. The borrowing costs include other costs incurred due to borrowing and interest.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Provision for employee benefits

a) Defined benefit plan

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviours stated in labour law, calculated in accordance with the Turkish Labour Law (Note 15). According to the amendments on TAS 19 "Employee Benefits", the actuarial (gain)/loss of employee benefits are recognized under other comprehensive income.

b) Defined contribution plan

The Company is obliged to pay social insurance contributions to the Social Security Institution. No other obligation exists as long as the Company pays these premiums. These premiums are reflected to the personnel expenses when they are accrued (Note 15).

c) Other employee benefits

"Long - term provisions for employee benefits" are composed of the unused vacation days accrued in the period incurred and if the impact is material, it is also discounted.

Provisions

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

Provisions for sales premium

Provision for dealer stock sales premium expenses is accounted based on the last approved sales premium programme (Note 13).

Warranty provisions

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization. The Company has reclassified warranty reserves to be expected to be realized in one year as current provision (Note 13).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred:

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured,
- If the good will be sold or will be used within the Company,
- If there's a potential market or can be proved that it is used within the Company,
- If necessary technological, financial and other resources can be provided to complete the project.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over the project lifetime. Impairment test for the assets is performed annually within the recognition period of the development expenditures in progress (Note 11).

Related parties

Parties are considered related to the company (reporting entity) if;

(a) A person or close member of that person's family is related to a reporting entity:

If that person,

(i) has control or joint control over the reporting entity,
(ii) has significant influence over the reporting entity; or,
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following condition applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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

The Company defines its key management personnel as board of directors' members, general managers, assistant general managers and directors reporting directly to the general manager (Note 26).

Earnings per share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 25).

Reporting of cash flows

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

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

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

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 4).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities (Note 13).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the statement of financial position date and the date when the statement of financial position is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the statement of financial position date, the Company makes the necessary corrections on the financial statements (Note 36).

Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or obtaining an asset that follows the settlement its liability.

Government grants and incentives

Government grants and incentives are recognized at fair value when there is assurance that these grants and incentives will be received and the Company has met all conditions required. Government grants and incentives regarding the capitalized projects, costs are recognized by netting from costs of property, plant and equipment and intangible assets. Incentives which are not subject to assets are shown as other income in the income statement.

Leases

The Company applied first time application requirements of TFRS 16 "Leases" out of the new standards, amendments and interpretations effective from 1 January 2019 in line with the requirement of transition of the related standards.

Company - as a lessee

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

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company shall assess whether, throughout the period of use, the customer has both of the following:

- The contract includes an identified asset (identification of an asset in a clear or implicitly specified form in the contract),
- A capacity portion of an asset is an identified asset if it is physically distinct and represents substantially all of the capacity of the asset (the asset is not an identified asset if the vendor has a fundamental right to substitute the asset for the duration of its use and obtain an economic benefit from it),
- The Company has the right to obtain almost all of the economic benefits that will be derived from the use of the identified asset.
- The right to direct the use of the identified asset. The Company has the right to direct the use of an identified asset throughout the period of use only if either:

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

a) The Company has the right to direct how and for what purpose the asset is used throughout the period of use
b) the relevant decisions about how and for what purpose the asset is used are predetermined and:
   i. the Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
   ii. the Company designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

The Company recognizes right of use asset and lease liability at the start date of lease after evaluation of aforementioned criteria's.

Right of use asset

At the commencement date, the Company shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of the lease liability,
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the Company
d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

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

The Company shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Company shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Lease Liability

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

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

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

After the commencement date, the Company shall measure the lease liability by:

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

Extension and early termination options

The lease liability is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts are composed of the options that are jointly applicable by the Company and the lessor. The Company determines the lease term by the extension of the lease, if such extension and early termination options are at the Company's discretion and the use of the options is reasonably certain. If there is a significant change in the circumstances, the evaluation is reviewed by the Company.

Variable lease payments

Lease payments arising from some of the Company's lease agreements consist of variable rent payments. These variable lease payments, which are not included in TFRS 16, are recorded as rent expense in the related period in the income statement.

Practical expedient

Contracts for short-term lease agreements with a rental period of less than 12 months and information technology equipment leases (mainly printers, laptops, mobile telephones, etc.), which are determined as low value by the Company, have been evaluated under the exception of the TFRS 16 Leases Standard and these payments are recognized as an expense in the period in which they are incurred.

Company - As Lessor

The Company has no significant activity as a lessor.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Important Developments Regarding the Current Period

Due to the epidemic of COVID-19, which affects the whole world, the slowdown in economic activities, supply, production and sales in the country and sector where the Company operates and in the countries where the sales are made in parallel with the developments in general economic activities. There have been disruptions in their processes. In this context, the production activities were temporarily suspended in 2020 between the dates of 20 March - 4 May in the Company's Gölcük Plant, 23 March - 4 May in the Yeniköy Plant and 23 March - 27 April in the Eskişehir Factories. On 27 April, Eskişehir Factories and on 4 May, factories in Kocaeli campus have started their production activities again.

In this process, the necessary actions were taken by the Company management to minimize the possible effects of COVID-19 on the Company's operations and financial position. In this process, there was no delay in both payments to suppliers and collections of receivables. With the reduction of restrictions to prevent the spread of the epidemic, production and sales activities continue uninterrupted as of the balance sheet date.

COVID-19 effect of the need to continue with the world as well as in how much time in Turkey, can not be estimated yet clear is how much can be spread; As the severity and duration of the effects become clearer, it will be possible to make a more clear and healthy assessment for the medium and long term. However, while preparing the interim consolidated 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, tangible assets in the interim financial statements dated 30 September 2020 and no impairment has been identified.

2.5 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies and estimates or material errors are corrected retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current period and prospectively.

2.6 Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Significant accounting estimates and decisions (Continued)

(a) In calculation of the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. The details regarding the calculation are disclosed in provision for employee benefits (Note 15),

(b) In determination of the impairment of trade receivables, the factors such as debtor credibility, historical payment performance and debt restructuring is considered (Note 7),

(c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment (Note 9),

(d) In determination of the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counsellor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts,

(e) In calculation of the warranty provision, the Company considers the historical warranty expenses incurred addition to planned technical and financial improvements to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims (Note 13),

(f) Deferred tax assets are recognized when the occurrence of taxable profit is probable in the forthcoming years. Deferred tax asset is calculated over any temporary differences in cases when the occurrence of taxable profit is probable, taken into consideration of tax advantages obtained within the context of investment incentive certificates. Deferred tax asset is recorded as of 30 September 2020 and 31 December 2019 since presumptions that the Company will have taxable profit in the forthcoming periods are found to be sufficient (Note 24)

(g) The Company recognizes depreciation and amortization for its property, plant and equipment and intangibles by taking into account their useful lives that are stated in Note 2 (Notes 10 and 11),

(h) Development costs related to continuing projects are capitalized and the Company management perform impairment test regarding those capitalized costs annually. As of 30 September 2020 and 31 December 2019, there is no impairment determined related to development costs in progress (Note 11).

3. SEGMENT REPORTING

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

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

4. CASH AND CASH EQUIVALENTS

The maturity period of time deposits is up to three months and there is no blockage/restriction on cash and cash equivalents. The weighted average interest rate for foreign currency denominated time deposits is 1.69% (31 December 2019: 0.17%) and the weighted average interest rate for the TRY time deposits is 12.66% (31 December 2019: 10.99%).

	30 September 2020	31 December 2019
Banks - TRY time deposits	6,017,334	2,615,719
Banks - foreign currency time deposits	730,150	544,884
Banks - TRY demand deposits	45,147	36,427
Banks - foreign currency demand deposits	4,288	3,199
Cash and cash equivalents in the cash flow statement	**6,796,919**	**3,200,229**
Interest income accrual	36,216	2,723
	6,833,135	**3,202,952**

5. FINANCIAL INVESTMENTS

	30 September 2020		31 December 2019	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Financial assets at fair value through other comprehensive income				
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	0.59	19,375	0.59	22,355
		19,375		**22,355**

(*) The Company's shareholding in Otokar was stated at market value at 30 September 2020 and 31 December 2019 which is assumed to approximate its fair value.

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

6. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	30 September 2020		31 December 2019	
	Effective interest rate (%)	**TRY Amount**	**Effective interest rate (%)**	**TRY Amount**
- EUR	0.72	2,011,190	0.82	2,565,458
- TRY	8.13	1,427,596	-	23,755
		3,438,786		**2,589,213**

Short-term portion of long-term financial liabilities

Bank borrowings

- EUR	1.81	1,701,587	1.71	1,025,728
		1,701,587		**1,025,728**

Lease liabilities

- EUR	4.61	23,461	4.60	23,361
- TRY	23.67	10,320	28	9,808
		33,781		**33,169**
		1,735,368		**1,058,897**
Total short-term financial liabilities		**5,174,154**		**3,648,110**

Long-term financial liabilities

Bank borrowings

	30 September 2020		31 December 2019	
	Effective interest rate (%)	**TRY Amount**	**Effective interest rate (%)**	**TRY Amount**
- EUR	1.79	4,752,624	1.81	2,503,852
		4,752,624		**2,503,852**

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

6. FINANCIAL LIABILITIES (Continued)

Lease liabilities

	30 September 2020		31 December 2019	
	Effective interest rate (%)	**TRY Amount**	**Effective interest rate (%)**	**TRY Amount**
- EUR	4.62	33,406	4.60	34,917
- TRY	22.49	23,994	28	21,167
		57,400		**56,084**
Total long-term financial liabilities		**4,810,024**		**2,559,936**

The payment schedules of long-term bank borrowings as of 30 September 2020 and 31 December 2019 are as follows:

Payment period	**30 September 2020**	**31 December 2019**
2021	620,242	1,074,945
2022	1,846,956	699,547
2023	1,123,975	411,161
2024	495,402	175,768
2025	339,509	71,997
2026	326,540	70,434
	4,752,624	**2,503,852**

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY2,620,504 (31 December 2019: TRY3,043,957) (Note 13).

