

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

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DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

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

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

ASSETS	Notes	Reviewed Current Period 30 June 2020	Audited Prior Period 31 December 2019
Current assets		52.496.327	46.731.139
Cash and cash equivalents	3	10.144.344	2.075.550
Trade receivables			
- <i>Due from non-related parties</i>	5	21.796.908	23.406.520
Other receivables			
- <i>Due from non-related parties</i>	6	116.224	122.715
Inventories	7	16.803.879	18.660.750
Prepaid expenses	8	1.388.033	1.592.136
Current tax assets		18.196	16.573
Other current assets	9	2.228.743	856.895
Non-current assets		39.949.855	38.355.549
Other receivables			
- <i>Due from non-related parties</i>	6	93.040	19.744
Property, plant and equipment	11	27.865.939	29.977.746
Right of use assets	10	1.566.322	1.754.653
Intangible assets	12	6.455.050	3.868.594
Prepaid expenses	8	803.481	500.989
Deferred income tax	22	3.166.023	2.233.823
TOTAL ASSETS		92.446.182	85.086.688

The consolidated financial statements as of and for the interim period ended 30 June 2020 have been approved by the Board of Directors on 12 August 2020.

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

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020
AND 31 DECEMBER 2019**

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

LIABILITIES	Notes	Reviewed Current Period 30 June 2020	Audited Prior Period 31 December 2019
Current liabilities		53.633.250	38.155.776
Short-term borrowings			
- Due to non-related parties			
- <i>Bank credits</i>	4	28.779.242	5.712.705
Short-term portion of long-term borrowings			
- Short-term portion of long-term borrowings from related parties			
- <i>Payables due to leasing transactions</i>	4,24	539.626	630.388
- Short-term portion of long-term borrowings from unrelated parties			
- <i>Bank credits</i>	4	1.548.828	4.925.754
- <i>Payables due to leasing transactions</i>	4	29.491	16.905
Trade payables			
- <i>Due to non-related parties</i>	5	13.914.279	20.695.270
Payables related to employee benefits	15	3.903.749	2.408.380
Other payables			
- <i>Due to related parties</i>	24	202.334	1.247.040
- <i>Due to non-related parties</i>	6	126.309	96.809
Derivative financial instruments	25	1.569.875	-
Deferred income (Excluding obligations arising from customer contracts)	8	663.644	309.380
Short-term provisions			
- <i>Short-term provisions for employment benefits</i>	15	1.693.416	1.921.624
- <i>Other short-term provisions</i>	14	662.457	191.521
Non-current liabilities		15.738.287	20.534.827
Long-term borrowings			
- Due to related parties			
- <i>Payables due to leasing transactions</i>	4,24	1.305.119	1.374.037
- Due to non-related parties			
- <i>Bank credit</i>	4	3.083.280	8.750.992
- <i>Payables due to leasing transactions</i>	4	18.039	-
Deferred income (Excluding obligations arising from customer contracts)	8	149.253	-
Long-term provisions			
- <i>Long-term provisions for employment benefits</i>	15	11.182.596	10.409.798
EQUITY		23.074.645	26.396.085
Share capital	16	10.000.000	10.000.000
Adjustments to share capital	16	15.137.609	15.137.609
Other comprehensive income (losses) that will not be reclassified in profit or loss			
- Revaluation and measurement gains/(losses) <i>Actuarial gains (losses) on defined benefit plans</i>	16	(4.712.176)	(4.712.176)
Other comprehensive income (losses) that will be reclassified in profit or loss			
- <i>Change in currency translation reserves</i>	16	335.728	302.365
Restricted reserves	16	3.028.735	3.018.735
Retained earnings or losses		2.039.552	1.565.470
Net profit or loss for the period		(2.754.803)	1.084.082
TOTAL LIABILITIES		92.446.182	85.086.688

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

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019

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

	Notes	Audited Current Period 1 January - 30 June 2020	Reviewed Current Period 1 April - 30 June 2020	Audited Prior Period 1 January - 30 June 2019	Reviewed Prior Period 1 April - 30 June 2019
Revenue	17	53.431.435	22.210.183	54.435.588	27.526.153
Cost of Sales (-)	17	(42.234.384)	(17.170.223)	(41.635.904)	(21.047.028)
Gross Profit		11.197.051	5.039.960	12.799.684	6.479.125
General Administrative Expenses (-)	18	(6.212.803)	(2.392.058)	(4.968.700)	(2.499.916)
Marketing Expenses (-)	18	(4.713.531)	(2.153.084)	(5.157.575)	(2.795.246)
Research and Development Expenses (-)	18	(1.659.538)	(824.126)	(179.583)	(104.323)
Other Income from Operating Activities	20	3.969.078	1.943.795	3.741.464	1.903.537
Other Expenses from Operating Activities (-)	20	(1.477.395)	(622.029)	(1.740.448)	(682.436)
Operating Profit/(Loss) Before Financial (Expense)/ Income		1.102.862	992.458	4.494.842	2.300.741
Financial Income/(Expense)	21	(4.789.865)	(2.009.647)	(2.867.669)	(1.569.659)
Profit/(Loss) Before Tax		(3.687.003)	(1.017.189)	1.627.173	731.082
Tax Expense From Continued Operations		932.200	362.458	344.597	153.902
Tax Income/(Expense) for the Period	22	-	-	(11.687)	(5.862)
Deferred Tax Income/(Expense)	22	932.200	362.458	356.284	159.764
Profit/(Loss) For the Period From Continued Operations		(2.754.803)	(654.731)	1.971.770	884.984
OTHER COMPREHENSIVE INCOME					
That will be reclassified as profit or loss:					
Currency Translation Differences					
- Profit/(Loss) from Currency Translation Differences		33.363	18.770	85.973	11.242
OTHER COMPREHENSIVE INCOME /(LOSS)		33.363	18.770	85.973	11.242
TOTAL COMPREHENSIVE INCOME /(LOSS)		(2.721.440)	(635.961)	2.057.743	896.226
Earning/Loss per Share	23	(0,28)	(0,07)	0,20	0,09

