

FORD OTOMOTİV SANAYİ ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 30 SEPTEMBER 2021**

(ORIGINALLY ISSUED IN TURKISH)

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

FORD OTOMOTİV SANAYİ A.Ş.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020**

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ORIGINALLY ISSUED IN TURKISH**

FORD OTOMOTİV SANAYİ A.Ş.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020**

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

	Notes	Current period not reviewed 30 September 2021	Previous period audited 31 December 2020
Assets			
Current assets		25,798,227	17,604,522
Cash and cash equivalents	4	13,587,561	8,124,073
Trade receivables			
- Due from related parties	26	3,951,599	3,207,939
- Due from third parties	7	2,004,304	2,546,243
Other receivables			
- Due from third parties	8	29,396	1,457
Inventories	9	4,691,035	2,449,043
Prepaid expenses	12	280,956	221,872
Other current assets	16	1,253,376	1,053,895
Non-current assets		8,214,974	6,744,657
Financial investments	5	45,245	44,767
Trade receivables			
- Due from third parties	7	4,499	3,950
Property, plant and equipment	10	4,606,139	4,403,373
Intangible assets	11	1,179,739	904,839
Right of use assets	32	66,135	68,919
Prepaid expenses	12	1,154,663	359,729
Deferred tax assets	24	1,148,720	954,246
Investments in subsidiaries, joint ventures and affiliated companies	34	9,834	4,834
Total assets		34,013,201	24,349,179

Financial statements for the period ended 1 January - 30 September 2021 were approved for issue by the Board of Directors on 27 October 2021.

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

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

FORD OTOMOTİV SANAYİ A.Ş.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020**

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

	Notes	Current period not reviewed 30 September 2021	Previous period audited 31 December 2020
Liabilities			
Current liabilities		18,235,137	12,480,781
Short-term borrowings			
- Bank borrowings	6	4,469,608	2,240,949
Short-term portion of long-term borrowings			
- Bank borrowings	6	2,730,451	1,660,704
- Lease liabilities	6	39,256	31,228
Trade payables			
- Due to related parties	26	2,360,732	1,178,339
- Due to third parties	7	7,929,776	6,569,454
Other payables			
- Due to related parties	26	8,177	34,350
- Due to third parties	8	183,737	141,846
Deferred income	30	48,771	43,037
Short-term provisions			
- Other provisions	13	208,806	273,245
Employee benefit liabilities	15	240,418	290,077
Current tax liabilities	24	15,405	17,552
Non-current liabilities		6,773,790	4,824,496
Long-term borrowings			
- Bank borrowings	6	5,929,221	4,096,515
- Lease liabilities	6	43,688	51,478
Long-term provisions			
- Provision for employment termination benefits	15	439,933	361,058
- Other provisions	13	306,529	273,453
Deferred income	30	37,822	22,040
Other non-current liabilities	31	15,537	18,699
Derivative financial liabilities	28	1,060	1,253
Equity	17	9,004,274	7,043,902
Paid-in capital		350,910	350,910
Inflation adjustments on capital		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		(36,024)	(18,359)
- Gains from financial assets measured at fair value through other comprehensive income		42,054	41,600
Other comprehensive income/(loss)			
to be reclassified in profit or loss			
- Losses on cash flow hedges		(1,653,448)	(1,431,512)
Restricted reserves		634,023	410,493
Retained earnings		4,928,070	3,467,929
Net profit for the period		4,710,761	4,194,913
Total liabilities and equity		34,013,201	24,349,179

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED 30 SEPTEMBER 2021 AND 2020

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

	Notes	Not reviewed 1 January 2021 - 30 September 2021	Not reviewed 1 July 2021 - 30 September 2021	Not reviewed 1 January 2020 - 30 September 2020	Not reviewed 1 July 2020 - 30 September 2020
Continuing operations					
Revenue	18	45,657,489	18,870,745	28,490,189	13,396,274
Cost of sales	18	(39,753,193)	(16,551,730)	(25,091,077)	(11,747,531)
Gross profit		5,904,296	2,319,015	3,399,112	1,648,743
Marketing expenses	19	(680,577)	(238,918)	(510,525)	(235,300)
General administrative expenses	19	(473,497)	(164,237)	(305,556)	(117,449)
Research and development expenses	19	(416,271)	(141,955)	(295,700)	(91,515)
Other income from operating activities	21	830,503	228,707	719,380	386,306
Other expenses from operating activities	21	(574,658)	(215,056)	(245,048)	(93,640)
Profit from operating activities		4,589,796	1,787,556	2,761,663	1,497,145
Income from investing activities	29	2,464	-	2,549	1,377
Expenses from investing activities	29	(34,714)	(33,248)	(728)	-
Operating income before financial income/(expense)		4,557,546	1,754,308	2,763,484	1,498,522
Financial income	22	2,414,607	1,135,193	957,043	520,784
Financial expenses	23	(2,277,231)	(987,104)	(1,412,652)	(603,223)
Profit from continuing operations before tax		4,694,922	1,902,397	2,307,875	1,416,083
Tax income/(expense) from continuing operations		15,839	(10,213)	(40,169)	(57,814)
- Tax expenses for the period	24	(45,112)	(19,183)	(19,325)	(15,300)
- Deferred tax income/(expense)	24	60,951	8,970	(20,844)	(42,514)
Profit for the period		4,710,761	1,892,184	2,267,706	1,358,269
Earnings per share with a nominal value Kr	25	13.42 Kr	5.39 Kr	6.46 Kr	3.87 Kr

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 SEPTEMBER 2021 AND 2020

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

	Notes	Not reviewed 1 January 2021 - 30 September 2021	Not reviewed 1 July 2021 - 30 September 2021	Not reviewed 1 January 2020 - 30 September 2020	Not reviewed 1 July 2020 - 30 September 2020
Profit for the period		4,710,761	1,892,184	2,267,706	1,358,269
Other comprehensive income/(expense)					
Other comprehensive income not to be reclassified to profit or loss					
(Losses)/gains on remeasurements of defined benefit plans	17	(22,081)	(5,564)	(2,303)	1,077
Gains/(losses) from financial assets measured at fair value through other comprehensive income	17	478	6,158	(2,980)	(1,679)
Other comprehensive income taxes not to be reclassified to profit or loss					
Taxes relating to remeasurements of defined benefit plans	17	4,416	1,113	461	(215)
Taxes relating to gains/(losses) from financial assets measured at fair value through other comprehensive income	17	(24)	(308)	149	84
Other comprehensive income to be reclassified to profit or loss					
Other comprehensive income/(expense) relating to cash flow hedges	17	(286,467)	172,535	(1,324,326)	(918,305)
Other comprehensive income taxes to be reclassified to profit or loss					
Taxes relating to cash flow hedges	17	64,531	(37,597)	264,450	184,175
Other comprehensive income/(loss)		(239,147)	136,337	(1,064,549)	(734,863)
Total comprehensive income		4,471,614	2,028,521	1,203,157	623,406

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

FORD OTOMOTİV SANAYİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 30 SEPTEMBER 2021 AND 2020

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

	Paid in capital	Inflation adjustments on capital	Share premium	Other comprehensive income not to be reclassified in profit or loss	Other comprehensive income to be reclassified in profit or loss	Cash flow hedge/ reserves	Restricted reserves	Retained earnings		Total equity
				Gain/(losses) from financial assets measured at fair value through other comprehensive income	Gains/(losses) on remeasurements defined benefit plans			Accumulated profit	Net profit	
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
Balances at 1 January 2021	350,910	27,920	8	41,600	(18,359)	(1,431,512)	410,493	3,467,929	4,194,913	7,043,902
Impact of correction of errors (Note 2.5)	-	-	-	-	-	-	-	(258,400)	-	(258,400)
Revised Balances at 1 January 2021	350,910	27,920	8	41,600	(18,359)	(1,431,512)	410,493	3,209,529	4,194,913	6,785,502
Profit for the period	-	-	-	-	-	-	-	-	4,710,761	4,710,761
Other comprehensive income/(loss)	-	-	-	454	(17,665)	(221,936)	-	-	-	(239,147)
Total comprehensive income	-	-	-	454	(17,665)	(221,936)	-	-	4,710,761	4,471,614
Transfers	-	-	-	-	-	-	223,530	3,971,383	(4,194,913)	-
Dividends (Note 17)	-	-	-	-	-	-	-	(2,252,842)	-	(2,252,842)
Balances at 30 September 2021	350,910	27,920	8	42,054	(36,024)	(1,653,448)	634,023	4,928,070	4,710,761	9,004,274

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

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

FORD OTOMOTİV SANAYİ A.Ş.

**STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED
30 SEPTEMBER 2021 AND 2020**

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

	Notes	Current period Not reviewed 30 September 2021	Previous period not reviewed 30 September 2020
Cash flows generated from/(used in) operating activities		5,508,277	3,900,965
Net profit for the period		4,710,761	2,267,706
Adjustments to reconcile profit or loss		1,759,171	2,102,274
Adjustments for depreciation and amortisation expense	10.11.32	772,257	673,900
Adjustments for impairment loss of inventories	9	(2,439)	(528)
Adjustments for provisions related with employee benefits		22,332	85,009
Adjustments for lawsuit and/or penalty provisions	13	19,811	13,621
Adjustments for warranty provisions	13	236,282	189,028
Adjustments for other provisions		(82,107)	13,390
Adjustments for dividend income	29	(2,343)	(1,172)
Adjustments for interest income	22	(807,019)	(209,361)
Adjustments for interest expense	23	150,847	144,801
Adjustments for tax expenses	24	(15,839)	40,169
Adjustments for unearned financing income	21	(275,641)	(114,528)
Adjustments for deferred financing expense	21	494,977	164,742
Adjustments for loss on sales of property, plant and equipment	29	34,593	(649)
Other adjustments for which cash effects are investing or financing cash flow		1,213,460	1,103,852
Changes in working capital		(432,700)	(244,105)
(Increase)/decrease in trade receivables		(509,424)	(1,802,354)
(Increase)/decrease in inventories		(2,246,234)	(846,665)
(Increase)/decrease in prepaid expenses		(54,359)	(261,338)
Increase/(decrease) in trade payable		2,568,683	2,165,809
(Increase)/decrease in other assets		(225,438)	367,747
Increase/(decrease) in other liabilities		34,072	132,696
Cash flows generated from operations		6,037,232	4,125,875
Interest paid		(510,823)	(157,650)
Interest received		249,673	111,472
Payments related with provisions for employee benefits	15	(15,197)	(10,616)
Payments related with other provisions		(205,349)	(134,841)
Taxes paid		(47,259)	(33,275)
Cash flows used in investing activities		(2,048,189)	(554,094)
Proceeds from sales of property, plant and equipment		12,030	28,548
Purchase of property, plant and equipment		(842,300)	(363,232)
Purchase of intangible assets		(420,603)	(152,089)
Cash advances given and payables		(799,659)	(68,493)
Dividends received	29	2,343	1,172
Cash flows (used in)/generated from financing activities		1,995,311	249,819
Proceeds from borrowings	6	10,174,154	6,488,300
Cash outflows related to borrowings	6	(6,540,507)	(5,186,975)
Dividends paid	17	(2,252,842)	(1,094,839)
Interest paid		(144,323)	(92,633)
Interest received		798,930	175,868
Cash outflows on debt payments from leasing agreements	6	(40,101)	(39,902)
Net (decrease)/increase in cash and cash equivalents		5,455,399	3,596,690
Cash and cash equivalents at the beginning of the period		8,073,629	3,200,229
Cash and cash equivalents at the end of the period	4	13,529,028	6,796,919

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2021

(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 Company and the Koç Group of Companies. The Company is listed on the Borsa İstanbul (“BİST”) 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 Gölçük 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 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	
	2021 September	2020 September	2021 September	2020 December
Hourly	9,511	8,413	10,107	9,913
Salaried	3,100	2,622	3,203	2,604
	12,611	11,035	13,310	12,517

Research and development operations which are also subject to service export is conducted with 1,163 employees in Sancaktepe branch, conducted with 237 employees in R&D centre in Kocaeli plant, conducted with 110 employees in R&D centre in Eskişehir plant and 11 employees in R&D ODTU Teknokent Office in totally 1,521 employees as of 30 September 2021 (31 December 2020: 1,413).

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2021

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

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 2021 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 2020.

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.

The 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 2021 has been provided with the comparative financial information of 31 December 2020 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 - 30 September 2021 have been provided with the comparative financial information, for the period between 1 January 2020 - 30 September 2020.

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 KGK as of 1 January 2021 and related to its own activity.

a. Standards, amendments and interpretations applicable as at 30 September 2021:

- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. 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. This change has no effect on the financial status and performance of the Company.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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FORD OTOMOTİV SANAYİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 1 JANUARY - 30 SEPTEMBER 2021**

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. This change has no effect on the financial status and performance of the Company.
- **Amendments to IFRS 17 and IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023. This change has no effect on the financial status and performance of the Company.
- b. Standards, amendments and interpretations that are issued but not effective as at 30 September 2021:**
 - **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. This change has no effect on the financial status and performance of the Company.
 - **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
 - **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

FORD OTOMOTİV SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY - 30 SEPTEMBER 2021

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments and interpretations in the standards (Continued)

- **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

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

This change has no effect on the financial position and performance of the Company.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. This change has no effect on the financial position and performance of the Company.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction**; from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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".

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. In the calculation of expected credit losses, the Company takes into account past credit loss experience as well as forecasts for the future. Expected credit losses are accounted for under "other income / expense from operating activities" in the income statement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

The Company measures the allowance for trade receivables at an amount equal to the "expected lifetime 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.

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).

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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

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 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 through other comprehensive income, financial assets carried at fair value through 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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

"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 recognised 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 recognise in profit or loss dividends from that investment.

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).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxes on income

Taxes include current period income taxes and deferred taxes.

Current period income tax

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

Deferred tax

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).

Current and deferred tax

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.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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 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.
- It is probable that the Company will collect a price for the goods or services to 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 recognised 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, 21).

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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 2-3-4 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.

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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
30 September 2021	8.8433	10.3135
31 December 2020	7.3405	9.0079
30 September 2020	7.8080	9.1281

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.

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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 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 2021	31 December 2020
Net financial debt	(375,337)	(43,199)
EBITDA (*)	7,648,726	5,722,236
Net financial debt/EBITDA (*)	(0.05)	(0.01)

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

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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, maximising the use of relevant observable inputs and minimising 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 recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Company.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as “hedging reserves”. 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 recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised 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 recognised 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 recognised 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 recognise 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 recognised 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.

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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).

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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).

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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).

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).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

TFRS 16 “Leases” Standard

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 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:
 - 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 criterias.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

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 incremental borrowing interest rate shall be used for discounting.

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

2.4 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, production activities were temporarily suspended, especially during the periods when curfews were imposed. In this process, the necessary actions were taken by the Company management to minimize the possible effects of COVID-19 on the Company's activities and financial status.

After the Covid-19 pandemic, which has affected the whole world since the first quarter of 2020, due to the increasing demands of many sectors for electronic components (microchips), there are difficulties in the supply of in-vehicle electronic components, which have been used more intensely in the automotive sector in recent years.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Important Developments Regarding the Current Period (Continued)

Our main partner, Ford Motor Company, works with its global suppliers to ensure the efficient use of materials belonging to electronic components by giving priority to the solution of the problem and main production lines. In this context, production was suspended for six days from April 3, 2021 to April 9, 2021, due to the restrictions in the procurement of some parts, where microchip use is intense, at our Gölcük and Yeniköy Plants located in Kocaeli. However, additional supply problems arose with semiconductor materials caused by earthquake and fire in Japan. With the effect of this development, it has been decided to suspend production at Gölcük Plant between 19 April and 07 June 2021, at Eskişehir Motor Plant between 31 May and 14 June, at Eskişehir Truck Plant between 31 May and 17 June by bringing forward our annual planned summer shutdown. During this period maintenance will be carried out and our production lines will be rearranged in preparation for new investments. Production continues in our Yeniköy and Eskişehir plants.

The effects of production loss caused by the suspension of production is reduced by the increase in production pace in the following months, therefore, our total production guidance for the year 2021, is expected to remain within the previously announced range.

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 financial statements dated 30 September 2021, 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 financial statements dated 30 September 2021 and no impairment has been identified.

2.5 Accounting policies, changes in accounting estimates and errors

As disclosed in Material Event Disclosure dated 22 February 2021, as a result of the internal control investigation carried out in our company; the Receivables Team Leader and the employee who follows dealer receivables, have been determined to have made irregularities on dealer current accounts and the dealer limits in the Direct Debit System, reporting dealer receivables and risks different than they are and as a result committed an act of misconduct. In this respect a criminal complaint has been filed against these persons with the charges of misappropriation, their employment contracts have been terminated immediately and also a lawsuit has been filed for compensating TRY247,800 - due to receivables risk identified as of date of disclosure - while reserving the right to claim further damages. It was publicly shared that the investigation related to this case was ongoing.

In the notes of the financial report dated 31 March 2021, which was released to the public at 30 April 2021, it was stated that the internal audit work continues on the subject, detailed investigations have been initiated within the framework of the fraud audit contract signed with an independent institution, legal processes are followed, and negotiations are held with dealers to recognize and pay their debts.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Accounting policies, changes in accounting estimates and errors (Continued)

The work of our company's internal audit team and the work on the fraud audit services we received from an independent institution specialized in this field have been completed. The related work has confirmed the total of trade receivables from domestic dealers within the trade receivable balances included in the financial statements Company announced to the public at the end of 2020. Although total domestic trade receivable balances have been confirmed, it has been determined that trade receivables from certain dealers are erroneous and creates a risk of collection of receivables. In addition, no suspicious invoices were detected either to Ford Otosan or by Ford Otosan in the study. Necessary additional measures have been taken by the company management to prevent a similar incident from recurring. As a result of the internal audit and the independent institution's fraud audit studies, it has been confirmed that Company do not have a risk of collection of receivables beyond what is stated in our financial report footnotes dated March 31, 2021, which was announced to the public on April 30, 2021. In financial statements dated 30 June 2021, which was announced to the public on 6 August 2021, company risk of collection of receivables regarding the case of fraud has been evaluated with a prudent approach, and a provision for doubtful receivables of TRY323,000 has been made.