The movement of financial liabilities as of 30 September 2020 and 2019 is as follows:

	2020	**2019**
1 January	**6,208,046**	**4,593,920**
Cash inflows from borrowing	6,488,300	4,063,465
Cash outflows from borrowing	(5,186,975)	(3,225,443)
Cash outflows from loan payments arising from lease agreements	(39,902)	(34,532)
Unrealised foreign exchange differences	2,428,178	74,871
Change in accrual of interest	52,168	20,529
New lease agreements / effect of contract changes	34,363	5,967
30 September	**9,984,178**	**5,498,777**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

7. TRADE RECEIVABLES AND PAYABLES

	30 September 2020	31 December 2019
Short - term trade receivables		
Trade receivables	2,009,426	1,572,755
Doubtful receivables	4,533	4,533
Less: unearned credit finance income	(19,375)	(14,792)
	1,994,584	**1,562,496**
Less: provision for doubtful receivables	(4,533)	(4,533)
	1,990,051	**1,557,963**

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (31 December 2019: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2019: 70 days) and discounted by 1.11% monthly effective interest rate (31 December 2019: 1.27%).

The collection of receivables from export sales other than Ford Motor Company is kept under guarantee with letter of credit, letter of guarantee, export credit insurance, Ford credit limit or upfront cash collection.

	30 September 2020	31 December 2019
Long - term trade receivables		
Deposits and guarantees given	4,000	2,903
	4,000	**2,903**

	30 September 2020	31 December 2019
Trade payables		
Trade payables	4,380,777	3,690,149
Less: unearned credit finance expense	(32,439)	(29,283)
	4,348,338	**3,660,866**

The average turnover of trade payables is 60 days (31 December 2019: 60 days) and discounted by 1.11% monthly effective interest rate (31 December 2019: 1.27%).

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

7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 30 September 2020 and 31 December 2019 is as follows:

	Trade receivables		**Other receivables**		
30 September 2020	**Related party**	**Other**	**Related party**	**Other**	**Deposit in bank**
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	3,909,207	1,990,051	-	20,859	6,796,919
- The maximum of credit risk covered by guarantees	235,000	1,973,321	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	3,886,262	1,968,637	-	20,859	6,796,919
Net book value of financial assets that are overdue but not impaired	22,945	21,414	-	-	-
- Amount of risk covered by guarantees	-	4,683	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

7. TRADE RECEIVABLES AND PAYABLES (Continued)

	Trade receivables		Other receivables		
31 December 2019	**Related party**	**Other**	**Related party**	**Other**	**Deposit in bank**
The maximum of credit risk exposed at the reporting date (Note 26, 7, 8, 4)	2,547,130	1,557,963	-	1,870	3,200,229
- The maximum of credit risk covered by guarantee	235,000	1,556,766	-	-	-
Net book value of the financial assets that are neither overdue nor impaired	2,502,169	1,555,514	-	1,870	3,200,229
Net book value of financial assets that are overdue but not impaired	44,961	2,449	-	-	-
- Amount of risk covered by guarantees	-	1,252	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

7. TRADE RECEIVABLES AND PAYABLES (Continued)

The aging schedule of receivables that are overdue but not impaired is as follows:

	Trade receivables	
30 September 2020	**Related party**	**Other**
1-30 days overdue	11,514	5,506
1-3 months overdue	1,985	11,930
3-12 months overdue	8,805	3,378
1-5 years overdue	641	600
	22,945	**21,414**
Risk covered by guarantees	-	4,683

	Trade receivables	
31 December 2019	**Related party**	**Other**
1-30 days overdue	36,025	1,130
1-3 months overdue	4,037	611
3-12 months overdue	4,899	693
1-5 years overdue	-	15
	44,961	**2,449**
Risk covered by guarantees	-	1,252

8. OTHER RECEIVABLES AND PAYABLES

Other receivables	**30 September 2020**	**31 December 2019**
Other miscellaneous receivables	20,859	1,870
	20,859	**1,870**

Other payables	**30 September 2020**	**31 December 2019**
Taxes and funds payable	95,512	26,694
Sales premium accruals	46,376	14,478
Provisions for donations	21,141	-
Marketing expense and other expense accruals	15,140	-
Other	15,309	13,369
	193,478	**54,541**

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

9. INVENTORIES

	30 September 2020	31 December 2019
Raw materials	903,317	838,126
Goods in transit	839,782	420,851
Finished goods	566,487	230,731
Vehicle spare parts	244,438	239,680
Spare parts	62,485	47,635
Import vehicles	60,152	27,530
Other	8,154	39,511
	2,684,815	**1,844,064**
Less: provision for impairment of finished goods and vehicle spare parts	(16,137)	(16,665)
	2,668,678	**1,827,399**

The allocation of fixed production overheads to finished goods costs of conversion is based on the normal capacity of the production facilities.

The Company has accounted the expenses due to the impairment of inventories as part of cost of sales and the movement in the balance within the year is as follows:

	2020	2019
1 January	**16,665**	**22,847**
Change within the period	(528)	(3,830)
30 September	**16,137**	**19,017**

The Company has provided a provision for impairment on the inventories when their net realizable values are lower than their costs or when they are classified as slow moving inventories. The reversal of provisions has been accounted under cost of sales (Note 18).

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

10. PROPERTY, PLANT AND EQUIPMENT

1 January 2020	**Land**	**Land improvements**	**Buildings**	**Machine & equipment**	**Models & moulds**	**Fixture & furniture**	**Vehicles (*)**	**Constructions in progress**	**Total**
Cost	12,269	197,442	1,016,609	3,208,085	3,550,828	495,853	89,643	129,687	8,700,416
Accumulated depreciation	-	(90,040)	(462,296)	(1,574,195)	(1,808,122)	(313,714)	(15,501)	-	(4,263,868)
Net book value	**12,269**	**107,402**	**554,313**	**1,633,890**	**1,742,706**	**182,139**	**74,142**	**129,687**	**4,436,548**
For the period ended 30 September 2020									
Opening net book value	12,269	107,402	554,313	1,633,890	1,742,706	182,139	74,142	129,687	4,436,548
Additions	-	4,564	5,304	91,890	172,546	31,304	7,099	56,439	369,146
Transfers	-	1,326	340	15,708	41,043	755	-	(59,172)	-
Disposals	-	-	(153)	(2,826)	-	(3,731)	(34,251)	-	(40,961)
Depreciation charge	-	(5,026)	(23,184)	(134,286)	(340,288)	(26,512)	(4,880)	-	(534,176)
Disposals from accumulated depreciation	-	-	153	8,302	-	3,590	1,017	-	13,062
Closing net book value	**12,269**	**108,266**	**536,773**	**1,612,678**	**1,616,007**	**187,545**	**43,127**	**126,954**	**4,243,619**
30 September 2020									
Cost	12,269	203,332	1,022,100	3,312,857	3,764,417	524,181	62,491	126,954	9,028,601
Accumulated depreciation	-	(95,066)	(485,327)	(1,700,179)	(2,148,410)	(336,636)	(19,364)	-	(4,784,982)
Net book value	**12,269**	**108,266**	**536,773**	**1,612,678**	**1,616,007**	**187,545**	**43,127**	**126,954**	**4,243,619**

The Company compared the borrowing cost of investment loans in foreign currency to the market loan interest denominated in TRY and foreign exchange differences. No interest costs has been recognized under property, plant and equipment according to the cumulative approach within the context of TAS 23 as of 30 September 2020 (31 December 2019: None).

There is no collateral, pledge or mortgage on tangible assets as of 30 September 2020 and 2019.

(*) The Company makes a part of its truck sales with buyback commitment and trucks sold in this scope are monitored in "Vehicles" under Property, Plant and Equipment and their cost value amounts to TRY39,349 (31 December 2019: TRY63,655).