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

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019

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

			Other Comprehensive Income That will not Be Reclassified to Profit or Loss	Other Comprehensive Income That will Be Reclassified to Profit or Loss		Retained earnings			
	Notes	Share Capital	Adjustments to share Capital	Actuarial gains/(losses) on defined benefit plans	Currency Translation Differences	Gain/(losses) from hedge reserves	Restricted reserves	Net Profit/(Loss) for the Period)	Equity
Balances at 1 January 2019		10.000.000	15.137.609	(4.332.193)	200.509	2.219.392	(1.206.350)	7.571.163	29.590.130
Transfers		-	-	-	-	799.343	6.771.820	(7.571.163)	-
Total comprehensive income/(loss)		-	-	-	85.973	-	-	1.971.770	2.057.743
- Profit (loss) for the period		-	-	-	-	-	-	1.971.770	1.971.770
- Other comprehensive income (loss)		-	-	-	85.973	-	-	-	85.973
Dividends		-	-	-	-	-	(4.000.000)	-	(4.000.000)
Balances at 30 June 2019	16	10.000.000	15.137.609	(4.332.193)	286.482	3.018.735	1.565.470	1.971.770	27.647.873
Balances at 1 January 2020		10.000.000	15.137.609	(4.712.176)	302.365	3.018.735	1.565.470	1.084.082	26.396.085
Transfers		-	-	-	-	10.000	1.074.082	(1.084.082)	-
Total comprehensive income/(loss)		-	-	-	33.363	-	-	(2.754.803)	(2.721.440)
- Profit (loss) for the period		-	-	-	-	-	-	(2.754.803)	(2.754.803)
- Other comprehensive income (loss)		-	-	-	33.363	-	-	-	33.363
Dividends (*)		-	-	-	-	-	(600.000)	-	(600.000)
Balances at 30 June 2020	16	10.000.000	15.137.609	(4.712.176)	335.728	3.028.735	2.039.552	(2.754.803)	23.074.645

(*) Dividend distribution amounting to gross TRY600.000 has been decided in the Ordinary General Assembly Meeting for the year-ended 2019 as at 25 March 2020 and the “cash” dividend distribution has been completed as of 14 April 2020.

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

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020

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

Notes	Reviewed Current Period 1 January - 30 June 2020	Audited Prior Period 1 January - 30 June 2019
A. NET CASH FROM OPERATING ACTIVITIES	364.497	8.251.060
Profit/(loss) for the period	(2.754.803)	1.971.770
Adjustments regarding reconciliation of net profit/(loss) for the period	6.551.728	5.887.057
Adjustments related to depreciation and amortization	10,11,12 2.716.026	2.507.981
Adjustments related to provision (reversal) of impairment <i>Adjustments related to provision of impairment on inventories</i>	7 57.010	(61.430)
Adjustments related to provisions <i>Adjustments related to provisions (reversals) for employee benefits</i>	15 818.074	1.137.806
Adjustments related to interest (income) and expenses <i>Adjustments related to interest income</i>	20 (11.517)	(42.960)
<i>Adjustments related to interest expense</i>	21 640.385	526.966
<i>Deferred financial expense due to purchases with maturity</i>	20 (180.729)	(78.711)
<i>Unearned financial income due from sales with maturity</i>	20 186.598	263.490
Adjustments related to changes in unrealised foreign exchange differences	4 1.688.206	1.857.234
Adjustments related to Fair Value Losses/(Gains) <i>Adjustments for the fair value losses/(gains) of derivative financial instruments</i>	25 1.569.875	121.278
Adjustments related to tax income	22 (932.200)	(344.597)
Changes in working capital	(3.157.321)	959.016
Adjustments for (increase)/decrease in trade receivables <i>(Increase)/decrease in trade receivables from non-related parties</i>	1.790.341	(3.441.577)
Adjustments regarding increase (decrease) in other receivables on operations <i>Decrease/(increase) in other receivables related to operations from non-related parties</i>	(66.805)	(91.683)
Adjustments for (increase)/decrease in inventories	1.799.861	3.519.425
Decrease/(increase) in prepaid expenses	8 204.103	(1.264.757)
Adjustments regarding increase (decrease) in trade payables <i>Increase/(decrease) in trade payables to non-related parties</i>	(6.967.589)	1.182.721
Increase/(decrease) in payables due to employee benefits	15 1.495.369	(483.263)
Adjustments for increase/(decrease) in other liabilities related to activities <i>Increase/(decrease) in other payables to related parties related to operations</i>	(1.044.706)	768.219
<i>Increase/(decrease) in other payables to non-related parties related to operations</i>	29.500	21.100
Increase/(decrease) in deferred income (Obligations arising from customer contracts excluded)	8 503.517	(13.004)
Adjustments for other increase (decrease) in working capital <i>-Increase/(decrease) in other assets regarding operations</i>	(1.371.848)	304.682
<i>-Increase/(decrease) in other liabilities regarding operations</i>	470.936	457.153
Net cash from operating activities	639.604	8.817.843
Employee termination benefits paid	15 (273.484)	(551.885)
Income tax refunds (payments)	22 (1.623)	(14.898)

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

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2020**

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

	Notes	Reviewed Current Period 1 January - 30 June 2020	Audited Prior Period 1 January - 30 June 2019
B. NET CASH FROM INVESTING ACTIVITIES		(3.208.453)	(3.121.296)
Cash outflows from purchase of property, plant and equipment and intangible assets		(2.905.961)	(3.213.778)
Cash advances and debts given <i>Other cash advances and liabilities</i>		(302.492)	92.482
C. NET CASH FROM FINANCING ACTIVITIES		9.782.287	(5.538.307)
Cash inflows from borrowings	4	31.287.865	6.892.236
Cash outflows from borrowings	4	(19.783.234)	(7.997.247)
Cash outflows due to payments of lease agreements	4	(472.518)	(88.386)
Dividends paid		(600.000)	(4.000.000)
Interest paid		(661.307)	(387.849)
Interest received		11.481	42.939
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF CURRENCY TRANSLATION RESERVES (A+B+C)		6.938.331	(408.543)
Effect of foreign currency translation differences on cash and cash equivalents		1.130.544	475.748
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		8.068.875	67.205
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	2.075.433	2.777.671
F. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (D+E)	3	10.144.308	2.844.876

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

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Ditaş Doğan Yedek Parça İmalat ve Teknik A.Ş. (“Ditaş”, “Company” or “Group”) was established on 1972 and is registered in Turkey. Main operating activity of the Company is to manufacture steering wheel and suspension system parts for all types of land transport vehicles. The Company is a subsidiary of Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”). The Company's main shareholder is Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

The Company is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange market (ISE) since 21 May 1991. Within the frame of Resolution No: 31/1059 dated 30 October 2014 and No: 21/655 dated 23 July 2010 of CMB, according to the records of Central Registry Agency (“CRA”), the 27,31 % (31 December 2019: 27,31%) shares of Ditaş are to be considered in circulation as of 30 June 2020 (Note 16). As of 11 August 2020 shares corresponding to 27,31% of Ditaş’s capital are accepted as being in “circulation”.

The Company established subsidiary Ditaş America LLC in New Jersey to carry out the sale and marketing of products in the Americas the Company manufactured in 2014, and subsidiary Ditaş Trading Shanghai Co. Ltd in the People’s Republic of China to carry out sales and marketing in Asia Pacific countries, and the Company owns 100% of these subsidiaries. The Group also acquired D Stroy Ltd. in Russia to carry out sales and marketing in the Commonwealth of Independent States, of which Russia is a member. Subsidiaries began operations as of 2015. Ditaş Trading Shanghai Co. Ltd.'s liquidation procedures have been completed as of 25 December 2019 and the subsidiary has been closed.