As a result of the actions taken and the evaluations made after the detection of the misconduct, the relevant provision has been evaluated as a prior period error in accordance with TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In this context, the related doubtful receivable provision amounting to TRY323,000 has been adjusted retrospectively with the deferred tax effect of TRY64,600 (net TRY258,400) without being associated with the current period results.

Determination of the effects of the aforementioned error on the comparative information presented in the prior years and periods requires making assumptions about the payment power of counterparties in the relevant periods, as well as the receivables, collateral and receivable risk information in the relevant periods, and how the evaluations of the company management in the relevant periods would be.

Within the framework of the information we have at the current stage, it has not been possible to make this determination reliably for the past periods.

The Company has corrected the aforementioned adjustments within the retained earnings for the earliest period for which retrospective restatement is practicable which is 1 January 2021 in accordance with the "Limitations on Retrospective Restatement" referred to in TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Comparative information has not been restated in that respect. The effects of the aforementioned adjustments on the statement of financial position as of 30 September 2021 are presented below, and this correction does not have an effect on the statement of profit or loss and statements of cash flow.

The reconciliation of provision for doubtful receivables and opening balance as of 1 January 2021 is as follows:

	1 January 2021
Provision for doubtful receivables (previously reported)	(4,533)
Correction in retained earnings	(323,000)
Provision for doubtful receivables (restated)	(327,533)

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Accounting policies, changes in accounting estimates and errors (Continued)

The reconciliation of deferred tax assets and opening balance as of 1 January 2021 is as follows:

	1 January 2021
Deferred tax assets (previously reported)	954,246
Correction in retained earnings	64,600
Deferred tax assets (restated)	1,018,846

The effects of these corrections on the Company's retained earnings as of 1 January 2021 are as follows:

	1 January 2021
Retained earnings - (previously reported)	3,467,929
Trade receivables	(323,000)
Deferred tax effect	64,600
Retained earnings - (restated)	3,209,529

As stated in our material event disclosure dated 11 August 2021, our business relations with the dealers involved in the fraud process; It has been decided to terminate these dealers within a certain plan, taking into account their acceptance, payment and legal cooperation with our Company. In this context, notifications and agreements were made to terminate our business relations with the dealers in the following period, a receivable restructuring agreement was signed with the dealers corresponding to a risk of 98,000 TL (Note 7), and also against the dealers who refrained from paying their debts, constituting 225,000 TL of doubtful receivables. In accordance with the provisions of the Turkish Commercial Code, receivables follow-up has been started.

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.

- (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 under 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).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Significant accounting estimates and decisions (Continued)

- (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 2021 and 31 December 2020 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).

The company capitalizes ongoing development expenditures and evaluates whether there is an annual depreciation of these capitalized assets. As of 30 September 2021 and 31 December 2020, there is no impairment of capitalized development expenses (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.

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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 0.36% (31 December 2020: 2.34%) and the weighted average interest rate for the TRY time deposits is 19.00% (31 December 2020: 17.68%).

	30 September 2021	31 December 2020
Banks - TRY time deposits	7,360,551	7,401,123
Banks - foreign currency time deposits	6,138,259	521,769
Banks - TRY demand deposits	26,436	147,795
Banks - foreign currency demand deposits	3,782	2,942
Cash and cash equivalents in the cash flow statement	13,529,028	8,073,629
Interest income accrual	58,533	50,444
	13,587,561	8,124,073

5. FINANCIAL INVESTMENTS

	<u>30 September 2021</u>		<u>31 December 2020</u>	
	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	45,245	0.59	44,767
		45,245		44,767

(*) The Company’s shareholding in Otokar was stated at market value at 30 September 2021 and 31 December 2020 which is assumed to approximate its fair value.

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6. FINANCIAL LIABILITIES

Short-term financial liabilities

Bank borrowings

	30 September 2021		31 December 2020	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	0.45	4,430,891	0.78	1,092,965
- TRY	-	38,717	8.34	1,147,984
		4,469,608		2,240,949

Short-term portion of long-term financial liabilities

Bank borrowings

- EUR	1.79	2,730,451	1.82	1,660,704
		2,730,451		1,660,704

Lease liabilities

- EUR	4.78	15,816	4.68	20,158
- TRY	23.79	23,440	23.71	11,070
		39,256		31,228

		2,769,707		1,691,932
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Total short-term financial liabilities		7,239,315		3,932,881
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Long-term financial liabilities

Bank borrowings

	30 September 2021		31 December 2020	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	2.16	5,929,221	1.76	4,096,515
		5,929,221		4,096,515

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6. FINANCIAL LIABILITIES (Continued)

Lease liabilities

	30 September 2021		31 December 2020	
	Effective interest rate (%)	TRY amount	Effective interest rate (%)	TRY amount
- EUR	5.06	17,239	4.80	29,732
- TRY	22.91	26,449	22.22	21,746
		43,688		51,478
Total long-term financial liabilities		5,972,909		4,147,993

The payment schedules of long-term bank borrowings as of 30 September 2021 and 31 December 2020 are as follows:

Payment period	30 September 2021	31 December 2020
2022	547,071	1,829,182
2023	1,830,246	1,115,096
2024	1,219,752	491,471
2025	990,997	336,818
2026	930,827	323,948
2027	210,285	-
2028	200,043	-
	5,929,221	4,096,515

The letters of bank guarantee given to financial institutions in connection with borrowings amounting to TRY5,025,198 (31 December 2020: TRY1,458,383) (Note 13).

The movement of financial liabilities as of 30 September 2021 and 2020 is as follows:

	2021	2020
1 January	8,080,874	6,208,046
Cash inflows from borrowing	10,174,154	6,488,300
Cash outflows from borrowing	(6,540,507)	(5,186,975)
Cash outflows related to debt payments arising from lease agreements	(40,101)	(39,902)
Unrealised foreign exchange differences	1,499,927	2,428,178
Change in accrual of interest	6,524	52,168
Changes in TFRS 16 - lease liabilities	31,353	34,363
30 September	13,212,224	9,984,178

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7. TRADE RECEIVABLES AND PAYABLES

	30 September 2021	31 December 2020
Short - term trade receivables		
Trade receivables	2,030,183	2,578,872
Doubtful receivables	229,533	4,533
Less: provision for doubtful receivables	(229,533)	(4,533)
Less: unearned credit finance income	(25,879)	(32,629)
	2,004,304	2,546,243
	2021	2020
Beginning of the period - 1 January (previously reported)	(4,533)	(4,533)
Adjustments made from retained earnings (*)	(323,000)	-
	(327,533)	-
Beginning of the period - 1 January (revised)	(327,533)	-
Canceled during the period (**)	98,000	-
	(229,533)	(4,533)

(*) Note 2.5 Accounting policies, changes in accounting estimates and errors are explained in section.

(**) Receivable restructuring agreements were signed on 17 September 2021 with the dealers, which are included in the fraud process explained in Note 2.5 and correspond to TL 98,000 of the total receivable risk. In line with the contracts, 98,000 TL of the total amount of 323,000 TL reserved for previous years, which has become possible to collect, has been canceled in the current period.

The average turnover of receivables related to vehicle sales to domestic distributors is 25 days (31 December 2020: 25 days), domestic sales of spare parts turnover is 70 days (31 December 2020: 70 days) and discounted by 1.83% monthly effective interest rate (31 December 2020: 1.49%).

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

	30 September 2021	31 December 2020
Long - term trade receivables		
Deposits and guarantees given	4,499	3,950
	4,499	3,950

	30 September 2021	31 December 2020
Trade payables		
Trade payables	8,009,395	6,624,233
Less: unearned credit finance expense	(79,619)	(54,779)
	7,929,776	6,569,454

The average turnover of trade payables is 60 days (31 December 2020: 60 days) and discounted by 1.83% monthly effective interest rate (31 December 2020: 1.49%).