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

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

1 January 2019	**Land**	**Land improvements**	**Buildings**	**Machine & equipment**	**Models & moulds**	**Fixture & furniture**	**Vehicles (*)**	**Constructions in progress**	**Total**
Cost	12,269	188,904	1,000,623	2,863,335	2,890,202	449,351	68,226	132,050	7,604,960
Accumulated depreciation	-	(83,462)	(432,266)	(1,411,727)	(1,459,374)	(283,565)	(11,819)	-	(3,682,213)
Net book value	**12,269**	**105,442**	**568,357**	**1,451,608**	**1,430,828**	**165,786**	**56,407**	**132,050**	**3,922,747**
For the period ended 30 September 2019									
Opening net book value	12,269	105,442	568,357	1,451,608	1,430,828	165,786	56,407	132,050	3,922,747
Additions	-	3,626	7,722	180,300	443,575	32,562	10,311	56,304	734,400
Transfers	-	-	265	8,926	58,407	7	-	(67,605)	-
Disposals	-	(3)	(1,233)	(4,414)	(2,431)	(1,423)	(1,983)	-	(11,487)
Depreciation charge	-	(4,866)	(22,912)	(122,078)	(247,982)	(24,057)	(3,390)	-	(425,285)
Disposals from accumulated depreciation	-	2	577	4,265	1,747	1,397	523	-	8,511
Closing net book value	**12,269**	**104,201**	**552,776**	**1,518,607**	**1,684,144**	**174,272**	**61,868**	**120,749**	**4,228,886**
30 September 2019									
Cost	12,269	192,527	1,007,377	3,048,147	3,389,753	480,497	76,554	120,749	8,327,873
Accumulated depreciation	-	(88,326)	(454,601)	(1,529,540)	(1,705,609)	(306,225)	(14,686)	-	(4,098,987)
Net book value	**12,269**	**104,201**	**552,776**	**1,518,607**	**1,684,144**	**174,272**	**61,868**	**120,749**	**4,228,886**

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

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of depreciation expense as of 30 September 2020 and 2019 is as follows:

	30 September 2020	30 September 2019
Cost of production (Note 18)	505,892	399,636
Research and development expenses (Note 19)	14,210	14,159
General administrative expenses (Note 19)	10,109	8,386
Marketing expenses (Note 19)	2,454	2,290
Associated with construction in progress	1,511	814
	534,176	**425,285**

11. INTANGIBLE ASSETS

1 January 2020	Rights	Development cost	Development cost in progress	Other	Total
Cost	96,192	1,041,359	281,830	7,903	1,427,284
Accumulated amortisation	(72,035)	(517,310)	-	(6,743)	(596,088)
Net book value	**24,157**	**524,049**	**281,830**	**1,160**	**831,196**
For the period ended 30 September 2020					
Opening net book value	24,157	524,049	281,830	1,160	831,196
Additions	5,814	146,275	-	-	152,089
Transfers	-	45,541	(45,541)	-	-
Amortisation charge	(14,374)	(92,513)	-	(216)	(107,103)
Closing net book value	**15,597**	**623,352**	**236,289**	**944**	**876,182**
30 September 2020					
Cost	102,006	1,233,175	236,289	7,903	1,579,373
Accumulated amortisation	(86,409)	(609,823)	-	(6,959)	(703,191)
Net book value	**15,597**	**623,352**	**236,289**	**944**	**876,182**

There is no fully depreciated intangible assets as of 30 September 2020. As of 30 September 2020, there is no capitalized interest costs and foreign exchange differences in accordance with TAS 23 (31 December 2019: None).

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

11. INTANGIBLE ASSETS (Continued)

1 January 2019	Rights	Development cost	Development cost in progress	Other	Total
Cost	72,230	1,037,848	162,777	7,822	1,280,677
Accumulated amortisation	(57,253)	(393,622)	-	(6,460)	(457,335)
Net book value	**14,977**	**644,226**	**162,777**	**1,362**	**823,342**
For the period ended 30 September 2019					
Opening net book value	14,977	644,226	162,777	1,362	823,342
Additions	6,063	85,213	-	92	91,368
Transfers	-	-	-	-	-
Amortisation charge	(10,710)	(92,836)	-	(211)	(103,757)
Closing net book value	**10,330**	**636,603**	**162,777**	**1,243**	**810,953**
30 September 2019					
Cost	78,293	1,123,061	162,777	7,914	1,372,045
Accumulated amortisation	(67,963)	(486,458)	-	(6,671)	(561,092)
Net book value	**10,330**	**636,603**	**162,777**	**1,243**	**810,953**

The allocation of amortisation charges of intangible assets relating to 30 September 2020 and 2019 is as follows:

	30 September 2020	30 September 2019
Cost of production (Note 18)	94,791	94,627
General administrative expenses (Note 19)	9,914	6,557
Research and development expenses (Note 19)	1,685	1,969
Marketing expenses (Note 19)	670	585
Associated with construction in progress	43	19
	107,103	**103,757**

12. PREPAID EXPENSES

Short - term prepaid expenses	30 September 2020	31 December 2019
Advances given for inventories	410,980	153,224
Other prepaid expenses	28,033	25,158
	439,013	**178,382**

Long - term prepaid expenses	30 September 2020	31 December 2019
Advances given for investments (*)	246,812	178,319
Other prepaid expenses	26,599	25,892
	273,411	**204,211**

(*) Advances given for investments are related to the Company's new vehicle investments. TRY141,357 (31 December 2019: TRY148,753) is given to domestic vendors as mould advances and TRY105,455 (31 December 2019: TRY29,566) is given for the new project investments

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

13. PROVISION, CONTINGENT ASSETS AND LIABILITIES

The Company recognizes 2, 3 and 4 years of warranty provision for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the balance sheet date and warranty claims of vehicles sold in previous years on a model basis.

Short-term provisions

	30 September 2020	31 December 2019
Warranty expense provision	98,173	88,266
Provisions for sales premium (*)	46,226	32,836
	144,399	**121,102**

(*) Provisions for sales premium is composed of expense accruals related with dealer vehicle stock at the reporting date (Note 2).

Long-term provisions

	30 September 2020	31 December 2019
Warranty expense provision	169,493	120,902
Provisions for lawsuits	63,148	53,838
	232,641	**174,740**

The movement of provisions for lawsuits during the period is as follows:

	2020	2019
1 January	**53,838**	**50,326**
Paid during the period	(4,311)	(5,875)
Additions during the period	13,621	7,531
30 September	**63,148**	**51,982**

Movements in the warranty expense provision during the period is as follows:

	2020	2019
1 January	**209,168**	**194,326**
Paid during the period	(130,530)	(123,116)
Additions during the period (Note 19)	189,028	127,394
30 September	**267,666**	**198,604**

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

13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Letters of guarantee and letters of credit	30 September 2020	31 December 2019
Letters of guarantee given to financial institutions due to bank loans	2,620,504	3,043,957
Letters of guarantee given to customs	95,872	71,097
Letters of guarantees given to other parties	50,950	14,977
	2,767,326	**3,130,031**

Letters of guarantee given

	30 September 2020		31 December 2019	
	Original currency	**TRY amount**	**Original currency**	**TRY amount**
Avro	297,137	2,712,296	467,753	3,110,835
TL	55,030	55,030	19,196	19,196
		2,767,326		**3,130,031**

The allocation of collaterals, pledges and mortgages as of 30 September 2020 and 31 December 2019 as follows:

Collaterals, pledges and mortgages given by the Company	**30 September 2020**	**31 December 2019**
A. Total amount of collaterals/pledges/mortages given for its own legal entity	2,767,326	3,130,031
B. Total amount of collaterals/pledges/mortgages given for participations included in entire consolidation	-	-
C. Total amount of collaterals/pledges/mortgages given to assure debts of third parties, for the purpose of conducting the business activities	-	-
D. Total amount of other collaterals/pledges/mortgages given		
i Total amount of collaterals/pledges/mortgages given for the parent company	-	-
ii. Total amount of collaterals/pledges/mortgages given for other related companies that do not fall into B and C sections	-	-
iii. Total amount of collaterals/pledges/mortages given for third parties that do not fall into C section	-	-
	2,767,326	**3,130,031**

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

13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 30 September 2020 and 31 December 2019, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee received

	30 September 2020		31 December 2019	
	Original currency	**TRY amount**	**Original currency**	**TRY amount**
TRY	111,436	111,436	146,014	146,014
EUR	18,619	169,956	3,035	20,188
USD	22	172	122	722
		281,564		**166,924**

Other

The long-term bank borrowing agreements related to the investments require the Company to comply with certain financial ratios. Such financial ratios are met by the Company as of 30 September 2020 and 31 December 2019.

14. COMMITMENTS

Commitments related with bank loans used by the Company are as follows:

a) The Company has signed a 1-year loan commitment agreement with İşbank amounting to EUR 100,000,000 in 2020. With this agreement the company committed to pass the export value of EUR 200,000,000 through its accounts.

b) The Company, also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank);

- With 2 years term credit amounting to Euro 44,000,000 used in December 2019 an export amount of Euro 44,000,000.
- With 8 months term credit amounting to Euro 40,000,000 used in February 2020 an export amount of Euro 40,000,000,
- With 8 months term credit amounting to Euro 90,000,000 used in March 2020 an export amount of Euro 90,000,000,
- With 8 months term credit amounting to Euro 40,000,000 used in April 2020 an export amount of Euro 40,000,000,
- With 2 years term credit amounting to Euro 40,000,000 used in April 2020 an export amount of Euro 40,000,000.
- With 2 years term credit amounting to Euro 23,000,000 used in May 2020 an export amount of Euro 23,000,000.

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

15. EMPLOYEE BENEFITS

Liabilities for employee benefit obligations

	30 September 2020	31 December 2019
Salaries and social charges payable	115,856	125,962
Social security premiums payable	101,559	35,681
Withholding income tax payable	24,934	53,977
Other	11,462	4,653
	253,811	**220,273**

Long-term provision for employee benefits

	30 September 2020	31 December 2019
Provision for employment termination benefits	285,855	256,208
Provision for unused vacation pay liability	45,187	31,676
	331,042	**287,884**

Provision for employment termination benefits:

There are no agreements for pension commitments other than the legal requirement as 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 amount payable consists of one month's salary limited to a maximum of full TRY7,117.17 for each year of service as of 1 July 2020 (31 December 2019: Full TRY6,730.15).

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.