The natures of the business, segment and countries of the subsidiaries (“Subsidiaries”) and joint ventures (“Joint Ventures”) of Doğan Holding are as follows:

Subsidiaries	Nature of business	Country	Share percentage in capital (%)	
			30 June 2020	31 December 2019
Ditaş America LLC ⁽¹⁾	Sales and marketing of automotive supply products	USA	100,00	100,00
D-Stroy Ltd. ⁽²⁾	Sales and marketing of automotive supply products	Russian	100,00	100,00

(1) The liquidation process has started as of 7 July 2020.

(2) The liquidation process has started as of 21 May 2020.

The registered address of the parent company is as follows:

Kayseri Yolu Üzeri 3. km. 51100 Niğde.

The number of employees of the Company as of 30 June 2020 is 340 (31 December 2019: 338).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation and Presentation of Financial Statements

Adopted Financial Reporting Standards

The accompanying consolidated financial statements are prepared in accordance with 2019 TAS Taxonomy based on the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets” and Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”), which is developed by POA and announced to the public by the decision of the POA on 15 April 2019 in accordance with paragraph 9(b) of Decree Law No. 660.

The Group maintains their legal books of accounts in Turkish Lira in accordance with the Tax Legislation, and the Uniform Chart of Accounts (General Communiqué on Accounting System Implementation) issued by the Ministry of Finance.

These consolidated financial statements, except for the financial assets and investment properties that are presented at fair value, are prepared on the basis of historical cost.

Adjustment to the financial statements in hyperinflationary periods

In accordance with the decision of CMB dated as 17 March 2005 and numbered 11/367, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TFRS. Accordingly, No: 29, “Financial Reporting in Hyperinflationary Economies” (“TAS 29”), has not been applied commencing from 1 January 2005.

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Turkish Lira, which is the functional and presentation currency of Ditaş.

2.1.2 Financial statements of subsidiaries and joint ventures operating in foreign countries

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group’s accounting policies.

If the group entities’ functional currency is different from the presentation currency; it is translated into the presentation currency as below:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of profit or loss are translated at average exchange rates in the accounting period; and all resulting exchange differences are recognised as a separate component of equity and statements of other comprehensive income (currency translation differences).

When a foreign operation is partially disposed of or sold, exchange differences recorded in equity are recognised in the consolidated statement of profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation principles

The consolidated financial statements include the accounts of the parent company, Ditaş, its Subsidiaries (collectively referred as the “Group”) on the basis set out in sections to below. The financial statements of the companies included in the consolidation are based on historical cost of the statutory records and for the purpose of fair presentation in accordance with the accounting policies described in Note 2.1.1 and Note 2.1.2 and application of uniform accounting policies and presentations; adjustments and reclassifications. Financial statements of consolidated entities are restated in accordance with the TAS considering the accounting policies and presentation requirements applied by the Group.

Subsidiaries

Subsidiaries comprise of the companies directly or indirectly controlled by Ditaş.

Control is achieved when the Group:

- Has power over the company/asset,
- Is exposed, or has rights, to variable returns from its involvement with the company/asset and
- Has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are indicators of a situation or an event that may cause any changes to at least one of the elements of control listed above.

When the Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in the relevant investee are sufficient to give it power, including:

- The size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- Potential voting rights held by the Group, other vote holders or other parties,
- Rights arising from other contractual arrangements and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities (including voting patterns at previous shareholders’ meetings).

Subsidiaries are consolidated by the date the Group takes the control and from the date the control is over, The Group has no direct and/or indirect shareholding that affects the effective ownership rate.

Intercompany transactions and balances are eliminated on consolidation. The dividends arising from shares held by Ditaş in its subsidiaries are eliminated from equity and income for the period.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.1 Basis of Presentation (Continued)

2.1.3 Consolidation principles (Continued)

Subsidiaries (Continued)

Subsidiaries acquired or disposed of during the accounting period are included in the consolidation from the date at which the control of operations are transferred to the Group and excluded from the consolidation when the control is lost. Even if non-controlling interests result in a deficit balance, total comprehensive income is attributed to the owners and to the non-controlling interests.

Income and expenses of a subsidiary, acquired or disposed of the during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Ditaş.

As of 30 June 2020 and 31 December 2019, the consolidated subsidiaries and their ownership percentages are as follows:

	Effective Partnership Rates (%) 30 June 2020	Effective Partnership Rates (%) 31 December 2019
Ditaş Amerika LLC	100,00	100,00
D-Stroy Ltd.	100,00	100,00

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Comparative information and restatement of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period to identify the financial position and performance trends. The Group presents comparatively its consolidated statement of financial position as of 30 June 2020 with 31 December 2019. Consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity for the period ended 1 January - 30 June 2020, are presented comparatively with the consolidated financial statements as of the period 1 January - 30 June 2019.

In the current period, in case of a necessity, prior period financial statements are reclassified in order to comply with the presentation of its current period consolidated financial statements and significant changes are explained.

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

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

2.1 Basis of Presentation (Continued)

2.1.6 Significant accounting policies and changes in accounting estimates and errors and restatement of prior period financial statements

Changes of accounting policies resulting from the first time implementation of the TAS are implemented retrospectively or prospectively in accordance with the transition provisions. Major accounting mistakes detected are applied retrospectively and the financial statements of previous period are revised. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurs; if the changes apply also to the future periods, they are applied in both the period of change and in the future period.

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”)

There is no standard or opinion that affects the financial performance of the Group, statement of financial position, presentation or notes in the current period excluding. In addition, below, you can also find details about the standards, which apply in the current period and do not affect the financial statements of the Group, and standards, which have not yet been come into force and not applied by the Group in advance.

a) New standards applicable as of 30 June 2020 and amendments to existing previous standards and interpretations:

- Amendments to TAS 1 and TAS 8 on the definition of materiality; effective from periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs are as follows:
 - i) Use a consistent definition of materiality throughout TFRSs and the Financial Reporting framework,
 - ii) Clarify the explanation of the definition of materiality and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
- Amendments to TFRS 3 - definition of a business; effective from periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

a) New standards applicable as of 30 June 2020 and amendments to existing previous standards and interpretations (Continued):

- Amendment to TFRS 16, ‘Leases’ - Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to FRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

- TFRS 17, “Insurance contracts”; effective from periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to TAS 1, ‘Presentation of financial statements’ on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to TAS 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 TAS 1 means when it refers to the ‘settlement’ of a liability.
- A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 17 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from Annual periods beginning on or after 1 January 2022:
 - Amendments to TFRS 3, ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
 - Amendments to TAS 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.

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

2.1 Basis of Presentation (Continued)

2.1.7 New and revised Turkish Financial Reporting Standards (“TFRS”) (Continued)

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

- Amendments to TAS 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 TFRS 1, ‘First-time Adoption of IFRS’, TFRS 9, ‘Financial instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from their effective dates. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the financial statements of the Company.

2.2 Summary of Significant Accounting Policies

A summary of significant accounting policies used in the preparation of the consolidated financial statements are as follows. Accounting policies are applied consistently, unless otherwise indicated:

Related parties

Related parties are people or entities that are related to the entity (reporting entity) that is preparing its financial statements.