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

The maximum exposure of the Company to credit risk as of 30 September 2021 and 31 December 2020 is as follows:

30 September 2021	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	3,951,599	2,004,304	-	29,396	13,529,028
- The maximum of credit risk covered by guarantees	235,000	1,829,805	-	-	-
Net book value of the financial assets that are neither overdue not impaired	3,785,294	1,999,260	-	29,396	13,529,028
Net book value of financial assets that are overdue but not impaired	166,305	5,044	-	-	-
- Amount of risk covered by guarantees	-	1,160	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	229,533	-	-	-
- Provision for impairment (-)	-	(229,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

31 December 2020	Trade receivables		Other receivables		Deposit in bank
	Related party	Other	Related party	Other	
The maximum of credit risk exposed at the reporting date (Notes 26, 7, 8, 4)	3,207,939	2,546,243	-	1,457	8,073,629
- The maximum of credit risk covered by guarantees	235,000	2,544,397	-	-	-
Net book value of the financial assets that are neither overdue not impaired	3,170,095	2,537,594	-	1,457	8,073,629
Net book value of financial assets that are overdue but not impaired	37,844	8,649	-	-	-
- Amount of risk covered by guarantees	-	6,803	-	-	-
Net book value of impaired assets	-	-	-	-	-
- Overdue (gross book value)	-	4,533	-	-	-
- Provision for impairment (-)	-	(4,533)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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7. TRADE RECEIVABLES AND PAYABLES (Continued)

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

30 September 2021	Trade receivables	
	Related party	Other
1 - 30 days overdue	66,316	1,767
1 - 3 months overdue	45,237	304
3 - 12 months overdue	54,744	2,437
1 - 5 years overdue	8	536
	166,305	5,044
Risk covered by guarantees	-	1,160

31 December 2020	Trade receivables	
	Related party	Other
1 - 30 days overdue	36,091	3,371
1 - 3 months overdue	1,571	2,835
3 - 12 months overdue	182	2,229
1 - 5 years overdue	-	214
	37,844	8,649
Risk covered by guarantees	-	6,803

8. OTHER RECEIVABLES AND PAYABLES

	30 September 2021	31 December 2020
Other receivables		
Other miscellaneous receivables	29,396	1,457
	29,396	1,457
Other payables		
Provisions for donations	70,010	-
Sales premium accruals	66,251	42,468
Taxes and funds payable	19,193	84,469
Marketing expense and other expense accruals	13,574	-
Other	14,709	14,909
	183,737	141,846

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9. INVENTORIES

	30 September 2021	31 December 2020
Raw materials	2,286,550	962,381
Finished goods	1,189,211	530,107
Goods in transit	694,746	364,172
Vehicle spare parts	344,163	277,493
Spare parts	86,212	57,270
Import vehicles	32,326	255,241
Other	73,461	20,452
	4,706,669	2,467,116
Less: provision for impairment of finished goods and vehicle spare parts	(15,634)	(18,073)
	4,691,035	2,449,043

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:

	2021	2020
1 January	18,073	16,665
Change within the period	(2,439)	(528)
30 September	15,634	16,137

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).

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10. PROPERTY, PLANT AND EQUIPMENT

1 January 2021	Land	Land improvements	Buildings	Machine and equipment	Models and moulds	Fixture and furniture	Vehicles (*)	Constructions in progress	Total
Cost	94,929	208,154	1,035,421	3,420,759	3,882,471	543,000	46,990	138,298	9,370,022
Accumulated depreciation	-	(96,865)	(493,050)	(1,748,880)	(2,272,833)	(345,670)	(9,351)	-	(4,966,649)
Net book value	94,929	111,289	542,371	1,671,879	1,609,638	197,330	37,639	138,298	4,403,373

For the period ended 30 September 2021

Opening net book value	94,929	111,289	542,371	1,671,879	1,609,638	197,330	37,639	138,298	4,403,373
Additions	-	8,833	10,798	278,101	133,771	69,123	6,879	341,476	848,981
Transfers	-	-	618	6,048	1,802	15	-	(8,483)	-
Disposals	-	-	-	(76,510)	(59)	(1,089)	(13,456)	-	(91,114)
Depreciation charge	-	(4,933)	(23,520)	(142,084)	(395,668)	(29,622)	(4,066)	-	(599,893)
Disposals from accumulated depreciation	-	-	-	41,247	59	491	2,995	-	44,792
Closing net book value	94,929	115,189	530,267	1,778,681	1,349,543	236,248	29,991	471,291	4,606,139

30 September 2021

Cost	94,929	216,987	1,046,837	3,628,398	4,017,985	611,049	40,413	471,291	10,127,889
Accumulated depreciation	-	(101,798)	(516,570)	(1,849,717)	(2,668,442)	(374,801)	(10,422)	-	(5,521,750)
Net book value	94,929	115,189	530,267	1,778,681	1,349,543	236,248	29,991	471,291	4,606,139

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 have been recognized under property, plant and equipment according to the cumulative approach within the context of TAS 23 as of 30 September 2021 (31 December 2020: None).

There is no collateral, pledge or mortgage on tangible assets as of 30 September 2021 and 2020.

(*) 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 TRY20,323 (31 December 2020: TRY24,242).

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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

1 January 2020	Land	Land improvements	Buildings	Machine and equipment	Models and moulds	Fixture and 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

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10. PROPERTY, PLANT AND EQUIPMENT (Continued)

The allocation of depreciation expense as of 30 September 2021 and 2020 is as follows:

	30 September 2021	30 September 2020
Cost of production (Note 18)	567,126	505,892
Research and development expenses (Note 19)	15,092	14,210
General administrative expenses (Note 19)	12,658	10,109
Marketing expenses (Note 19)	2,420	2,454
Associated with construction in progress	2,597	1,511
	599,893	534,176

11. INTANGIBLE ASSETS

1 January 2021	Rights	Development cost	Development cost in progress	Other	Total
Cost	121,228	1,136,844	383,265	7,284	1,648,621
Accumulated amortisation	(91,430)	(645,331)	-	(7,021)	(743,782)
Net book value	29,798	491,513	383,265	263	904,839

For the period ended 30 September 2021

Opening net book value	29,798	491,513	383,265	263	904,839
Additions	11,899	408,704	-	-	420,603
Transfers	-	252,569	(252,569)	-	-
Disposals	(339)	-	-	-	(339)
Amortisation charge	(16,856)	(128,424)	-	(122)	(145,402)
Disposals from accumulated depreciation	38	-	-	-	38

Closing net book value	24,540	1,024,362	130,696	141	1,179,739
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30 September 2021

Cost	132,788	1,798,117	130,696	7,284	2,068,885
Accumulated amortisation	(108,248)	(773,755)	-	(7,143)	(889,146)

Net book value	24,540	1,024,362	130,696	141	1,179,739
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There are no fully depreciated intangible assets as of 30 September 2021. As of 30 September 2021, there is no capitalized interest cost and foreign exchange difference in accordance with TAS 23 (31 December 2020: None).

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11. INTANGIBLE ASSETS (Continued)

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

The allocation of amortisation charges of intangible assets relating to 30 September 2021 and 2020 is as follows:

	30 September 2021	30 September 2020
Cost of production (Note 18)	130,147	94,791
General administrative expenses (Note 19)	12,056	9,914
Research and development expenses (Note 19)	2,609	1,685
Marketing expenses (Note 19)	547	670
Associated with construction in progress	43	43
	145,402	107,103

12. PREPAID EXPENSES

Short-term prepaid expenses	30 September 2021	31 December 2020
Advances given for inventories	220,628	188,570
Other prepaid expenses	60,328	33,302
	280,956	221,872
Long-term prepaid expenses	30 September 2021	31 December 2020
Advances given for investments (*)	1,135,903	336,244
Other prepaid expenses	18,760	23,485
	1,154,663	359,729

(*) Advances given for investments are related to the Company’s new vehicle investments. TRY710,309 (31 December 2020: TRY148,384) is given to domestic vendors as mould advances and TRY425,594 (31 December 2020: TRY187,860) is the advance given for the new project investments.

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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 2021	31 December 2020
Warranty expense provision	181,800	164,132
Provisions for sales premium (*)	27,006	109,113
	208,806	273,245

(*) 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 2021	31 December 2020
Warranty expense provision	217,882	190,084
Provisions for lawsuits	88,647	83,369
	306,529	273,453

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

	2021	2020
1 January	83,369	53,838
Paid during the period	(14,533)	(4,311)
Additions during the period	19,811	13,621
30 September	88,647	63,148

A movement in the warranty expense provision during the period is as follows:

	2021	2020
1 January	354,216	209,168
Paid during the period	(190,816)	(130,530)
Additions during the period (Note 19)	236,282	189,028
30 September	399,682	267,666

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13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

Letters of guarantee and letters of credit	30 September 2021	31 December 2020
Letters of guarantee given to financial institutions due to bank loans	5,025,198	1,458,383
Letters of guarantee given to customs	107,726	94,670
Letters of guarantees given to other parties	92,146	51,539
	5,225,070	1,604,592

Letters of guarantee given

	30 September 2021		31 December 2020	
	Original currency	TRY amount	Original currency	TRY amount
EUR	497,321	5,129,116	171,957	1,548,967
TRY	95,954	95,954	55,625	55,625
		5,225,070		1,604,592

The allocation of collaterals, pledges and mortgages as of 30 September 2021 and 31 December 2020 as follows:

Collaterals, pledges and mortgages given by the Company

	30 September 2021	31 December 2020
A. Total amount of collaterals/pledges/mortgages given for its own legal entity	5,221,700	1,602,947
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	3,370	1,645
D. Total amount of other collaterals/pledges/mortgages given		
i. Total amount of collaterals/pledges/mortgages	-	-
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/mortgages given for third parties that do not fall into C section	-	-
	5,225,070	1,604,592

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13. PROVISION, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 30 September 2021 and 31 December 2020, total amount of the collaterals, pledges and mortgages obtained by the Company are as follows:

Letters of guarantee taken

	30 September 2021		31 December 2020	
	Original currency	TRY amount	Original amount	TRY amount
TRY	641,583	641,583	302,071	302,071
EUR	60,679	625,814	22,471	202,417
USD	186	1,648	22	162
		1,269,045		504,650

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 2021 and 31 December 2020.