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

15. EMPLOYEE BENEFITS (Continued)

TFRS requires actuarial valuation methods to be developed to estimate the Company's 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
Net discount rate	4.67	4.67
Turnover rate to estimate the probability of retirement (%)	95.73	95.73

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. Since the Company calculates the reserve for employee benefits once a year, the maximum amount of full TRY7,117.17 which was effective as of 1 July 2020 (31 December 2019: Full TRY6,730.15) has been used in the calculations.

Movements in the provision for employee benefits during the year are as follows:

	2020	2019
1 January	**256,208**	**170,925**
Interest cost	23,059	21,460
Current year service cost	14,901	53,401
Paid during the period	(10,616)	(13,651)
Actuarial gains	2,303	(41,164)
30 September	**285,855**	**190,971**

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 30 September 2020 is below:

	Net discount rate		Turnover rate related to the probability of retirement	
Sensitivity level	**%0.5 base decrease**	**%0.5 base increase**	**%0.5 base decrease**	**%0.5 base increase**
Rate (%)	(4.2)	(5.2)	95.2	96.2
Change in provision for employee benefits	19,428	(17,757)	(6,078)	6,393

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

16. OTHER CURRENT ASSETS

	30 September 2020	31 December 2019
VAT to be deducted (*)	443,157	704,166
Prepaid taxes and withholding	27,909	21,501
Deferred VAT	-	107,891
Other	2,919	7,544
	473,985	**841,102**

(*) VAT to be deducted includes export VAT receivables related to August and September 2020. VAT return for August amounting to TRY 141,094 has been collected in October 2020.

17. EQUITY

The composition of the Company's paid-in capital as of 30 September 2020 and 31 December 2019 is as follows:

Shareholders	**Share group**	**30 September 2020**	**Shareholders percentage (%)**	**31 December 2019**	**Shareholders percentage (%)**
Koç Holding A.Ş.	B	135,631	38.65	134,953	38.46
Temel Ticaret ve Yatırım A.Ş.	B	2,356	0.67	2,356	0.67
Ford Deutschland Holding Gmbh	C	143,997	41.04	143,997	41.04
Vehbi Koç Vakfı	A	2,881	0.82	3,559	1.01
Koç Holding Emekli ve Yardım Sandığı Vakfı	A	3,259	0.93	3,259	0.93
Other (Publicly traded)	A	62,786	17.89	62,786	17.89
		350,910	**100**	**350,910**	**100**
Inflation adjustment to share capital		**27,920**		**27,920**	
Inflation adjusted paid in capital		**378,830**		**378,830**	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35,091,000,000 unit of shares (31 December 2019: 35,091,000,000 unit) with a nominal value of Kr 1 each.

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, unless legal reserve does not exceed at the rate of 50% of the paid-in capital.

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned reserves under "Restricted reserves", the amount of restricted reserves is TRY 410,493 as of 30 September 2020 (31 December 2019: TRY 302,764).

17. EQUITY (Continued)

In accordance with 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, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- "the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital'';
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings";

Other equity items shall be carried at the amounts calculated based on TAS. Adjustment to share capital has no use other than being transferred to paid-in share capital.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February, 2014. 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 instalments and advance dividend can be paid in accordance with profit on year-end financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), 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 accordance with the Ordinary General Assembly Meeting dated as of 16 March, 2019, the Company has decided to distribute dividends at the rate of 312% gross (net %265.20), with a total amount of TRY1,094,839 as full TRY23.12 gross (Kr 206.55 net) for each share with a value of full TRY1 and the Company made the dividend payment in April 2020. (In April 2019 full TRY 2.43 of the gross TRY1 share (net Kr 206.55) will be %243 rate TRY 852,711 and in November 2019, full TRY1.23 of the gross TRY1 share (net Kr 104.55) will be %123 rate TRY431,620; total of TRY1,284,331 cash dividend was distributed).

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

17. EQUITY (Continued)

In accordance with Communiqué No: II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets", equity schedule at 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Issued capital	350,910	350,910
Inflation adjustments on capital	27,920	27,920
Share premium	8	8
Gains from financial assets measured at fair value through other comprehensive income	17,478	20,309
Losses on cash flow hedge	(1,765,303)	(705,427)
Losses on remeasurements of defined benefit plans	(3,902)	(2,060)
Restricted reserves	***410,493***	***302,764***
- Legal reserves	410,493	302,764
Retained earnings	***3,467,929***	***2,711,013***
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	3,039,628	2,282,712
Net income for the period	**2,267,706**	**1,959,484**
Total equity	**4,773,239**	**4,664,921**

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 30 September 2020 and 31 December 2019 are as follows:

30 September 2020	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	410,493	469,246	58,753
Extraordinary reserves	3,039,628	3,408,773	369,145
Share premium	8	361	353
Other reserves	-	50	50
	3,801,039	**4,257,260**	**456,221**

31 December 2019	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	302,764	361,517	58,753
Extraordinary reserves	2,282,712	2,651,857	369,145
Share premium	8	361	353
Other reserves	-	50	50
	2,936,394	**3,392,615**	**456,221**

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

17. EQUITY (Continued)

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves can be utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in BIST are valued at their closing price as of 30 September 2020 and 31 December 2019. As of 30 September 2020, fair value change amounting to TRY(2,831) net of deferred tax, (31 December 2019: TRY9,450) is shown in statement of comprehensive income.

The net of tax effects of the changes in the statement of other comprehensive income and the effects of the changes in accumulated income and expense under equity are as follows:

	2020	**2019**
1 January	**(687,178)**	**(783,707)**
(Losses) from financial assets measured at fair value through other comprehensive income	(2,831)	6,245
Actuarial gains/(losses)	(1,842)	32,931
Losses on cash flow hedges	(1,059,876)	195,450
30 September	**(1,751,727)**	**(549,081)**

18. REVENUE AND COST OF SALES

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Export sales	20,076,556	8,537,908	24,312,309	8,256,082
Domestic sales	9,257,913	5,336,149	3,872,453	1,187,733
Other sales	125,539	53,286	144,534	50,591
Less: discounts	(969,819)	(531,069)	(622,571)	(196,903)
	28,490,189	**13,396,274**	**27,706,725**	**9,297,503**

Units of vehicle sales

	1 January - 30 September 2020			**1 July- 30 September 2020**		
	Domestic sales	**Export sales**	**Total sales**	**Domestic sales**	**Export sales**	**Total sales**
Transit Custom	4,113	86,745	90,858	2,181	34,847	37,028
Transit	16,719	54,940	71,659	9,035	21,598	30,633
Transit Courier	21,628	14,438	36,066	12,908	4,115	17,023
Passenger vehicles	14,168	3	14,171	8,171	-	8,171
Ford Trucks (Trucks)	3,143	1,515	4,658	1,742	629	2,371
Ranger	757	-	757	273	-	273
New Transit Connect	371	-	371	170	-	170
	60,899	**157,641**	**218,540**	**34,480**	**61,189**	**95,669**

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

18. REVENUE AND COST OF SALES (Continued)

	1 January - 30 September 2019			1 July- 30 September 2019		
	Domestic sales	**Export sales**	**Total sales**	**Domestic sales**	**Export sales**	**Total sales**
Transit Custom	2,260	127,326	129,586	427	41,230	41,657
Transit	7,493	89,404	96,897	1,988	29,785	31,773
Transit Courier	9,505	29,975	39,480	2,664	8,716	11,380
Passenger vehicles	6,504	38	6,542	1,905	16	1,921
Ford Trucks (Trucks)	1,650	1,578	3,228	537	426	963
Ranger	466	-	466	191	-	191
New Transit Connect	161	-	161	24	-	24
	28,039	**248,321**	**276,360**	**7,736**	**80,173**	**87,909**

Summaries of cost of production as of 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**
Raw material cost	(20,140,335)	(9,383,643)	(21,442,838)	(7,179,416)
Production overhead costs	(1,498,784)	(583,256)	(1,254,656)	(409,570)
Amortization expenses (Note 10, 11 and 33)	(622,958)	(213,288)	(516,311)	(189,741)
Changes in finished goods	336,284	67,466	454,262	137,307
Total production cost	**(21,925,793)**	**(10,112,721)**	**(22,759,543)**	**(7,641,420)**
Cost of trade goods sold	(3,165,284)	(1,634,810)	(2,082,559)	(706,321)
Total cost of sales	**(25,091,077)**	**(11,747,531)**	**(24,842,102)**	**(8,347,741)**

19. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Marketing expenses				
Warranty expenses (Note 13)	(189,028)	(110,578)	(127,394)	(38,295)
Personnel expenses	(100,601)	(34,125)	(97,347)	(31,679)
Vehicle transportation expenses	(48,433)	(26,424)	(23,523)	(7,640)
Advertising expenses	(45,835)	(19,436)	(72,380)	(31,065)
Spare parts transportation and packaging expenses	(23,897)	(10,674)	(23,145)	(5,772)
Export expenses	(20,593)	(9,503)	(19,758)	(6,896)
Depreciation and amortization expenses (Note 10, 11 and 33)	(10,502)	(3,345)	(10,514)	(3,530)
Dealer and service development expenses	(3,250)	(1,063)	(3,013)	(1,205)
Other	(68,386)	(20,152)	(72,938)	(20,822)
	(510,525)	**(235,300)**	**(450,012)**	**(146,904)**