- (a) A person or a 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.

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

2.2 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

- (b) An entity is related to a reporting entity if any of the following conditions apply:
- (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).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Under the guidance of the explanations mentioned above and also in compliance with TAS 24, Doğan Şirketler Grubu Holding A.Ş. directly or indirectly has participation, including any entities under common control; real persons and/or legal entities that have direct or indirect individual or joint control over the company and their close family members (relatives up to second-degree) and legal entities having direct or indirect individual or joint control by them and legal entities having significant effect over the Company or their key management personnel; Company’s subsidiaries and members of the Board of Directors, key management personnel and their close family members (relatives up to second-degree) and real persons and/or legal entities that are directly or indirectly controlled individually or jointly (Note 24).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 3).

Trade receivables and provision for doubtful receivables

The Group’s trade receivables from providing goods or services to customers are carried at net of unrealized finance income (“unearned financial income due to sales with maturity”). Trade receivables, net of unrealized finance income, are calculated by discounting future cash inflows of receivables carried at the original invoice amount using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Effective interest method is calculating the present value in accordance with the compound interest basis. The rate determined by compound interest basis and applied in this method is named “effective interest rate”. Short term receivables with indefinite interest rate are carried at cost unless the effect of imputing interest is significant (Note 5).

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

2.2 Summary of Significant Accounting Policies (Continued)

Trade receivables and provision for doubtful receivables (Continued)

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component, Group preferred to adopt “simplified approach” in TFRS 9 standard.

According to “simplified approach” of TFRS 9 Standard, loss provisions concerning trade receivables are calculated equal to “lifetime expected credit loss” if trade receivables are not impaired due to valid reasons as stated in TFRS 9.

TAS 39, “Financial Instruments” valid before 1 January 2018: Instead of “realised credit losses model” in Accounting and Measurement Standard, “expected credit loss model” was defined in TFRS 9 “Financial Instruments” Standard. Expected credit loss is estimated by weighting credit losses, expected to occur throughout the expected life of financial instruments, based on previous statistics. When calculating the expected credit losses, credit losses in the previous years and forecasts of the Group are considered.

The Group decides to allocate provision for doubtful receivables, whose payment was not made within the ordinary commercial activity cycle of the Group, considering whether the trade receivable is subject to administrative and/or legal proceeding, whether or not they have a guarantee and there is an objective finding. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable.

When trade receivables are not impaired for certain reasons along with realised impairment losses, Group recognises expected credit loss provision equal to lifetime expected credit loss for trade receivables as per TFRS 9. Expected credit loss is calculated by expected credit loss rates determined based on previous credit loss experiences of the Group and prospective macroeconomic indicators. Changes in expected credit loss provisions are recognised under other income and expenses from operating activities (Note 20).

Inventories

Inventories are valued at the lower of cost or estimated selling price less estimated costs necessary to make a sale (net realizable value). Cost elements included in inventory are purchasing costs and other costs necessary to prepare the asset for its intended use. Cost elements included in inventories are materials, labor and production overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 7).

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the consolidated statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of the changing economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial impairment.

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

2.2 Summary of Significant Accounting Policies (Continued)

Financial assets

Group classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. 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.

(a) 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. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group’s financial assets carried at amortized cost comprise “trade receivables”, “other receivables” and “cash and cash equivalents” in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision is not provided to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the statement of consolidated financial position, they are classified as non-current assets. Group makes a choice that cannot be changed later for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

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

2.2 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of “derivative instruments” in consolidated statement of financial position and “financial asset”, which are acquired to benefit from short-term price or other fluctuations in the market or which are a part of a portfolio aiming to earn profit in the short-run, irrespective of the reason of acquisition, and kept for trading purposes. Derivative instruments are recognised as asset if their fair value is positive and as liability if their fair value is negative. Group’s derivative instruments consist of transactions concerning future contracts. Financial assets that are measured by their fair value and associated with the profit or loss statement are initially reflected on the consolidated statement of financial position with their costs including the transaction cost. These financial assets are valued based on their fair value after they are recognised. Realised or unrealised profit and losses are recognised under “financing income/(expense)”. Dividends are recognised as dividend income in consolidated profit or loss statement. Financial assets including the derivative products not determined as hedging instruments are classified as financial assets whose fair value difference is reflected as profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments, predominantly foreign currency and interest swap agreements and foreign currency forward agreements are comprised. Derivative financial instruments are subsequently remeasured at their fair value. Fair values of derivative financial instruments are obtained from quoted market prices or discounted cash flow models as appropriate. Based on positive or negative fair value, derivative financial instruments are carried as assets or liabilities in the statement of financial position respectively.

In the case of future cash flows being subject to cash flow hedges and related transactions being effective, the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in equity directly whereas the ineffective portion is recognized immediately in the statement of profit or loss.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives is included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or a liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in equity remains in equity until the forecast transaction or firm commitment affects profit or loss. If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognized in equity are transferred to the profit/(loss) statement.

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

2.2 Summary of Significant Accounting Policies (Continued)

Leases

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease,
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease,
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
 - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the property in its own way) and the lessor does not have the right to change these operating instructions or
 - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In case that the contract fulfills these conditions, the Group reflects a right of use asset and a lease liability to the consolidated financial statements at the date of the lease's actual start.

The right of use assets

The right-of-use asset is initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset and
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Group measures the right of use asset by:

- a) Deducting the accumulated depreciation and accumulated impairment losses and
- b) Measuring the cost of the lease in accordance with the re-measurement of the lease liability.

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

2.2 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The right of use assets (Continued)

The Group applies depreciation provisions in “TAS 16 Property, Plant and Equipment” while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses the “TAS 36 Impairment of Assets” standard is implemented

Lease liability

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that have not occurred on the date when the lease is actually started consist of the following:

- a) Amount deducted from all types of rental incentive receivables from fixed payments;
- b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started.
- c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

- a) Increasing the book value by reflecting interest on lease liability,
- b) Reducing the book value by reflecting the lease payments made,
- c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The Group reflects the remeasured amount of the lease obligation to the consolidated financial statements as adjustment in the use of right.

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

Facilitative applications

Contracts related to IT equipment leases (mainly printer, laptop, mobile phone, etc.), which are determined by the Company as low value, short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the TFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

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

2.2 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses (Note 11). Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
Land improvements	5 - 50 years
Buildings	10 - 50 years
Machinery and equipment	5 - 20 years
Motor vehicles	5 - 10 years
Furniture and fixtures	4 - 20 years
Leasehold improvements	5 - 10 years
Other tangible assets	5 years

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

An item of property, plant and equipment is derecognized in the consolidated statement of financial position upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as income or expenses from investing activities in consolidated profit or loss

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount provided to allocate provision. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets as of the consolidated statement of financial position date.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss as they are incurred. Capital expenditures that increase the present value of the future cash flows expected to be derived from property, plant and equipment by increasing its capacity is added to the cost of tangible fixed asset.