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 EUR100,000,000 in 2021. With this agreement the company committed to pass the export value of EUR200,000,000 through its accounts.
- b) The Company also committed to Türkiye İhracat Kredi Bankası A.Ş. (Eximbank):
 - With 2 years term credit amounting to EUR44,000,000 used in December 2019 an export amount of EUR44,000,000.
 - With 2 years term credit amounting to EUR40,000,000 used in April 2020 an export amount of EUR40,000,000.
 - With 2 years term credit amounting to EUR23,000,000 used in May 2020 an export amount of EUR23,000,000.
 - With 8 months term credit amounting to EUR12,500,000 used in February 2021 an export amount of EUR12,500,000
 - With 2 years term credit amounting to EUR50,000,000 used in February 2021 an export amount of EUR50,000,000
 - With 4 months term credit amounting to EUR20,000,000 used in June 2021 an export amount of EUR20,000,000
 - With 4 months term credit amounting to EUR145,000,000 used in July 2021 an export amount of EUR145,000,000
 - With 4 months term credit amounting to EUR100,000,000 used in August 2021 an export amount of EUR100,000,000
 - With 4 months term credit amounting to EUR40,000,000 used in September 2021 an export amount of EUR40,000,000

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15. EMPLOYEE BENEFITS

Liabilities for employee benefit obligations

	30 September 2021	31 December 2020
Salaries and social charges payable	162,696	119,836
Social security premiums payable	43,003	90,248
Withholding income tax payable	26,019	72,850
Other	8,700	7,143
	240,418	290,077

Long-term provision for employee benefits

	30 September 2021	31 December 2020
Provision for employment termination benefits	367,775	312,721
Provision for unused vacation pay liability	72,158	48,337
	439,933	361,058

Provision for employee 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 TRY8,284.51 for each year of service as of 1 July 2021 (31 December 2020: Full TRY7,638.96).

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.

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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 2021	31 December 2020
Net discount rate (%)	4.63	4.63
Turnover rate to estimate the probability of retirement (%)	95.61	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 TRY8,284.51 which was effective as of 1 July 2021 (31 December 2020: Full TRY7,638.96) has been used in the calculations.

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

	2021	2020
1 January	312,721	256,208
Interest cost	30,490	23,059
Current year service cost	17,680	14,901
Paid during the period	(15,197)	(10,616)
Actuarial gains	22,081	2,303
30 September	367,775	285,855

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 30 September 2021 is below:

Sensitivity level	Net discount rate		Turnover rate related to the probability of retirement	
	0,5% base decrease	0,5% base increase	0,5%base decrease	0,5% base increase
Rate (%)	(4.1)	(5.1)	95.1	96.1
Change in provision for employee benefits	23,549	(21,572)	(7,216)	7,565

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16. OTHER CURRENT ASSETS

	30 September 2021	31 December 2020
VAT to be deducted (*)	1,207,022	985,386
Prepaid taxes and withholding	40,247	46,483
Other	6,107	22,026
	1,253,376	1,053,895

(*) VAT to be deducted includes export VAT receivables related to August and September 2021. VAT return for August amounting to TRY495,708 has been collected in October 2021.

17. EQUITY

The composition of the Company’s paid-in capital as of 30 September 2021 and 31 December 2020 is as follows:

Shareholders	Share group	30 September 2021	Shareholders percentage (%)	31 December 2020	Shareholders percentage (%)
Koç Holding A.Ş.	B	135,631	38.65	135,631	38.65
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	2,881	0.82
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 2020: 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 TRY634,023 as of 30 September 2021 (31 December 2020: TRY410,493).

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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 17 March 2021, the Company has decided to distribute dividends at the rate of 642% gross (net 545.70%), with a total amount of TRY2,252,842 as full TRY6.42 gross (Kr 545.70 net) for each share with a value of full TRY1 and the Company made the dividend payment in March 2021. (In March 2020 full TRY3.12 of the gross TRY1 share (net Kr 265.20) will be 312% rate TRY1,094,839 cash dividend was distributed).

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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 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
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	42,054	41,600
Losses on cash flow hedge	(1,653,448)	(1,431,512)
Losses on remeasurements of defined benefit plans	(36,024)	(18,359)
Restricted reserves	634,023	410,493
- Legal reserves	634,023	410,493
Retained earnings (*)	4,928,070	3,467,929
- Inflation adjustment to equity	428,301	428,301
- Extraordinary reserves	4,499,769	3,039,628
Net income for the period	4,710,761	4,194,913
Total equity	9,004,274	7,043,902

(*) Note 2.5 Accounting policies are explained in Accounting policies, changes in accounting estimates and errors.

The readjusted amounts and equity inflation adjustment differences of the historical values shown above for the year ended 30 September 2021 and 31 December 2020 are as follows:

30 September 2021	Historical values	Adjusted values	Equity inflation adjustment differences
Issued capital	350,910	378,830	27,920
Legal reserves	634,023	692,776	58,753
Extraordinary reserves	4,499,769	4,868,914	369,145
Share premium	8	361	353
Other reserves	-	50	50
	5,484,710	5,940,931	456,221
31 December 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

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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 2021 and 31 December 2020. As of 30 September 2021, fair value change amounting to TRY454 net of deferred tax, (31 December 2020: TRY21,291) 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:

	2021	2020
1 January	(1,408,271)	(687,178)
Gains/(losses) from financial assets measured at fair value through other comprehensive income	454	(2,831)
Actuarial gains/(losses)	(17,665)	(1,842)
Gains/(losses) on cash flow hedges	(221,936)	(1,059,876)
30 September	(1,647,418)	(1,751,727)

18. REVENUE AND COST OF SALES

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Export sales	35,454,317	15,563,397	20,076,556	8,537,908
Domestic sales	11,157,522	3,615,363	9,257,913	5,336,149
Other sales	248,316	100,628	125,539	53,286
Less: discounts	(1,202,666)	(408,643)	(969,819)	(531,069)
	45,657,489	18,870,745	28,490,189	13,396,274

Units of vehicle sales

	1 January - 30 September 2021			1 July - 30 September 2021		
	Domestic sales	Export sales	Total sales	Domestic sales	Export sales	Total sales
Transit Custom	2,969	117,293	120,262	1,325	47,216	48,541
Transit	12,135	76,933	89,068	4,075	34,131	38,206
Transit Courier	22,519	14,601	37,120	5,233	2,715	7,948
Ford Trucks (Trucks)	4,632	3,414	8,046	1,466	1,594	3,060
Passenger vehicles	7,822	16	7,838	1,539	-	1,539
Ranger	1,143	2	1,145	346	-	346
New Transit Connect	316	-	316	9	-	9
	51,536	212,259	263,795	13,993	85,656	99,649

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18. REVENUE AND COST OF SALES (Continued)

	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

Summaries of cost of production as of 30 September 2021 and 2020 are as follows:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Cost of raw material	(33,852,036)	(14,344,266)	(20,140,335)	(9,383,643)
Production overhead costs	(2,168,917)	(788,045)	(1,498,784)	(583,256)
Amortization expenses (Notes 10, 11 and 32)	(715,411)	(242,733)	(622,958)	(213,288)
Changes in finished goods	661,586	110,497	336,284	67,466
Total production cost	(36,074,778)	(15,264,547)	(21,925,793)	(10,112,721)
Cost of trade goods sold	(3,678,415)	(1,287,183)	(3,165,284)	(1,634,810)
Total cost of sales	(39,753,193)	(16,551,730)	(25,091,077)	(11,747,531)

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

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Research and development expenses				
Personnel expenses	(208,469)	(59,580)	(162,039)	(50,716)
Project costs	(110,648)	(51,725)	(53,770)	(19,888)
Mechanization expenses	(65,676)	(23,012)	(45,142)	(10,486)
Depreciation and amortization expenses (Notes 10, 11 and 32)	(19,007)	(6,438)	(17,395)	(5,813)
Other	(12,471)	(1,200)	(17,354)	(4,612)
	(416,271)	(141,955)	(295,700)	(91,515)

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

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Marketing expenses				
Warranty expenses (Note 13)	(236,282)	(77,855)	(189,028)	(110,578)
Personnel expenses	(122,673)	(40,811)	(100,601)	(34,125)
Advertising expenses	(71,743)	(24,587)	(45,835)	(19,436)
Vehicle transportation expenses	(59,784)	(23,121)	(48,433)	(26,424)
Spare parts transportation and packaging expenses	(32,943)	(13,867)	(23,897)	(10,674)
Export expenses	(27,146)	(11,134)	(20,593)	(9,503)
Depreciation and amortization expenses (Notes 10, 11 and 32)	(8,781)	(2,871)	(10,502)	(3,345)
Dealer and service development expenses	(3,656)	(2,825)	(3,250)	(1,063)
Other	(117,569)	(41,847)	(68,386)	(20,152)
	(680,577)	(238,918)	(510,525)	(235,300)