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

19. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Research and development expenses				
Personnel expenses	(162,039)	(50,716)	(158,759)	(45,544)
Project costs	(53,770)	(19,888)	(71,120)	(28,538)
Mechanization expenses	(45,142)	(10,486)	(56,150)	(19,599)
Depreciation and amortization expenses (Note 10, 11 and 33)	(17,395)	(5,813)	(17,532)	(5,911)
Other	(17,354)	(4,612)	(1,734)	12,536
	(295,700)	**(91,515)**	**(305,295)**	**(87,056)**

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
General administrative expenses				
Personnel expenses	(137,277)	(48,280)	(125,340)	(42,676)
Legal, consulting and auditing expenses	(30,744)	(9,924)	(37,503)	(18,097)
Grants and donations	(29,305)	(18,000)	(26,228)	(8,881)
Depreciation and amortization expenses (Note 10, 11 and 33)	(21,491)	(7,337)	(16,519)	(5,661)
Transportation and travel expenses	(6,935)	(2,933)	(8,108)	(3,380)
Repair, maintenance and energy expenses	(6,466)	(2,415)	(5,269)	(1,659)
Organization expenses	(6,128)	(2,014)	(17,105)	(8,927)
New project administrative expenses	(5,029)	(2,876)	(19,176)	(8,586)
Duties, taxes and levies expenses	(4,006)	(1,395)	(3,709)	(1,090)
Other	(58,175)	(22,275)	(37,699)	(11,100)
	(305,556)	**(117,449)**	**(296,656)**	**(110,057)**

20. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 30 September 2020 and 2019 is as follows:

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Raw material cost	(20,140,335)	(9,383,643)	(21,442,838)	(7,179,416)
Cost of trade goods sold	(3,165,284)	(1,634,810)	(2,082,559)	(706,321)
Financial expenses	(1,412,652)	(603,223)	(1,249,650)	(632,592)
Personnel expenses	(1,157,581)	(430,769)	(1,124,472)	(362,671)
Other operational expenses	(741,121)	(285,613)	(511,630)	(166,797)
Depreciation and amortization expenses	(672,346)	(229,783)	(560,876)	(204,843)
Other overhead costs	(662,475)	(294,643)	(625,952)	(209,017)
Other expenses from operating activities	(245,048)	(93,640)	(649,266)	(317,829)
Expenses from investing activities	(728)	-	(1,162)	(51)
Expense from investment accounted for by equity method	-	-	(933)	(783)
Changes in inventories	336,284	67,466	454,262	137,307
Total expenses	**(27,861,286)**	**(12,888,658)**	**(27,795,076)**	**(9,643,013)**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

21. OTHER OPERATING INCOME / EXPENSES

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Other operating income and gains				
Foreign exchange gains related to trade receivables and payables	537,359	311,338	199,750	15,151
Financing income arising from purchases of maturity	114,528	51,018	162,682	45,585
License income	16,694	6,929	9,750	4,065
Rent income	7,274	2,888	10,496	4,046
Commission income	3,981	2,491	2,161	467
Price difference and claim recovery	2,525	1,136	3,218	288
Other	37,019	10,506	23,895	3,105
	719,380	**386,306**	**411,952**	**72,707**

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Other operating expenses and losses				
Financing expenses arising from purchases of maturity	(164,742)	(54,390)	(421,067)	(129,168)
Foreign exchange losses related to trade receivables and payables	(73,123)	(38,659)	(219,922)	(188,637)
Other	(7,183)	(591)	(8,277)	(24)
	(245,048)	**(93,640)**	**(649,266)**	**(317,829)**

22. FINANCIAL INCOME

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Foreign exchange gains	747,682	409,660	886,792	663,602
Interest income	209,361	111,124	80,909	22,790
	957,043	**520,784**	**967,701**	**686,392**

23. FINANCIAL EXPENSES

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Foreign exchange losses	(1,250,124)	(534,796)	(1,165,853)	(604,368)
Interest expenses	(144,801)	(64,569)	(58,904)	(20,731)
Other	(17,727)	(3,858)	(24,893)	(7,493)
	(1,412,652)	**(603,223)**	**(1,249,650)**	**(632,592)**

24. TAX ASSETS AND LIABILITIES

Corporate Tax Law was amended by the Law No, 5520 dated 13 June, 2006. Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from 1 January, 2006. Accordingly, the corporate tax rate for the fiscal year 2020 is 22% (31 December 2019: %22). Corporate tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive, etc.) and corporate income tax deductions (e.g. research and development expenditures deduction). No further tax is payable unless the profit is distributed.

15% withholding tax rate applies to dividends distributed by resident corporations resident real persons except for, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations. 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.

The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If the temporary tax amount paid remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax declarations to the Tax Office within the 25th of the fourth month following the close of the financial year.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

There are many exceptions to the Institutions Tax Law. These exceptions to the Company are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate.

The Company capitalizes the R&D expenses made within the scope of the Code no 5746 in its legal books. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code.

As of 30 September 2020, the Company utilised R&D incentive exemption amounting of TRY321,240 (30 September 2019: TRY372,545) in return for the legal tax.

24. TAX ASSETS AND LIABILITIES (Continued)

The Company realizes fixed asset investments with incentives within the scope of 2009 Decisions of the Council of Ministers on State Aid in Investments 2009 numbered 2009/15199 and 2012/3305, which regulates the investment legislation.

The investment projects in which the Company has completed its investment processes and continued to benefit from the contribution amounts to the investment deserved are as follows;

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.

- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.

- For the new model Transit Courier investment, which started production with the establishment of the Kocaeli Yeniköy Plant, an investment expenditure of TRY798,311 was made between 2013-2016. The contribution rate of the project is 40%.

- Eskişehir Plant has two incentive certificates related to engine and truck production. The Company received an investment incentive certificate for the new 6 and 4-cylinder Engine Production project to be used in Trucks and Transit vehicles worth of TRY138,960 in Eskişehir in 2013-2019, and a second Investment Incentive Certificate for the Euro 6 Emission Truck Production project amounting to TRY529,645 in 2014-2019. The investment contribution rate of these projects is 40%.

Investment periods for the incentives of Eskişehir Factories have been completed and incentive closure process is continuing with the Ministry of Industry.

The Company’s project which has ongoing investment process and continues to benefit from the investment contribution is as follows;

- In 2016, an investment incentive certificate amounting to TRY849,160 was obtained for the renovation and factory modernization investments of the Transit, Transit Courier and Transit Custom models at the Gölcük and Yeniköy plants. Investment expenditures are continuing within the scope of this project and the contribution rate of the project to investment is 40%.

- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY500,640 was obtained on 30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%.

With the decision of the Council of Ministers, 15 points were added to the investment contribution rates for the investments to be realized in 2017, and the 15 points advantage that was added to the existing investment contributions was extended with the decisions of the Council of Ministers for the investments of 2018 and 2022.

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

24. TAX ASSETS AND LIABILITIES (Continued)

As of the date of the balance sheet, the investment expenditures amounting to TRY4,710,397 (30 September 2019: TRY4,073,964) was made in the framework of the related new investment incentive certificates.

The Company utilized discounted corporate taxation amounting to TRY 126,240 (30 September 2019: TRY211,878) in the current year and this amount has been deducted from the total deferred tax asset.

The Company's net tax position as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020	31 December 2019
Current year corporate tax expense	(19,325)	(21,242)
Prepaid tax and withholding	21,797	9,764
Current years' profit tax asset / (liability)	**2,472**	**(11,478)**

The taxation on income 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
Current year corporate tax expense	(19,325)	(15,300)	(17,804)	(6,693)
Current year tax effect of cash flow hedge (*)	(264,450)	(184,175)	51,757	51,465
Other deferred tax	243,606	141,661	17,030	(3,942)
Deferred tax income	(20,844)	(42,514)	68,787	47,523
Continuing operations tax (expense)/income	**(40,169)**	**(57,814)**	**50,983**	**40,830**

(*) The amount represents the tax effect of the reclassisfication made between the statement of income and other comprehensive income relating to the cash flow hedge transactions.

Calculation of the tax expense reconciliation using the current period tax expense in the statement of profit or loss as at 30 September 2020 and 2019 and current tax ratio based on income before tax is as follows:

	30 September 2020	31 September 2019
Income before tax:	2,307,875	1,291,724
Effective tax rate	%22	%22
Current year tax expense	(507,733)	(284,179)
Research and development deductions	70,673	81,960
Investment incentive exemption	375,053	251,620
Other	21,838	1,582
	(40,169)	**50,983**

The Company calculates deferred income tax assets and liabilities by taking into account the effects of temporary differences arising from the different assessments between TFRS and statutory financial statements.