Gain and losses regarding sale of property, plant and equipment are accounted as other income and expenses from investing activities.

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

2.2 Summary of Significant Accounting Policies (Continued)

Intangible assets and related amortization

Intangible assets comprise computer softwares and its rights. Intangible assets are recorded at acquisition cost less any accumulated depreciation and any accumulated impairment losses. Amortization is provided on intangible asset on a straight-line basis over their estimated useful lives for a period of 3-5 years from the date of acquisition. Assets that have infinite useful life are not subject to amortization and are tested for impairment at least once a year. (Note 12).

Intangible assets with estimated useful lives are tested to determine whether there is an indication that the intangible assets may be impaired and if the carrying value of the intangible asset is higher than the recoverable amount, the carrying value of the intangible asset is written down to its recoverable amount provided to allocate provision. The amount recoverable from an intangible asset is either the discounted net cash flows generated from the use of that intangible asset or the net sales value of that intangible asset depending whether the former or the latter being higher. Provision for impairment is recognised under the statement of profit or loss in the related period.

Development costs

Development costs for the design and testing of detectable and unique products controlled by the Group are recognized as intangible assets when the following conditions are met:

- It is technically possible to complete the product to be ready for use;
- Management intends to complete and use or sell the product;
- Possibility to use and sell the product;
- Certainty on how the product is likely to provide future economic benefits;
- Availability of sufficient technical, financial and other resources to complete the development phase and to use or sell the product; and
- Reliable measurement of expenses related to the product during the development process.

Capitalized development costs are recognized as intangible assets and are amortized beginning from the date the asset is ready for use (Dipnot 12).

Impairment of assets

At each statement of financial position date, the Company evaluates whether there are any indications that an asset other than goodwill or infinite life intangible assets may be impaired. When an indication of impairment exists, carrying value of the assets is compared with the net realizable value which is the higher of value in use and fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment exists if the carrying value of an asset or a cash generating unit including that asset is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment losses are recognized in the statement of profit or loss.

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

2.2 Summary of Significant Accounting Policies (Continued)

Taxation

Taxation on income includes current period income taxes and deferred taxes. Current year tax liability consists of tax liability on period income calculated according to currently enacted tax rates and tax legislation in force as of statement of financial position date and includes adjustments related to the previous year’s tax liabilities. Turkish tax legislation does not permit a parent company to file a consolidated tax return for its subsidiary and its joint venture. Therefore, tax provisions, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Deferred income tax is provided, using the liability method, on temporary differences arising between the statutory tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities (Note 22).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they are related to income taxes levied by the same taxation authority (Note 22).

Current and deferred tax

Tax is included in the statement of profit or loss, unless it is related to an operation that is accounted directly under equity. Otherwise, tax is accounted under equity as well as the related transaction (Note 22).

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

2.2 Summary of Significant Accounting Policies (Continued)

Financial borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the profit or loss as finance expense over the period of the borrowings (Note 4). The borrowing costs which are directly related with the acquisition, manufacturing or production of a specialty good (means that a long period of time is required to make available for sale and use as purposed) are capitalized as a part of the related asset.

Employment termination benefits

The provision for employment termination benefit represents the present value of the estimated total reserves of the future probable liability of the Group arising from the retirement of the employees measured in accordance with the Turkish Labour and Press Labour Laws (Note 15).

According to the amendment in TAS 19, the Group calculated employment benefit in accordance with the report prepared by the actuarial firm and recognised all actuarial loss and gains in the other comprehensive statement of profit or loss as of the statement of financial position date.

Provisions, contingent assets and liabilities

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are assessed continually to determine whether an outflow of resources comprising economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously treated as a contingent liability, a provision is recognized in the financial statements of the period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised by the Group in the financial statements of the period in which the change occurs.

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 Group are not included in financial tables and are treated as contingent assets or liabilities. A contingent asset is disclosed where an inflow of economic benefit is probable.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 14).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 JUNE 2020**

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Share capital and dividends

Ordinary shares are classified as equity. Dividend income is recognized as income by the Group when right to obtain of dividend is generated in the consolidated financial statements. Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s consolidated financial statements in the period in which the dividends are approved by the General Assembly (Note 16).

Revenue recognition

When the Group meets its performance obligation by transferring a product or service that is committed before, the revenue is recognised in consolidated financial statements. When the client takes over the control of an asset, the asset is deemed transferred.

The Company transfers the revenue to the financial statements based on the following five principles:

- Determining client agreements,
- Determining performance obligations in agreements,
- Determining transaction price in agreements,
- Distributing transaction price to performance obligations in agreements,
- Recognising the revenue as each performance obligation is met.

If all the below-mentioned conditions are met, Group recognises an agreement made with the client as revenue:

- Parties to the agreement approved the agreement (in writing, orally or in other means in line with commercial practices) and committed to meet their respective obligations,
- Group can define the rights of each party concerning the goods or services to be transferred,
- Group can define payment conditions concerning the goods or services to be transferred,
- The agreement is commercial in essence.
- It is possible that the Group will collect money in return for goods and services to be transferred to the client. When determining whether the money can be collected, Group only considers its client’s ability and intention to pay the money in time.

At the beginning of the agreement, Group evaluates the goods or services committed to the client in the agreement and defines each commitment to transfer goods or services as performance obligation as follows:

- a) Different goods or service (goods or service packages) or
- b) A group of different goods or services which are similar in a great extent and transferred to the client with the same method.

Usually, in a contract signed with a client, the goods and services the Company commits to transfer to the client are explicitly stated. If the commitments stated in the commercial conventions of a contract with a client give rise to a valid expectation that the Company will transfer the goods or the services to the client, these commitments are defined as a separate performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (e.g. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. There are variable amounts because the agreements Group made with clients have scores from turnover-based discounts, returns and customer loyalty programs. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

After receiving pre-payment from client, the company includes an agreement liability equal to pre-payment in return for performance liability related to transferring goods or services in the future or making them ready to be transferred. When the company completes transfer of goods or services and therefore meets its performance liability, it removes this agreement liability from financial statements (and the revenue is included in the financial statements).

Turnover-based premiums the Group provided to vendors and other clients for retrospective service purchase represent variable prices. Turnover-based discount amounts the Group determined through estimation are accounted as “agreement liability” in the statement of financial position

Group takes into account agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price, which the Group expects to deserve in return for goods and services Group committed to provide to client, excluding amounts (e.g. some sales taxes) collected on behalf of third parties. A committed price in an agreement with a client can include both the fixed amounts and variable amounts. There are variable amounts because the agreements Group made with clients have scores from turnover-based discounts, returns and customer loyalty programs. If the price the Group commits in the agreement is variable, the Group determines the price it deserves in return for goods and services committed to client through estimation. For the Group to include some or all of cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated. When assessing whether or not there will be an important cancellation in cumulative revenue in the financial statements when the uncertainty about variable price is eliminated, the Group must take into account both realisation possibility and impact of revenue cancellation.