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
General administrative expenses				
Personnel expenses	(198,349)	(67,633)	(137,277)	(48,280)
Grants and donations	(81,581)	(34,658)	(29,305)	(18,000)
Legal, consulting and auditing expenses	(49,767)	(15,893)	(30,744)	(9,924)
Depreciation and amortization expenses (Notes 10, 11 and 32)	(26,418)	(9,283)	(21,491)	(7,337)
New project administrative expenses	(10,736)	(4,950)	(5,029)	(2,876)
Transportation and travel expenses	(10,463)	(2,119)	(6,935)	(2,933)
Repair, maintenance and energy expenses	(8,012)	(2,798)	(6,466)	(2,415)
Organization expenses	(7,166)	(2,464)	(6,128)	(2,014)
Duties, taxes and levies expenses	(5,506)	(1,797)	(4,006)	(1,395)
Other	(75,499)	(22,642)	(58,175)	(22,275)
	(473,497)	(164,237)	(305,556)	(117,449)

20. EXPENSES BY NATURE

The classification of expenses by nature for the periods ended at 30 September 2021 and 2020 is as follows:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Raw material cost	(33,852,036)	(14,344,266)	(20,140,335)	(9,383,643)
Cost of trade goods sold	(3,678,415)	(1,287,183)	(3,165,284)	(1,634,810)
Financial expenses	(2,277,231)	(987,104)	(1,412,652)	(603,223)
Personnel expenses	(1,648,656)	(587,649)	(1,157,581)	(430,769)
Other overhead costs	(1,049,752)	(368,420)	(741,121)	(285,613)
Other operational expenses	(986,648)	(358,494)	(662,475)	(294,643)
Depreciation and amortization expenses	(769,617)	(261,325)	(672,346)	(229,783)
Other expenses from operating activities	(574,658)	(215,056)	(245,048)	(93,640)
Expenses from investing activities	(34,714)	(33,248)	(728)	-
Changes in inventories	661,586	110,497	336,284	67,466
Total expenses	(44,210,141)	(18,332,248)	(27,861,286)	(12,888,658)

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21. OTHER OPERATING INCOME/(EXPENSES)

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Other operating income				
Foreign exchange gains				
related to trade receivables and payables	383,956	14,701	537,359	311,338
Unearned financial income	275,641	90,826	114,528	51,018
Provisions no longer required	98,000	98,000	-	-
License income	17,291	7,103	16,694	6,929
Commission income	10,670	3,244	3,981	2,491
Rent income	8,079	1,892	7,274	2,888
Price difference and claim recovery	5,063	2,136	2,525	1,136
Other	31,803	10,805	37,019	10,506
	830,503	228,707	719,380	386,306

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Other operating expenses				
Unearned financial expense	(494,977)	(191,913)	(164,742)	(54,390)
Foreign exchange losses				
related to trade receivables and payables	(76,608)	(23,029)	(73,123)	(38,659)
Other	(3,073)	(114)	(7,183)	(591)
	(574,658)	(215,056)	(245,048)	(93,640)

22. FINANCIAL INCOME

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Foreign exchange gains	1,607,588	842,339	747,682	409,660
Interest income	807,019	292,854	209,361	111,124
	2,414,607	1,135,193	957,043	520,784

23. FINANCIAL EXPENSES

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Foreign exchange losses	(2,106,887)	(937,219)	(1,250,124)	(534,796)
Interest expenses	(150,847)	(39,949)	(144,801)	(64,569)
Other	(19,497)	(9,936)	(17,727)	(3,858)
	(2,277,231)	(987,104)	(1,412,652)	(603,223)

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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 30 September 2021 is 25% (31 December 2020: 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 2021, the Company utilised R&D incentive exemption amounting of TRY625,455 (30 September 2020: TRY321,240) in return for the legal tax.

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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 and 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 TRY903,089 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%.
- For product diversification and expansion investments covering the production of new generation commercial vehicles and batteries at Kocaeli Plants; Granting Project-Based State Aid was accepted with the Presidential Decision No. 3273 published in the Official Gazette dated 04.12.2020 and numbered 31324. Within the scope of the related projects, an investment incentive certificate dated 24 September 2021 was issued for the expenditure of 20,501,205,701 TL between 1 July 2020 and 01 July 2026. The rate of contribution to the investment to be utilized for this project is 100%.

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.

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24. TAX ASSETS AND LIABILITIES (Continued)

As of the date of the balance sheet, the investment expenditures amounting to TRY5,613,647 (30 September 2020: TRY4,710,397) was made in the framework of the related new investment incentive certificates.

The Company utilized discounted corporate taxation amounting to TRY868,255. (30 September 2020: TRY126,240) 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 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Current year corporate tax expense	(45,112)	(39,799)
Prepaid tax and withholding	29,707	22,247
Current tax related assets/(liabilities)	(15,405)	(17,552)

The taxation on income for the periods ended 30 September 2021 and 2020 are as follows:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Current year corporate tax expense	(45,112)	(19,183)	(19,325)	(15,300)
Current year tax effect of cash flow hedge (*)	(64,531)	37,597	(264,450)	(184,175)
Deferred tax charged to statement of profit or loss	125,482	(28,627)	243,606	141,661
Deferred tax (expense)/income	60,951	8,970	(20,844)	(42,514)
Continuing operations tax (income)/(expense)	15,839	(10,213)	(40,169)	(57,814)

(*) The amount represents the tax effect of the reclassification 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 2021 and 2020 and current tax ratio based on income before tax is as follows:

	30 September 2021	30 September 2020
Income before tax	4,694,922	2,307,875
Effective tax rate	25%	22%
Current year tax expense	(1,173,731)	(507,733)
Research and development deductions	156,364	70,673
Investment incentive exemption	908,258	375,053
Other	124,948	21,838
	15,839	(40,169)

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.

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24. TAX ASSETS AND LIABILITIES (Continued)

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, "Law on the Amending the Procedure Law on Collection of Public Claims and Some Other Laws", in temporary declarations to be issued after 01.07,2021, the corporate tax rate has increased from 20% to 25% and to 23% for 2022. It will be applied as 20% from 2023.

Within the scope of the law, deferred tax assets and liabilities in the financial statements dated 30 September 2021; it is calculated with 25% tax rate for the part of temporary differences that will have tax effect in 2021, 23% for the part of temporary differences that will create tax effect in 2022, and 20% for the part that will have tax effect in the following periods.

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as at 30 September 2021 and 31 December 2020 using the current enacted tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Deferred tax assets				
Investment incentive tax asset	(6,172,942)	(5,508,188)	1,160,006	1,120,004
Expense accruals and other provisions	(560,588)	(512,294)	132,374	102,453
Employee benefits provision	(367,775)	(312,721)	73,555	62,544
Warranty expense provision	(399,682)	(354,216)	88,178	70,843
Inventories	(101,369)	(68,338)	25,342	13,668
Provision for doubtful trade receivables	(225,000)	-	56,250	-
	(7,827,356)	(6,755,757)	1,535,705	1,369,512
Deferred tax liabilities				
Tangible and intangible assets	1,822,674	1,983,517	(364,534)	(396,703)
Income accruals and other	96,940	92,814	(22,451)	(18,563)
	1,919,614	2,076,331	(386,985)	(415,266)
Net deferred tax asset			1,148,720	954,246

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24. TAX ASSETS AND LIABILITIES (Continued)

The deferred tax movement table is presented below:

	1 January 2021	Effect of fixes (*)	Charged to statement of profit or loss as income/(expense)	Charged to comprehensive income statement as income/(expense)	30 September 2021
Deferred tax liabilities					
Tangible and intangible assets	(396,703)	-	32,169	-	(364,534)
Income accruals and other	(18,563)	-	(3,864)	(24)	(22,451)
Deferred tax assets					
Investment incentive tax asset	1,120,004	-	40,002	-	1,160,006
Expense accruals and other provisions	102,453	-	29,921	-	132,374
Provision for employee benefits	62,544	-	6,595	4,416	73,555
Warranty expense provision	70,843	-	17,335	-	88,178
Inventories	13,668	-	11,674	-	25,342
Doubtful receivables provisions	-	64,600	(8,350)	-	56,250
Deferred tax asset, net	954,246	64,600	125,482	4,392	1,148,720

(*) Note 2.5 Accounting policies are explained in Accounting policies, changes in accounting estimates and errors.