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

24. TAX ASSETS AND LIABILITIES (Continued)

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws 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 30 September 2020 are calculated with 22% tax rate for the temporary differences and with 20% tax for those which will be realized after 2021 and onwards.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 30 September 2020 and 31 December 2019 using the current enacted tax rates is as follows:

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	30 September 2020	**31 December 2019**	**30 September 2020**	**31 December 2019**
Deferred tax assets				
Investment incentive tax asset	(5,269,692)	(5,007,169)	1,120,008	880,274
Expense accruals and other provision	(408,198)	(419,710)	87,813	90,754
Provision for employee benefits	(285,855)	(256,208)	57,171	51,241
Warranty expense provision	(267,666)	(209,168)	55,766	43,599
Inventories	(57,679)	(81,053)	12,689	17,832
	(6,289,090)	**(5,973,308)**	**1,333,447**	**1,083,700**
Deferred tax liabilities				
Tangibles and intangibles	2,164,279	2,114,036	(432,858)	(422,807)
Income accruals and other	29,342	48,307	(6,227)	(10,747)
	2,193,621	**2,162,343**	**(439,085)**	**(433,554)**
Net deferred tax asset			**894,362**	**650,146**

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

24. TAX ASSETS AND LIABILITIES (Continued)

The deferred tax movement table is presented below:

	1 January 2020	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	30 September 2020
Deferred tax liabilities				
Tangible and intangible assets	(422,807)	(10,051)	-	(432,858)
Income accruals and other	(10,747)	4,371	149	(6,227)
Deferred tax assets				
Investment incentive tax asset	880,274	239,734	-	1,120,008
Expense accruals and other	90,754	(2,941)	-	87,813
Provision for employee benefits	51,241	5,469	461	57,171
Warranty expense provision	43,599	12,167	-	55,766
Inventories	17,832	(5,143)	-	12,689
Deferred tax asset, net	**650,146**	**243,606**	**610**	**894,362**

	1 January 2019	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	30 September 2019
Deferred tax liabilities				
Tangible and intangible assets	(312,792)	(68,111)	-	(380,903)
Income accruals and other	(17,822)	14,318	(329)	(3,833)
Deferred tax assets				
Investment incentive tax asset	820,314	39,742	-	860,056
Expense accruals and other	60,838	16,456	-	77,294
Provision for employee benefits	34,185	12,242	(8,233)	38,194
Warranty expense provision	41,961	441	-	42,402
Inventories	17,491	1,942	-	19,433
Deferred tax asset, net	**644,175**	**17,030**	**(8,562)**	**652,643**

25. EARNINGS PER SHARE

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Net profit for the year (TRY)	2,267,706	1,358,269	1,342,707	454,419
Weighted average number of shares with nominal	35,091,000,000	35,091,000,000	35,091,000,000	35,091,000.000
Earnings per share with nominal value of Kr 1 each	**6.46 Kr**	**3.87 Kr**	**3.83 Kr**	**1.29 Kr**

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

26. RELATED PARTY DISCLOSURES

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding A.Ş. and Ford Deutschland Holding GmbH, a subsidiary of Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at 30 September 2020 and 31 December 2019 and the transactions with related parties during the year are as follows:

a) Receivables from related parties

i) Trade receivable from related parties

	30 September 2020	31 December 2019
Due from shareholders		
Ford Motor Company and subsidiaries	2,898,310	1,953,440
	2,898,310	**1,953,440**
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,003,186	597,362
Other	15,859	1,967
	1,019,045	**599,329**
Less: unearned credit finance income	(8,148)	(5,639)
	3,909,207	**2,547,130**

(*) The Company's shareholders' subsidiaries and affiliate.

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Export vehicle receivables from the Ford Motor Company are due in 14 days and receivables are collected regularly.

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As mentioned in Note 7, the Company's vehicle sales receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş. is due in 25 days on average and sales of spare parts is due in 70 days on average.

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

26. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	30 September 2020	31 December 2019
Due to shareholders		
Ford Motor Company and subsidiaries	2,208,245	702,729
	2,208,245	**702,729**
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	84,925	77,603
Ram Dış Ticaret A.Ş.	29,392	33,250
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	11,476	19,522
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	5,817	4,821
Ingage Dijital Pazarlama A.Ş.	4,730	6,918
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	2,733	3,482
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,998	11,635
Setur Servis Turistik A.Ş.	1,785	8,870
Ram Sigorta Aracılık Hizmetleri A.Ş.	1,549	262
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	910	348
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	-	10,763
Other	7,728	5,904
	153,043	**183,378**
Less: unearned credit finance expense	(1,453)	(1,553)
	2,359,835	**884,554**

(*) The Company's shareholders' subsidiaries, business associates and affiliates.

ii) Other payables to related parties

	30 September 2020	31 December 2019
Koç Holding A.Ş.	5,334	14,699
Koç Finansman A.Ş.	-	4,005
Yapı ve Kredi Bankası A.Ş.	-	1,913
	5,334	**20,617**

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

26. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2019
Ford Motor Company (*)	19,345,264	8,208,518	23,732,901	8,099,803
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	2,218,585	1,276,486	899,370	286,539
Other	124	57	111	33
	21,563,973	**9,485,061**	**24,632,382**	**8,386,375**
Less: financial income from credit sales	(30,659)	(13,480)	(45,026)	(13,256)
	21,533,314	**9,471,581**	**24,587,356**	**8,373,119**

(*) The Company, exports vehicle, spare parts and engineering service to Ford Motor Company.
(**) The Company has a vehicle and spare parts trade in accordance with domestic dealer agreement with Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

d) Material, service and fixed asset purchases from related parties

	1 January - 30 September 2020			
	Material	**Service**	**Fixed assets**	**Total**
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20,255	237,773	133	258,161
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	34,624	13,099	47,723
Ram Dış Ticaret A.Ş.	43,990	-	-	43,990
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	36,863	-	36,863
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	11,277	7,554	18,831
Opet Petrolcülük A.Ş.	18,608	-	-	18,608
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	14,295	-	-	14,295
Koç Holding A.Ş. (**)	-	14,245	-	14,245
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	13,321	-	13,321
Ark İnşaat Sanayi ve Ticaret A.Ş.	12,825	-	-	12,825
Ingage Dijital Pazarlama A.Ş.	-	12,191	-	12,191
Koçtaş Yapı Marketleri Ticaret A.Ş.	9,381	-	21	9,402
Setur Servis Turistik A.Ş.	-	9,214	-	9,214
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4,952	-	-	4,952
Tanı Pazarlama İlet. Hiz. A.Ş.	-	675	-	675
Other	438	6,942	921	8,301
	124,744	**377,125**	**21,728**	**523,597**
Less: financial expense from credit purchases	(2,130)	-	-	(2,130)
	122,614	**377,125**	**21,728**	**521,467**

(*) Contains paid and accrued premium amounts for the period ended 30 September 2020 and period ended 2019 within the context of insurance policies signed with insurance companies through the agency of Ram Sigorta Aracılık Hizmetleri A.Ş.
(**) It includes service costs that are based on finance, law, planning, tax and management provided by Koç Holding A.Ş. to the companies within the group organisation, invoiced to the company within the context of "11-Intra-group Services" in numbered 1 General Communique about concealed Gain Distribution by Transfer Pricing.

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

26. RELATED PARTY DISCLOSURES (Continued)

	1 July- 30 September 2020			
	Material	**Service**	**Fixed assets**	**Total**
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	7,793	111,132	-	118,925
Ram Dış Ticaret A.Ş.	26,409	-	-	26,409
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	16,404	1,714	18,118
Ingage Dijital Pazarlama A.Ş.	-	11,281	-	11,281
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	6,785	1,885	8,670
Opet Petrolcülük A.Ş.	7,625	-	-	7,625
Ark İnşaat Sanayi ve Ticaret A.Ş.	7,474	-	-	7,474
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	5,753	-	-	5,753
Koç Holding A.Ş. (**)	-	4,605	-	4,605
Koçtaş Yapı Marketleri Ticaret A.Ş.	3,488	-	-	3,488
Setur Servis Turistik A.Ş.	-	3,428	-	3,428
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	2,218	-	-	2,218
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	1,280	-	1,280
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	787	-	787
Tanı Pazarlama İlet. Hiz. A.Ş.	-	259	-	259
Other	203	1,315	684	2,202
	60,963	**157,276**	**4,283**	**222,522**
Less: financial expense from credit purchases	(824)	-	-	(824)
	60,139	**157,276**	**4,283**	**221,698**

	1 January - 30 September 2019			
	Material	**Service**	**Fixed assets**	**Total**
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	20,726	219,992	64	240,782
Ram Dış Ticaret A.Ş.	117,684	-	-	117,684
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	27,721	9,894	37,615
Setur Servis Turistik A.Ş.	-	21,784	-	21,784
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	16,789	-	-	16,789
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	11,105	4,688	15,793
Koç Holding A.Ş. (*)	-	14,673	-	14,673
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	12,775	-	-	12,775
Koçtaş Yapı Marketleri Ticaret A.Ş.	11,431	-	6	11,437
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	11,323	-	11,323
Opet Petrolcülük A.Ş.	10,835	-	-	10,835
Tanı Pazarlama İlet. Hiz. A.Ş.	-	447	-	447
Other	32,349	26,537	-	58,886
	222,589	**333,582**	**14,652**	**570,823**
Less: financial expense from credit purchases	(8,315)	-	-	(8,315)
	214,274	**333,582**	**14,652**	**562,508**

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

26. RELATED PARTY DISCLOSURES (Continued)

	1 July - 30 September 2019			
	Material	**Service**	**Fixed assets**	**Total**
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	6,550	70,730	7	77,287
Ram Dış Ticaret A.Ş.	45,512	-	-	45,512
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	9,380	4,098	13,478
Setur Servis Turistik A.Ş.	-	9,200	-	9,200
Koç Holding A.Ş. (*)	-	6,338	-	6,338
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,919	2,272	5,191
Opet Petrolcülük A.Ş.	4,717	-	-	4,717
Koçtaş Yapı Marketleri Ticaret A.Ş.	4,457	-	6	4,463
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	4,148	-	-	4,148
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	3,397	-	-	3,397
Ram Sigorta Aracılık Hizmetleri A.Ş. (**)	-	217	-	217
Tanı Pazarlama İlet. Hiz. A.Ş.	-	170	-	170
Other	24,406	11,161	-	35,567
	93,187	**110,115**	**6,383**	**209,685**
Less: financial expense from credit purchases	(3,211)	-	-	(3,211)
	89,976	**110,115**	**6,383**	**206,474**