The Group determines if a performance obligation is executed over time or at a specific time when the agreement for each performance obligation begins.

The Group carries out its performance obligation at a specific point in time. The Group considers the following when determining when the client takes control of the committed asset and when the Group carries out its performance obligation:

- a) The entitlement to collection related to the asset,
- b) The client’s ownership of the legal rights to the asset,
- c) The transfer of physical possession of the asset,
- d) The significant risks and rewards of ownership of the asset,
- e) The client’s acceptance of the asset.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

When a party carries out the contract, the Group reflects the contract as a contract asset or contractual liability in the statement of financial position, depending on the relationship between the business performance and client payment. The Group records its unconditional rights related to the price as a receivable.

Before the group transfers a good or a service to the client, if the said client pays the price or the business has an unconditional receivable on the price, it reflects the contract as a contractual liability on the date the payment is made or when the payment is due (whichever is earlier). Contract liability is the liability of the business to transfer goods or services to the client in return for the amount it has collected (or earned the right to collect). In cases where the customer does not pay the cost or the performance obligation is met by transferring the goods or services to the customer before the due date, the Group presents the contract as a contract asset except the amounts presented as receivable.

A contract asset is the right to payment for goods and services transferred to the client. The Group recognises its contractual assets and liabilities capitalised in the balance without having been finalised under “contract asset” and “contractual liability” (Note 17).

The main performance obligations applicable to all departments are as follows:

Original Equipment Production

The Group mass-produces original equipment in line with its clients’ requests. The control of this equipment is transferred to the client at a specific point in time.

Original Equipment Spare Part Production

After mass-production of the equipment, the Company is contractually liable to keep spare parts for the equipment and provide them when requested. As with original equipment production, spare parts are recognised at a specific point in time when physical possession is transferred to the client.

Segment Reporting

In this context, since the Group has only one reportable segment, there is no segment reporting.

Foreign currency transactions

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, under finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis under other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised under other comprehensive income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing on the transaction dates in which case income and expenses are translated at the rate on the dates of the transactions, and
- All resulting exchange differences are recognized in other comprehensive income.

A significant portion of the Group’s foreign operations is performed in USA, Russia and China. Foreign currencies and exchange rates at 30 June 2020 and 31 December 2019 are summarized below:

	Currency	30 June 2020	31 December 2019
United States of America	USD	6,8422	5,9402
Russia	RUB	0,0972	0,0955

Earnings/ (loss) per share

Earnings/ (loss) per share is determined by dividing net income/ (loss) by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their issued capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all of the periods presented in the financial statements. Therefore, the weighted average number of shares used in earnings per share computations are made with regards to the distribution of shares occurred in the prior years (Note 23).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.2 Summary of Significant Accounting Policies (Continued)

Government grants

Government grants are not recognized in the financial statements until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants which are financial assets, should be recognized as unearned revenue in the consolidated statement of financial position rather than recognised in the statement of profit or loss to clarify the expenditure item that is financed and transferred to profit or loss on a systematic and rational basis over the useful lives of the related asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates (Note 13).

Subsequent events

In the case that events requiring a correction to be made occur subsequent, the Group makes the necessary corrections to the consolidated financial statements.

In the case that events not requiring a correction to be made occur subsequent, those events are disclosed in the notes of consolidated financial statements (Note 27).

Statement 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 Group’s activities.

The cash flows due to investing activities indicate the Group 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 with three months or less to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.3 Critical Accounting Estimates, Assumptions and Decisions

The preparation of financial statements requires management to make estimates, assumptions and estimates that affect the reported amounts of assets and liabilities, their probable commitments and undertaking as of the balance sheet date, and the amounts of income and expenses in the reporting period. Actual results may differ from estimates. Estimates are regularly reviewed, necessary corrections are made and reflected in the profit or loss table in the period in which they are realized.

The following are the assumptions made by taking into consideration the actual sources of the estimates that may be realized or materialized at the balance sheet date, which could have a significant effect on the amounts reflected in the financial statements:

- a) Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Company's statutory tax financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards ("TAS") issued by the Public Oversight Accounting and Auditing Standards Institution. The recoverable amount of deferred tax assets partially or fully is estimated under current conditions. During the assessment, future profit projections, losses incurred in the current period, unused losses and the date of last use of other tax assets and tax planning strategies that can be used when necessary are taken into account.
- b) The Company management has assumed the experience of the technical team in determining the useful economic lives of the tangible and intangible assets.
- c) The Company's management is responsible for actuarial calculations based on a number of assumptions including retirement pay liability, discount rates, future salary increases and employee retirement rates.
- d) The Company provides a provision for doubtful receivables in trade receivables, if the circumstances indicate that it will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of the receivable.
- e) The Group capitalizes ongoing development expenses and evaluates whether there is any impairment on these capitalized assets annually. As of 30 June 2020 and 31 December 2019, there is no impairment of capitalized development expenses.

Significant developments in the current period

The group suspended its production activities temporarily between 2 April and 9 April 2020 in order to ensure occupational safety and protect the health of their employees within the scope of the fight against the spread of the COVID-19 outbreak. In addition, the group benefited from short-term working practices in April, May and June.

After the COVID-19 outbreak, as a result of developments and the slowdown both in overall financial activity and in the sector the group operates in, the automotive supply industry line of business in which the group operates was affected negatively by COVID-19. In March, April and May, when the COVID-19 outbreak was occurring, the original equipment manufacturers, which are domestic and foreign suppliers, ceased production and then restarted production on different days in May, although at a slower pace. In addition, production is suspended from time to time. Due to the shrinkage in the market and slowing demand, capacity cannot be fully utilized. In addition to decreasing raw material costs, the pressure of further decreases in sales prices also had a negative impact on the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

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

2.3 Critical Accounting Estimates, Assumptions and Decisions (Continued)

Significant developments in the current period (Continued)

In the meantime, the group took action to minimise investment expenses, operational costs and inventories, and reviewed the cash management strategy to strengthen liquidity position.

Through this process, company management took the necessary actions to minimise as much as possible the potential impact of COVID-19 on the group's operations and financial status. There were no delays in payments to suppliers or collection of receivables.

It is still unclear, both in Turkey and around the world, how long the impact of COVID-19 will last and to what extent the virus will continue to spread. It will be possible to make a more clear and accurate estimation for the medium and long-term when the severity and duration of the impact becomes more evident. In addition, potential impacts of the COVID-19 outbreak were taken into account when preparing the interim consolidated financial statements dated 30 June 2020, and the estimations and assumptions used when preparing the financial statements were reviewed. In this context, the company tested potential impairments to the value of financial assets, inventories, property, plant and equipment in the interim financial statements dated 30 June 2020 based on the available information and did not make any impairment-related findings of any significant amount.

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Banks		
- Time deposits	530.036	535.117
- Demand deposits	9.614.308	1.540.433
Total	10.144.344	2.075.550

As of 30 June 2020, the interest rate for the Group's TL time deposits is 2.5% (31 December 2019: %8). As of 30 June 2020 the maturity of the time deposits is shorter than 3 months.