	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 provisions	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

25. EARNINGS PER SHARE

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Net profit for the year (TRY)	4,710,761	1,892,184	2,267,706	1,358,269
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	13.42 Kr	5.39 Kr	6.46 Kr	3.87 Kr

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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 Ford Deutschland Holding GmbH which is a subsidiary of Koç Holding A.Ş. and 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 2021 and 31 December 2020 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 2021	31 December 2020
Due from shareholders		
Ford Motor Company and its subsidiaries	3,215,920	1,938,318
	3,215,920	1,938,318
Due from group companies (*)		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	714,377	1,278,190
Other	28,496	7,721
	742,873	1,285,911
Less: unearned credit finance income	(7,194)	(16,290)
	3,951,599	3,207,939

(*) 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.

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26. RELATED PARTY DISCLOSURES (Continued)

b) Payables to related parties

i) Trade payables to related parties

	30 September 2021	31 December 2020
Due to shareholders		
Ford Motor Company and its subsidiaries	2,068,382	900,762
	2,068,382	900,762
Due to group companies (*)		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	155,698	127,008
Ram Dış Ticaret A.Ş.	78,305	54,043
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	14,518	7,325
Ark İnşaat A.Ş.	13,664	11,205
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	7,513	29,350
Opet Petrolcülük A.Ş.	6,229	4,348
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	5,954	14,159
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,162	4,150
Ram Sigorta Aracılık Hizmetleri A.Ş.	3,371	1,143
Ingage Dijital Pazarlama A.Ş.	2,171	17,552
Setur Servis Turistik A.Ş.	1,551	4,491
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	424	1,021
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş.	-	484
Other	2,435	3,815
	295,995	280,094
Less: unearned credit finance income	(3,645)	(2,517)
	2,360,732	1,178,339

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

ii) Other payables to related parties

	30 September 2021	31 December 2020
Koç Holding A.Ş.	8,177	18,685
Koç Finansman A.Ş.	-	8,864
Yapı ve Kredi Bankası A.Ş.	-	6,801
	8,177	34,350

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26. RELATED PARTY DISCLOSURES (Continued)

c) Sales to related parties

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Ford Motor Company (*)	33,211,328	14,476,392	23,732,901	8,099,803
Otokoç Otomotiv Tic. ve San. A.Ş. (**)	2,637,749	897,221	899,370	286,539
Other	6	5	111	33
	35,849,083	15,373,618	24,632,382	8,386,375
Less: financial income from credit sales	(73,037)	(25,368)	(45,026)	(13,256)
	35,776,046	15,348,250	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 2021			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	38,912	553,905	152	592,969
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	177,527	177,527
Ram Dış Ticaret A.Ş.	130,528	-	-	130,528
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	93,367	-	93,367
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	45,165	25,898	71,063
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	27,615	22,157	49,772
Opet Petrolcülük A.Ş.	32,388	-	-	32,388
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	28,364	-	-	28,364
Ingage Dijital Pazarlama A.Ş.	-	21,482	-	21,482
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	19,106	-	19,106
Koç Holding A.Ş. (**)	-	18,210	-	18,210
Koçtaş Yapı Marketleri Ticaret A.Ş.	16,742	-	24	16,766
Otokar Otomotiv Savunma San. A.Ş.	6,517	-	-	6,517
Setur Servis Turistik A.Ş.	-	5,174	-	5,174
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	4,090	-	-	4,090
Tanı Pazarlama İlet. Hiz. A.Ş.	-	893	-	893
Other	94	6,706	120	6,920
	257,635	791,623	225,878	1,275,136
Less: Financial expense from credit purchases	(7,601)	-	-	(7,601)
	250,034	791,623	225,878	1,267,535

(*) Contains paid and accrued premium amounts for the period ended 30 September 2021 and period ended 2020 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.

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26. RELATED PARTY DISCLOSURES (Continued)

	1 July - 30 September 2021			
	Material	Service	Fixed assets	Total
Domestic purchases				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17,539	222,341	147	240,027
Ark İnşaat Sanayi ve Ticaret A.Ş.	-	-	115,941	115,941
Ram Dış Ticaret A.Ş.	65,563	-	-	65,563
Eltek Elektrik Enerjisi İth. İhr. ve Toptan Tic. A.Ş.	-	46,128	-	46,128
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	15,858	12,432	28,290
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	13,599	12,544	26,143
Opet Petrolcülük A.Ş.	16,024	-	-	16,024
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	13,419	-	-	13,419
Ingage Dijital Pazarlama A.Ş.	-	10,003	-	10,003
Koç Holding A.Ş. (**)	-	6,930	-	6,930
Koçtaş Yapı Marketleri Ticaret A.Ş.	5,013	-	-	5,013
Ram Sigorta Aracılık Hizmetleri A.Ş. (*)	-	4,106	-	4,106
Setur Servis Turistik A.Ş.	-	3,047	-	3,047
Otokar Otomotiv Savunma San. A.Ş.	1,867	-	-	1,867
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	1,470	-	-	1,470
Tanı Pazarlama İlet. Hiz. A.Ş.	-	351	-	351
Other	22	2,525	120	2,667
	120,917	324,888	141,184	586,989
Less: Financial expense from credit purchases	(1,472)	-	-	(1,472)
	119,445	324,888	141,184	585,517
	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

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26. RELATED PARTY DISCLOSURES (Continued)

	1 July - 30 September 2020			Total
	Material	Service	Fixed assets	
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

Material, vehicle and service purchases from abroad

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Ford Motor Company and its subsidiaries	16,559,559	6,396,050	12,158,608	6,140,189

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

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
	207,618	68,531	180,408	108,232

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

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
	17,291	7,103	16,694	6,929

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26. RELATED PARTY DISCLOSURES (Continued)

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

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
	71,308	34,591	22,505	11,657

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

Deposits in related banks

30 September 2021 31 December 2020

Yapı ve Kredi Bankası A.Ş.

- Foreign currency time deposits		1,133,039	49,770
- TRY time deposits		1,110,306	1,923,043
- TRY demand deposits		14,100	84,652
- Foreign currency demand deposits		1,523	1,346
		2,258,968	2,058,811

i) Commission income

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Yapı ve Kredi Bankası A.Ş.	6,731	1,768	2,531	1,627
Koç Finansman A.Ş.	3,920	1,469	1,450	864
	10,651	3,237	3,981	2,491

i) Commission expense

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Yapı ve Kredi Bankası A.Ş.	111,618	62,869	27,537	18,728
Koç Finansman A.Ş.	67,224	23,276	20,946	12,993
	178,842	86,145	48,483	31,721

Commissions paid to Koç Finansman 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.

j) Interest income

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Yapı ve Kredi Bankası A.Ş.	159,288	37,627	19,928	16,257

k) Dividend income

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Otokar Otomotiv ve Savunma Sanayi A.Ş.	2,343	-	1,172	-

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26. RELATED PARTY DISCLOSURES (Continued)

1) 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 in the first nine months of 2021 is TRY23,476 (30 September 2020: TRY18,173). All of this amount consists of short-term benefits.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 September 2021 and 31 December 2020. The carrying amount of the Company's foreign currency denominated assets and liabilities, categorized by currency have been presented below:

30 September 2021

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	4,039,764	7,094	385,611	2
2. Monetary financials assets (including cash and cash equivalents)	6,142,930	1,032	594,603	607
3. Other	302,429	18,587	13,387	-
4. Current assets (1 + 2 + 3)	10,485,123	26,713	993,601	609
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	-	-	-	-
7. Total assets (4 + 6)	10,485,123	26,713	993,601	609
8. Trade payables	2,715,079	44,484	223,362	69,090
9. Financial liabilities (*)	7,184,782	-	696,638	-
10. Other monetary liabilities	31,994	947	2,290	-
11. Short term liabilities (8 + 9 + 10)	9,931,855	45,431	922,290	60,090
12. Financial liabilities (*)	5,946,460	-	576,571	-
13. Other	1,060	-	103	-
14. Long term liabilities (12+13)	5,947,520	-	576,674	-
15. Total liabilities (11 + 14)	15,879,375	45,431	1,498,964	60,090
16. Net foreign currency (liabilities)/assets position (7 - 15)	(5,394,252)	(18,718)	(505,363)	(68,482)
17. Net monetary foreign currency (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(5,695,621)	(37,305)	(518,647)	(68,482)

(*) 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 TRY6,077,397 as of 30 September 2021 (31 December 2020: TRY5,754,292). As of 30 September 2021, the Company has a total of TRY221,245 (31 December 2020: TRY166,918) of the product to be issued.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2020

	TRY equivalent (Functional currency)	USD	EUR	Other
1. Trade receivables	2,416,395	14,106	256,756	2
2. Monetary financials assets (including cash and cash equivalents)	525,174	4,729	54,356	385
3. Other	371,121	23,856	21,759	-
4. Current assets (1 + 2 + 3)	3,312,690	42,691	332,871	387
5. Monetary financial assets	-	-	-	-
6. Non-current assets (5)	-	-	-	-
7. Total assets (4 + 6)	3,312,690	42,691	332,871	387
8. Trade payables	1,365,145	45,736	113,816	8,125
9. Financial liabilities (*)	2,773,827	-	307,933	-
10. Other monetary liabilities	15,752	-	1,749	-
11. Short term liabilities (8 + 9 + 10)	4,154,724	45,736	423,498	8,125
12. Financial liabilities (*)	4,126,247	-	458,070	-
13. Other	-	139	-	-
14. Long term liabilities (12+13)	4,127,500	-	458,209	-
15. Total liabilities (11 + 14)	8,282,224	45,736	881,707	8,125
16. Net foreign currency (liabilities)/assets position (7 - 15)	(4,969,534)	(3,045)	(548,836)	(7,738)
17. Net monetary foreign (liabilities)/assets (1 + 2 + 5 - 8 - 9 - 10 - 12)	(5,339,402)	(26,901)	(570,456)	(7,738)