Material, vehicle and service purchases from abroad

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Ford Motor Company and subsidiaries	12,158,608	6,140,189	11,305,951	3,951,232

e) License fees paid to Ford Motor Company included in cost of sales

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
	180,408	108,232	62,999	17,284

f) License fees received from Jiangling Motors Corporation, a subsidiary of Ford Motor Company, included in other income

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
	16,694	6,929	9,750	4,065

g) Donations to related parties, establishments and foundations, included in general administrative expenses

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
	22,505	11,657	32,787	9,471

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

26. RELATED PARTY DISCLOSURES (Continued)

h) The details of deposits in related banks and loans obtained from related banks

Deposits in related banks	**30 September 2020**	**31 December 2019**
Yapı ve Kredi Bankası A.Ş.		
- TRY time deposits	1,786,678	272,676
- Foreign currency time deposits	41,762	100,206
- TRY demand deposits	28,130	25,241
- Foreign currency demand deposits	2,755	574
	1,859,325	**398,697**

i) Commission income

	1 January - 30 September 2020	**1 July - 30 September 20120**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Yapı ve Kredi Bankası A.Ş.	2,531	1,627	781	64
Koç Finansman A.Ş.	1,450	864	1,380	403
	3,981	**2,491**	**2,161**	**467**

j) Commission expense

	1 January - 30 September 2020	**1 July - 30 September 20120**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Yapı ve Kredi Bankası A.Ş.	27,537	18,728	25,282	6,015
Koç Finansman A.Ş.	20,946	12,993	32,399	7,893
	48,483	**31,721**	**57,681**	**13,908**

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are credit commissions related to sales to end user customers by dealers and are recorded as sales discounts in the statement of profit or loss.

k) Interest income

	1 January - 30 September 2020	**1 July - 30 September 20120**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Yapı ve Kredi Bankası A.Ş.	19,928	16,257	12,148	3,871

l) Dividend income

	1 January - 30 September 2020	**1 July - 30 September 20120**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Otokar Otomotiv ve Savunma Sanayi A.Ş.	1,172	-	422	-

m) Compensation of key management personnel

The Company defines its key management personnel as board of directors' members, general manager, assistant general managers and directors reporting directly to the general manager (Note 2). Compensation of key management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees. The total amount of compensation given to key management personnel of the Company as of 30 September 2020 is TRY 18,173 (30 September 2019: TRY 12,591). All of this amount consists of short term benefits.

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 September 2020 and 31 December 2019. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

30 September 2020

	TRY Equivalent (Functional currency)	**USD**	**EUR**	**Other**
1. Trade receivables	3,279,470	7,058	353,233	2
2. Monetary financials assets (including cash and cash equivalents)	735,043	14,701	67,900	237
3. Other	310,407	22,933	14,389	-
4. Current assets (1 + 2 + 3)	**4,324,920**	**44,692**	**435,522**	**239**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	**-**	**-**
7. Total assets (4 + 6)	**4,324,920**	**44,692**	**435,522**	**239**
8. Trade payables	2,743,468	61,629	246,563	12,936
9. Financial liabilities (*)	3,736,238	-	409,312	-
10. Other monetary liabilities	44,275	-	4,850	-
11. Short term liabilities (8 + 9 + 10)	**6,523,981**	**61,629**	**660,725**	**12,936**
12. Financial liabilities (*)	4,786,030	-	524,318	-
13.Other	1,602	-	176	-
14. Long term liabilities (12+13)	**4,787,632**	**-**	**524,494**	**-**
15. Total liabilities (11 + 14)	**11,311,613**	**61,629**	**1,185,219**	**12,936**
16. Net foreign currency (liabilities)/assets position (7 - 15)	**(6,986,693)**	**(16,937)**	**(749,697)**	**(12,697)**
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(7,295,498)**	**(39,870)**	**(763,910)**	**(12,697)**

(*) The Company's net foreign exchange position is mainly due to long - term Euro denominated loans obtained to fund its investments. The Company is hedging for the foreign currency exchange risk arising from its Euro denominated long-term loans with export agreements signed with Ford Motor Company. The TRY equivalent of such loans amount to TRY6,900,066 as of 30 September 2020 (31 December 2019: TRY3,859,197). As of 30 September 2020, the Company has a total of TRY205,537 (31 December 2019: TRY50,715) of the product to be issued.

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019

	TRY Equivalent (Functional currency)	**USD**	**EUR**	**Other**
1. Trade receivables	2,343,969	10,022	343,494	-
2. Monetary financials assets (including cash and cash equivalents)	548,085	400	82,026	177
3. Other	424,397	25,230	41,279	-
4. Current assets (1 + 2 + 3)	**3,316,451**	**35,652**	**466,799**	**177**
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	**-**	**-**	**-**	**-**
7. Total assets (4 + 6)	**3,316,451**	**35,652**	**466,799**	**177**
8. Trade payables	939,804	39,549	104,807	895
9. Financial liabilities (*)	3,614,548	-	543,492	-
10. Other monetary liabilities	37,663	-	5,663	-
11. Short term liabilities (8 + 9 + 10)	**4,592,015**	**39,549**	**653,962**	**895**
12. Financial liabilities (*)	2,538,769	-	381,735	-
13. Other	1,447	-	218	-
14. Long term liabilities (12+13)	**2,540,216**	**-**	**381,953**	**-**
15. Total liabilities (11 + 14)	**7,132,231**	**39,549**	**1,035,915**	**895**
16. Net foreign currency (liabilities)/assets position (7 - 15)	**(3,815,780)**	**(3,897)**	**(569,116)**	**(718)**
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	**(4,238,730)**	**(29,127)**	**(610,177)**	**(718)**

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk primarily against Euro and partly against USD. The foreign exchange risk of the Company arises from long-term Euro investments.

30 September 2020

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency	**Increase by 10%**	**Decrease by 10%**
Change in USD against TRY		
USD net assets/(liabilities)	(13,224)	13,224
USD net hedged amount	-	-
USD net- gain/(loss)	**(13,224)**	**13,224**
Change in EUR against TRY		
EUR net (liabilities)/assets	(684,331)	684,331
EUR net hedged amount	690,007	(690,007)
EUR net- gain/(loss)	**5,676**	**(5,676)**
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(1,114)	1,114
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	**(1,114)**	**1,114**

31 December 2019

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency	**Increase by 10%**	**Decrease by 10%**
Change in USD against TRY		
USD net assets/(liabilities)	(2,315)	2,315
USD net hedged amount	-	-
USD net- gain/(loss)	**(2,315)**	**2,315**
Change in EUR against TRY		
EUR net (liabilities)/assets	(378,496)	378,496
EUR net hedged amount	385,920	(385,920)
EUR net- gain/(loss)	**7,424**	**(7,424)**
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(766)	766
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	**(766)**	**766**

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 30 September 2020 and 2019 are as follows:

	30 September 2020	30 September 2019
Total export amount	20,076,556	24,312,309
Total import amount	12,937,623	12,787,920

The Company's net assets are exposed to foreign exchange risk which arises from export sales. To minimize its foreign currency risk, the Company follows a balanced foreign currency position policy. The foreign currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	30 September 2020	31 December 2019
Fixed interest rate financial instruments		
Financial assets	6,747,484	3,160,603
Financial liabilities	8,032,898	4,874,051
Floating interest rate financial instruments		
Financial liabilities	1,951,280	1,333,995

If the interest rates of floating interest-bearing Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TRY4,784 at 30 September 2020 (31 December 2019: TRY1,081) due to higher/lower interest expense.

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Company:

30 September 2020	Book value	Total contractual cash outflow	Up to 3 months	Between 3 - 12 months	Between 1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	9,892,997	10,216,535	2,563,567	2,657,000	4,575,903	420,065
Lease liabilities	91,181	113,031	6,615	19,844	79,158	7,414
Trade payables						
- Related party	2,359,835	2,361,288	2,361,288	-	-	-
- Other	4,348,338	4,380,777	4,380,777	-	-	-
Other liabilities						
- Related party	5,334	5,334	5,334	-	-	-
- Other	193,478	193,478	193,478	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,602	1,602	-	-	1,602	-

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019	Book value	Total contractual cash outflow	Up to 3 months	Between 3 - 12 months	Between 1 - 5 years	Longer than 5 years
Non-derivative financial instruments						
Financial liabilities	6,118,793	6,258,060	1,580,488	2,047,583	2,476,887	153,102
Lease liabilities	89,253	123,591	10,441	31,324	81,642	184
Trade payables						
- Related party	884,554	886,107	886,107	-	-	-
- Other	3,660,866	3,690,149	3,690,149	-	-	-
Other liabilities						
- Related party	20,617	20,617	20,617	-	-	-
- Other	54,541	54,541	54,541	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,447	1,447	-	-	1,447	-

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Fair value hierarchy table

The Company classifies the fair value measurement of financial instruments reported at fair value according to their source of valuation inputs, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted).

Level 2: Other valuation techniques that includes direct or indirect observable inputs.

Level 3: Valuation techniques that does not contain observable market inputs.