Cash and cash equivalents disclosed in the consolidated statements of cash flows as of 30 June 2020, 31 December 2019, 30 June 2019 and 31 December 2018 are as follows:

	30 June 2020	31 December 2019	30 June 2019	31 December 2018
Cash and cash equivalents	10.144.344	2.075.550	2.844.897	2.777.671
Less: Accrued interest	(36)	(117)	(21)	-
Total	10.144.308	2.075.433	2.844.876	2.777.671

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SHORT AND LONG TERM FINANCIAL BORROWINGS

The details of short-term and long-term borrowings at 30 June 2020 and 31 December 2019 are as follows:

Borrowings

	30 June 2020	31 December 2019
Bank borrowings	33.411.350	19.389.451
Payables due to leasing transactions	1.892.275	2.021.330
Total	35.303.625	21.410.781

Short-term borrowings

	30 June 2020	31 December 2019
Short-term bank borrowings	28.779.242	5.712.705
Total	28.779.242	5.712.705

Short-term portions of long-term borrowings

	30 June 2020	31 December 2019
Short-term portions of long-term bank borrowings	1.548.828	4.925.754
Borrowings from leasing transactions – third parties	29.491	16.905
Borrowings from leasing transactions - related parties	539.626	630.388
Total	2.117.945	5.573.047

Long-term borrowings

	30 June 2020	31 December 2019
Long-term bank borrowings	3.083.280	8.750.992
Borrowings from leasing transactions – third parties	18.039	-
Borrowings from leasing transactions - related parties	1.305.119	1.374.037
Total	4.406.438	10.125.029

The movement table of the lease borrowings is as follows.

	2020	2019
1 January	2.021.330	291.755
Additions	92.120	1.908.244
Payments	(472.518)	(88.366)
Interest expense (Note 22)	221.589	49.911
Currency translation differences	29.754	19.229
30 June	1.892.275	2.180.773

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 4 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

As of 30 June 2020 and 31 December 2019, the repayment schedule for long-term bank loans is as follows:

Long-term financial liabilities

	30 June 2020	31 December 2019
1-2 years	1.988.066	4.116.976
2-3 years	1.988.066	4.116.976
3-4 years	430.306	1.641.251
5 year and more	-	249.826
Total	4.406.438	10.125.029

Allocation of borrowings with fixed and floating interest rates of the Group excluding financial liabilities to be paid to the suppliers as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Financial borrowings with fixed interest rates (Note 26)	30.632.587	7.734.035
Financial borrowings with floating interest rates (Note 26)	4.671.038	13.676.746
Total	35.303.625	21.410.781

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

a) Bank borrowings

	<u>Original currency</u>		<u>Interest rate per annum (%)</u>		<u>TRY equivalent</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
EUR	2.205.983	2.606.468	0,60-2,60	0,90-2,63	17.004.158	17.334.576
TRY	16.407.192	2.054.875	7,50-9,75	10,85	16.407.192	2.054.875
					33.411.350	19.389.451

The interest rates of TRY borrowings used by the Group are 7,50% and 9,75%, the interest rates of EUR borrowings vary between 0,60% and Libor+2,60% (31 December 2019: TRY: 10,85%, EUR: %0,90 and Libor + 2,63%).

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 4 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

b) Payables from leasing transactions from non-related parties

	<u>Original currency</u>		<u>TRY equivalent</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
TRY	47.530	-	47.530	-
RUB	-	176.979	-	16.905
			47.530	16.905

c) Payables from leasing transactions from related parties

	<u>Original currency</u>		<u>TRY equivalent</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
EUR	8.539	13.444	65.820	89.411
TRY	1.778.925	1.915.014	1.778.925	1.915.014
			1.844.745	2.004.425

The reconciliation of the net financial borrowings as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020		31 December 2019	
Cash and cash equivalents (Note 3)		10.144.344		2.075.550
Short-term borrowings		(30.897.187)		(11.285.752)
Long-term borrowings		(4.406.438)		(10.125.029)
		(25.159.281)		(19.335.231)
	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2020	(11.285.752)	(10.125.029)	2.075.550	(19.335.231)
TFRS 16 transition effect	78.176	50.879	-	129.055
Cash flow effect	(17.818.266)	6.313.635	7.218.774	(4.285.857)
Foreign currency adjustments	(1.892.267)	(645.923)	849.984	(1.688.206)
Interest accrual, net	20.922	-	36	20.958
As of 30 June 2020	(30.897.187)	(4.406.438)	10.144.344	(25.159.281)
	Short-term borrowings	Long-term borrowings	Cash and cash equivalents	Net financial debt
As of 1 January 2019	(10.463.414)	(12.328.556)	2.777.671	(20.014.299)
TFRS 16 transition effect	(318.215)	(1.862.558)	-	(2.180.773)
Cash flow effect	(951.384)	2.056.395	(269.589)	835.422
Foreign currency adjustments	(1.161.459)	(1.032.611)	336.836	(1.857.234)
Interest accrual, net	(139.117)	-	(21)	(139.138)
As of 30 June 2019	(13.033.589)	(13.167.330)	2.844.897	(23.356.022)

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 4 - SHORT AND LONG TERM FINANCIAL BORROWINGS (Continued)

The maturity and interest information of the lease payables are presented below:

	30 June 2020		TRY
	Maturity	Interest rate (%) (*)	
Short-term portion of long-term payables from related parties leasing transactions (Note 25)	1 November 2020 - 1 June 2024	10,20 - 22,55	611.307
Short-term portion of long-term payables from third parties leasing transactions	1 February 2022	22,55	37.025
Long-term payables from related parties leasing transactions (Note 25)	1 June 2024	22,55	1.342.273
Long-term payables from third parties leasing transactions	1 February 2022	22,55	22.003
			2.012.608

(*) Represents the inter-company borrowing rate.

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables from non-related parties:

	30 June 2020	31 December 2019
Trade receivables	22.642.511	24.487.262
Time notes and checks	125.035	-
Unearned financial income due to sales (-)	(180.729)	(277.833)
Provision for doubtful receivables (-)	(789.909)	(802.909)
Total	21.796.908	23.406.520

As of 30 June 2020 and 31 December 2019, the maturity of time receivables is less than six months. The maturity of the trade receivables of the Group varies and the effective interest rate applied for trade receivables is TRY 10,38%, USD 2,65%, EUR 1,30% (31 December 2019: TRY 13,83%, USD 3,69%, EUR 1,68%). The rate used in this method is determined on the basis of compound interest called “effective interest rate”; which has been determined taking into consideration the data of the Central Bank of the Republic of Turkey. The average maturity of not overdue trade receivables of the Group is 83 days as of the statement of financial position date. (31 December 2019: 87 days).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 5 - TRADE RECEIVABLES AND PAYABLES (Continued)

Explanations on the nature and level of risks in trade receivables are provided in Note 26.