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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 2021

	Profit/(loss) before taxation	
Appreciation/depreciation in foreign currency	Increase by 10 (%)	Decrease by 10 (%)
Change in USD against TRY		
USD net assets/(liabilities)	(16,553)	16,553
USD net hedged amount	-	-
USD net- gain/(loss)	(16,553)	16,553
Change in EUR against TRY		
EUR net assets/(liabilities)	(521,206)	521,206
EUR net hedged amount	607,740	(607,740)
EUR net- gain/(loss)	86,534	(86,534)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(1,665)	1,665
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(1,665)	1,665

31 December 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)	(2,235)	2,235
USD net hedged amount	-	-
USD net- gain/(loss)	(2,235)	2,235
Change in EUR against TRY		
EUR net (liabilities)/assets	(494,386)	494,386
EUR net hedged amount	575,429	(575,429)
EUR net- gain/(loss)	81,043	(81,043)
Change in other foreign currency against TRY		
Other foreign currency denominated net (liabilities)/assets	(333)	333
Other foreign currency denominated- hedged amount	-	-
Other foreign currency denominated net - (loss)/gain	(333)	333

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The comparative amounts for total export and import amounts for the year ended 30 September 2021 and 2020 are as follows:

	30 September 2021	30 September 2020
Total export amount	35,454,317	20,076,556
Total import amount	21,026,004	12,937,623

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

Interest rate risk

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

	30 September 2021	31 December 2020
Fixed interest rate financial instruments		
Financial assets	13,498,811	7,922,892
Financial liabilities	8,564,532	6,400,937
Floating interest rate financial instruments		
Financial liabilities	4,647,692	1,679,937

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 TRY3,885 at 30 September 2021 (31 December 2020: TRY1,149) due to higher/lower interest expense.

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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 2021	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	13,129,280	13,603,303	4,147,842	3,113,959	5,487,441	854,061
Lease liabilities	82,944	102,402	5,887	17,660	72,432	6,423
Trade payables						
- Related party	2,360,732	2,364,377	2,364,377	-	-	-
- Other	7,929,776	8,009,395	8,009,395	-	-	-
Other liabilities						
- Related party	8,177	8,177	8,177	-	-	-
- Other	183,737	183,737	183,737	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,060	1,060	-	-	1,060	-

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 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	7,998,168	8,261,164	297,222	3,660,102	3,941,284	362,556
Lease liabilities	82,706	104,802	6,000	17,999	73,642	7,161
Trade payables						
- Related party	1,178,339	1,180,856	1,180,856	-	-	-
- Other	6,569,454	6,624,233	6,624,233	-	-	-
Other liabilities						
- Related party	34,350	34,350	34,350	-	-	-
- Other	141,846	141,846	141,846	-	-	-
Derivative financial liabilities						
Derivative financial instruments	1,253	1,253	-	-	1,253	-

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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 2021 and 31 December 2020, the Company’s hierarchy table for its assets and liabilities recorded at fair value are as follows:

30 September 2021

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	-	-
Financial assets at fair value through OCI - Otokar	45,245	-	-
Total assets	45,245	-	-
Liabilities at fair value			
Derivative financial liabilities	-	1,060	-
Total liabilities	-	1,060	-

(*) 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).

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2020

	Level 1 (*)	Level 2 (**)	Level 3
Assets at fair value			
Derivative financial assets	-	-	-
Financial assets at fair value through OCI - Otokar	44,767	-	-
Total assets	44,767	-	-
Liabilities at fair value			
Derivative financial liabilities	-	1,253	-
Total liabilities	-	1,253	-

(*) 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. CASH FLOW HEDGE OPERATIONS

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 2021 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 2021 The fair value of the interest rate swap transaction calculated as of 30 September 2021 is TRY1,060 and it is classified as long- term liabilities.

Derivative financial instruments

	30 September 2021	31 December 2020
Derivative financial liabilities	1,060	1,253
	1,060	1,253

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28. CASH FLOW HEDGE OPERATIONS (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.

	30 September 2021	31 December 2020
Cash flow hedge reserve		
Amount recognized in other comprehensive income	820,012	1,525,928
Amount recycled from other comprehensive income to statement of profit or (loss)	(533,545)	(625,078)
	286,467	900,850

29. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Income from investing activities				
Gain on sale of property, plant and equipment	121	-	1,377	1,377
Dividend income	2,343	-	1,172	-
	2,464	-	2,549	1,377
Expense from investing activities				
Loss on sale of property, plant and equipment	(34,714)	(33,248)	(728)	-
	(34,714)	(33,248)	(728)	-

30. DEFERRED INCOME

	30 September 2021	31 December 2020
Advances received	34,223	32,775
Short-term deferred revenue	14,548	10,262
	48,771	43,037
	30 September 2021	31 December 2020
Long-term deferred revenue	37,822	22,040
	37,822	22,040

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31. OTHER NON-CURRENT LIABILITIES

	30 September 2021	31 December 2020
Other non-current liabilities (*)	15,537	18,699
	15,537	18,699

(*) 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. RIGHT OF USE ASSETS

	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2021	18,942	33,720	16,257	68,919
For the period ended 30 September 2021				
Additions	-	4,776	19,402	24,178
Period depreciation and amortization expenses	(5,930)	(12,770)	(8,262)	(26,962)
30 September 2021	13,012	25,726	27,397	66,135

	Buildings	Machinery and equipments	Vehicles	Total
As of 1 January 2021	38,942	47,481	13,291	99,714
For the period ended 30 September 2020				
Additions	-	4,246	12,773	17,019
Disposals	-	(3,661)	-	(3,661)
Period depreciation and amortization expenses	(11,175)	(13,126)	(8,320)	(32,621)
Outputs from accumulated depreciation	-	1,541	-	1,541
30 September 2020	27,767	36,481	17,744	81,992

Distribution of depreciation expenses of right of use assets as of 30 September 2021 and 30 September 2020 is follows:

	30 September 2021	30 September 2020
Cost of sales (Note 18)	18,138	22,275
Marketing expenses (Note 19)	5,814	7,378
Research and development expenses (Note 19)	1,306	1,500
General administrative expenses (Note 19)	1,704	1,468
	26,962	32,621

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33. 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%.
- In the Eskişehir Plant, an investment of TRY138,960 was made between 2013 and 2019 for the new 6 and 4 cylinder engine production for use in Trucks and Transit vehicles, and an amount of TRY529,645 was invested between 2014 and 2019 for the 6 emission truck manufacturing expansion investment. The investment contribution rates of these projects are 40%. Investment periods for incentives for both investments have been completed and incentive closure processes are 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 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%.
- 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 TRY903,089 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.
- For product diversification and expansion investments covering the production of new generation commercial vehicles and batteries at Kocaeli Plants; Granting Project-Based State Aid was accepted with the Presidential Decision No. 3273 published in the Official Gazette dated 04.12.2020 and numbered 31324. Within the scope of the related projects, an investment incentive certificate dated 24 September 2021 was issued for the expenditure of 20,501,206 TL between 1 July 2020 and 01 July 2026. The rate of contribution to the investment to be utilized for this project is 100%.

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34. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES

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.

For the central management of the Company's Ford Trucks exporting activities, Ford Otosan Netherlands BV was founded with 100% contribution to capital by Ford Otosan capital.

Investments in subsidiaries as of 30 September 2021 and 31 December 2020 are as follows:

	<u>30 September 2021</u>		<u>31 December 2020</u>	
	Ownership rate (%)	Amount	Ownership rate (%)	Amount
Investment in subsidiaries				
Gembox Teknoloji Girişimleri Anonim Şirketi	100	7,500	100	2,500
Ford Otosan Netherlands BV	100	2,334	100	2,334
		9,834		4.834

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.

35. SUBSEQUENT EVENTS

At the meeting of the Board of Directors dated 18 October 2021, the company decided to distribute a total of 1,322,931 TL in cash, with a gross rate of 377% (net 320.45%), of which 3.77 full Turkish Lira (net 320.45 Kurus) per 1 TL share. It has decided to be submitted for the approval of the Extraordinary General Assembly to be held in November 2021.

In October, the company established Rakun Mobilite A.Ş. to develop and sell products, technologies and solutions in the field of mobility.

36. DISCLOSURE OF OTHER MATTERS

There is no other issue that significantly affects the financial statements or needs to be explained in order for the financial statements to be clear, interpretable and understandable.

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