As of 30 September 2020 and 31 December 2019, the Company's hierarchy table for its assets and liabilities recorded at fair value are as follows:

30 September 2020

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	-	-
Financial asset available-for-sale - Otokar	19,375	-	-
Total assets	**19,375**	**-**	**-**
Liabilities at fair value			
Derivative financial liabilities	-	1,602	-
Total liabilities	**-**	**1,602**	**-**

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	-	-
Financial asset available-for-sale - Otokar	22,355	-	-
Total assets	**22,355**	**-**	**-**
Liabilities at fair value			
Derivative financial liabilities	-	1,447	-
Total liabilities	**-**	**1,447**	**-**

(*) Fair value is calculated at market prices per the Stock Exchange market at the reporting date.
(**) Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses long term floating rate foreign currency loans from international markets. The Company hedges interest rate risk by securing a portion of the floating rate loans from international markets through long term swap transactions.

The Company hedged the interest rate risk arising from cash flows related to the borrowing used as of 30 September 2020 with the maturity of 23 May 2024 amounting to EUR150,000,000 with interest rate swapping. The critical conditions of the settlement contract such as maturity, payment, interest rate change dates are in line with the critical conditions of the foreign currency borrowing, which is the subject of financial hedge as of 30 September 2020. The fair value of the interest rate swap transaction calculated as of 30 September 2020 is TRY 1,602 and it is classified as long - term liabilities.

Derivative financial instruments

	30 September 2020	31 December 2019
Derivative financial liabilities	1,602	1,447
	1,602	**1,447**

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

28. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

There is an effective foreign currency cash flow hedge relationship between foreign currency long-term financial borrowings related with investment expenditures (non-derivative hedging instrument) and highly probable forecast transaction export sales receivables (hedged item). In the frame of the manufacturing agreement signed with Ford Motor Company, the Company will associate a portion of estimated export revenue from 1 April 2013 to November 2026 with long- term financial borrowings.

Cash flow hedge reserve	**30 September 2020**	**31 December 2019**
Amount recognized in other comprehensive income	1,658,766	327,765
Amount recycled from other comprehensive income to statement of profit or (loss)	(334,440)	(441,155)
	1,324,326	**(113,390)**

29. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Income from investing activities				
Gain on sale of property, plant and equipment	1,377	1,377	-	-
Dividends income	1,172	-	422	-
	2,549	**1,377**	**422**	**-**

	1 January - 30 September 2020	**1 July - 30 September 2020**	**1 January - 30 September 2019**	**1 July - 30 September 2019**
Expense from investing activities				
Fixed asset sales loss	(728)	-	(1,162)	(51)
	(728)	**-**	**(1,162)**	**(51)**

30. DEFERRED REVENUE

	30 September 2020	**31 December 2019**
Advances received	39,220	10,519
Short-term deferred revenue	9,786	13,311
	49,006	**23,830**

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

30. DEFERRED REVENUE (Continued)

	30 September 2020	31 December 2019
Long-term deferred revenue	14,659	10,838
	14,659	**10,838**

31. OTHER NON CURRENT LIABILITIES

	30 September 2020	31 December 2019
Other non-current liabilities (*)	41,280	61,235
	41,280	**61,235**

(*) The Company makes a part of its fleet truck with buyback commitments and sales made within this scope are followed under "Other Non-Current Liabilities". The buyback commitments are 3 years on average.

32. INVESTMENTS VALUED BY EQUITY METHOD

The Company has a 25% share in Rezervis Mobil Teknoloji A.Ş., which was established for the purpose of developing, improving and acquiring the algorithmic based application that remodeling the individual and collective use of the means of transportation within the scope of supporting innovation. In the event that Rezervis Mobil Teknoloji A.Ş. has decided to terminate its activities, the Company has allocated provision for its existing investments.

a) The details of the investments valued by the equity method are as follows:

	30 September 2020		31 December 2019	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Rezervis Mobil Teknoloji A.Ş.	25	-	25	-
		-		**-**

b) Movements in the provision for investments valued by the equity method during the year are as follows:

	2020	2019
1 January	**-**	**933**
Profit/(losses) share	-	(933)
30 September	**-**	**-**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

32. INVESTMENTS VALUED BY EQUITY METHOD (Continued)

	1 January - 30 September 2020	1 July - 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2019
Profit/(losses) share	-	-	(933)	(783)
	-	**-**	**(933)**	**(783)**

33. RIGHT OF USE ASSETS

	Buildings	Machinery and equipment	Vehicles	Total
As of 1 January 2020	38,942	47,481	13,291	99,714
For the period ended 30 September 2020				
Additional	-	4,246	12,773	17,019
Disposals	-	(3,661)	-	(3,661)
Current period depreciation and amortization expenses	(11,175)	(13,126)	(8,320)	(32,621)
Disposals from depreciation and amortization expenses	-	1,541	-	1,541
30 September 2020	**27,767**	**36,481**	**17,744**	**81,992**

	Buildings	Machinery and equipment	Vehicles	Total
As of 1 January 2019	50,003	63,310	23,715	137,028
For the period ended 30 September 2019				
Additional	-	3,604	175	3,779
Disposals	-	-	(128)	(128)
Current period depreciation and amortization expenses	(11,003)	(13,190)	(8,474)	(32,667)
30 September 2019	**39,000**	**53,724**	**15,288**	**108,012**

The distribution of depreciation expenses of right-of-use assets for the period ending on 30 September 2020 and 30 September 2019 are as follows:

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

33. RIGHT OF USE ASSETS (Continued)

	30 September 2020	30 September 2019
Cost of production (Note 18)	22,275	22,048
Marketing expenses (Note 19)	7,378	7,639
Research and development expenses (Note 19)	1,500	1,404
General administrative expenses (Note 19)	1,468	1,576
	32,621	**32,667**

34. GOVERNMENT INCENTIVES AND GRANTS

The Company realizes fixed asset investments with incentives within the scope of 2009 Decisions of the Council of Ministers on State Aid in Investments 2009 numbered 2009/15199 and 2012/3305, which regulates the investment legislation.

The investment projects in which the Company has completed its investment processes and continued to benefit from the contribution amounts to the investment deserved are as follows;

- An investment of TRY559,295 has been made between 2010 and 2013 for the Transit and Transit Custom model investments at Kocaeli Gölcük Plant. The investment contribution rate of this project is 30%.

- An investment of TRY1,300,573 has been made between 2013 and 2017 at Kocaeli Gölcük Plant for Transit expenditures. The investment contribution rate of this project is 50%.

- Investment expenditure of TRY798,311 was made between 2013 and 2016 for the new model Transit Courier investment, which started production with the establishment of the Yeniköy Plant in Kocaeli. The investment contribution rate of this project is 40%.

- Eskişehir Plant has two incentive certificates related to engine and truck production. The Company received an investment incentive certificate for the new 6 and 4-cylinder Engine Production project to be used in Trucks and Transit vehicles worth of TRY138,960 in Eskişehir in 2013-2019, and a second Investment Incentive Certificate for the Euro 6 Emission Truck Production project amounting to TRY529,645 in 2014-2019. The investment contribution rate of these projects is 40%.

The Company's project which has ongoing investment process and continues to benefit from the investment contribution is as follows;

- In 2016, an investment incentive certificate amounting to TRY849,160 was obtained for the renovation and factory modernization investments at the Gölcük and Yeniköy Factories related to Transit, Transit Courier and Transit Custom models, which are currently being produced at Kocaeli Factories. Investment expenditures are continuing within the scope of this project and the contribution rate of the project to investment is 40%.

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

34. GOVERNMENT INCENTIVES AND GRANTS (Continued)

- Renewal investments of machinery and equipment used for the manufacturing and assembly of F-Trucks (trucks, tractors), Transit and Transit Custom vehicles manufactured in Eskişehir Factories, Brake Disc and Front Layout that will be started to be produced for use in Transit vehicles. An investment incentive certificate amounting to TRY500,640 was obtained on 30 March 2020 for machinery and equipment investments to be made locally to manufacture the gearbox of F-Trucks, which is a product in the heavy commercial vehicle segment, as well as line installation investments for its complex manufacturing. The contribution rate of this project to investment is 40%.

With the decision of the Council of Ministers, 15 points were added to the investment contribution rates for the investments to be realized in 2017, and the 15 points advantage that was added to the existing investment contributions was extended with the decisions of the Council of Ministers for the investments of 2018 and 2022.

35. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Gembox Teknoloji Girişimleri A.Ş was established with 100% contribution to capital by Ford Otosan capital in order to carry out research, development, consultancy, engineering and incubation activities and to invest in companies and initiatives established in these areas.

Ford Otosan Netherlands BV was established with 100% Ford Otosan capital to centrally manage the Company's Ford Trucks export market structuring.

Investments in Subsidiaries as of 30 September 2020 and 31 December 2019 are as follows:

	30 September 2020		31 December 2019	
	Share in capital (%)	**Amount**	**Share in capital (%)**	**Amount**
Investments in subsidiaries				
Gembox Teknoloji Girişimleri Anonim Şirketi	100	2,500	100	2,500
Ford Otosan Netherlands BV	100	1	100	1
		2,501		**2,501**

These investments are carried at cost and are not included in the scope of consolidation since their financial statements do not have a significant effect on the financial statements of the company.

36. SUBSEQUENT EVENTS

There are no issues to be disclosed that arise during the period between the balance sheet date and the reporting date.

37. DISCLOSURE OF OTHER MATTERS

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements.

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