The movement of the provision for doubtful trade receivables is as follows:

	2020	2019
1 January	(802.909)	(885.099)
Provisions no longer required (Note 20)	13.000	-
30 June	(789.909)	(885.099)

Short-term trade payables to non-related parties:

	30 June 2020	31 December 2019
Trade payables	13.484.221	21.046.700
Debt securities	616.656	-
Unrealized financing expenses arising from forward purchases (-)	(186.598)	(351.430)
Total	13.914.279	20.695.270

As of 30 June 2020 the average maturity days of trade payables is 92 days (31 December 2019: 78 days). The effective interest rate applied for trade receivables is TRY 10,38%, USD 2,65%, EUR 1,30% (31 December 2019: TRY 13,83%, USD 3,69%, EUR 1,68%). The rate used in this method is determined on the basis of compound interest called “effective interest rate”; which has been determined taking into consideration the data of the Central Bank of the Republic of Turkey.

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables from non-related parties:

	30 June 2020	31 December 2019
Receivables from personnel	71.845	80.456
Deposit and guarantees given	16.079	13.959
Other (*)	28.300	28.300
Total	116.224	122.715

(*) It consists of the receivables from the tax office.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 6 - OTHER RECEIVABLES AND PAYABLES (Continued)

b) Other long-term payables to non-related parties:

	30 June 2020	31 December 2019
Deposit and guarantees given	93.040	19.744
Total	93.040	19.744

c) Other short-term payables to non-related parties:

	30 June 2020	31 December 2019
Taxes and funds payable	99.838	67.094
Other (*)	26.471	29.715
Total	126.309	96.809

(*) It consists of payables arising from employee union fees.

NOTE 7 - INVENTORIES

	30 June 2020	31 December 2019
Raw materials and supplies	6.055.079	6.532.929
Products	5.802.942	7.424.527
Semi-finished goods	5.310.451	5.010.476
Finished goods	20.121	20.121
Goods on the road	-	401
	17.188.593	18.988.454
Provision for impairment of inventory (-)	(384.714)	(327.704)
Total	16.803.879	18.660.750

Depreciation and amortization expenses amounting to TRY22.951.372 have been reflected to cost of inventories as of 1 January - 30 June 2020 (1 January - 30 June 2019: TRY22.888.641) (Note 17).

The movement of the provision for impairment of inventories are as follows:

	2020	2019
1 January	327.704	379.756
Increase in the period	57.010	-
Provisions no longer required	-	(61.430)
30 June	384.714	318.326

If non-moving inventory identified during the previous period is used and/or disposed of in the current period, the related amounts are recognised as provisions no longer required.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses

	30 June 2020	31 December 2019
Prepaid expenses for the coming months	1.038.883	770.502
Order advances given for inventory purchase	347.780	820.463
Business advances	1.370	1.171
Total	1.388.033	1.592.136

Long term prepaid expenses

	30 June 2020	31 December 2019
Advances given for the purchase of fixed assets	725.832	303.991
Prepaid expenses for the coming years	77.649	196.998
Total	803.481	500.989

Short-term deferred income

	30 June 2020	31 December 2019
Advances received	365.138	309.380
Incomes for the coming years (*)	298.506	-
Total	663.644	309.380

Long-term deferred income

	30 June 2020	31 December 2019
Incomes for the coming years (*)	149.253	-
Total	149.253	-

(*) Consist of incentives from Metal Industrialists' Union of Turkey ("MESS").

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 9 - OTHER CURRENT ASSETS

Other current assets:

	30 June 2020	31 December 2019
Value added tax ("VAT") receivables (*)	2.218.886	846.735
Personnel advances	9.857	10.160
Total	2.228.743	856.895

(*) It became appropriate to offset the TRY2.218.886 (31 December 2019: TRY846.735) portion of VAT receivables. This portion will be offset from payments to public institutions, including the Social Security Institution.

NOTE 10 - RIGHT OF USE ASSETS

The movements of the rights of use assets during the periods are shown below:

	1 January 2020	Additions	Disposals	Transfers	30 June 2020
Cost - Vehicles	195.231	109.025	-	-	304.256
Cost - Office	1.897.935	-	(26.639)	-	1.871.296
Accumulated amortization					
- Vehicles	(109.777)	(100.652)	-	-	(210.429)
Accumulated amortization					
- Office	(228.736)	(184.062)	13.997	-	(398.801)
	1.754.653	(175.689)	(12.642)	-	1.566.322

	1 January 2019	Additions	Disposals	Transfers	30 June 2019
Cost - Vehicles	292.700	-	-	-	292.700
Cost - Buildings	15.276	-	-	-	15.276
Cost - Office	-	1.908.244	-	-	1.908.244
Accumulated amortization					
- Vehicles	-	(81.465)	-	-	(81.465)
Accumulated amortization					
- Buildings	-	(8.332)	-	-	(8.332)
Accumulated amortization					
- Office	-	(31.283)	-	-	(31.283)
	307.976	1.787.164	-	-	2.095.140

For the period ended at 30 June 2020, depreciation expenses for vehicles are recorded under cost of sales and depreciation expense of office is recorded under general administrative expenses and marketing expenses (Note 17).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Disposals	Transfers	30 June 2020
Cost:					
Land	132.531	-	-	-	132.531
Land improvements	2.930.547	-	-	111.583	3.042.130
Buildings	10.786.795	19.000	-	40.000	10.845.795
Machinery and equipment	50.876.293	192.527	-	1.861.509	52.930.329
Motor vehicles	168.102	-	-	-	168.102
Furniture and fixtures	5.062.829	172.202	-	90.000	5.325.031
Special costs	-	-	-	89.407	89.407
Construction in progress	5.932.248	2.249.712	-	(5.219.956)	2.962.004
	75.889.345	2.633.441	-	(3.027.457)	75.495.329
Accumulated depreciation:					
Land improvements	2.271.983	70.660	-	-	2.342.643
Buildings	4.465.223	118.582	-	-	4.583.805
Machinery and equipment	34.941.014	1.303.388	-	-	36.244.402
Motor vehicles	83.447	10.807	-	-	94.254
Furniture and fixtures	4.149.932	209.886	-	-	4.359.818
Special costs	-	4.468	-	-	4.468
	45.911.599	1.717.791	-	-	47.629.390
Net book value	29.977.746				27.865.939
	1 January 2019	Additions	Disposals	Transfers	30 June 2019
Cost:					
Land	132.531	-	-	-	132.531
Land improvements	2.897.896	32.651	-	-	2.930.547
Buildings	10.719.005	67.790	-	-	10.786.795
Machinery and equipment	50.133.274	844.075	-	-	50.977.349
Motor vehicles	168.102	-	-	-	168.102
Furniture and fixtures	4.854.091	49.302	-	87.581	4.990.974
Other tangible assets	-	-	-	-	-
Construction in progress	2.935.718	2.073.575	-	(87.581)	4.921.712
	71.840.617	3.067.393	-	-	74.908.010
Accumulated depreciation:					
Land improvements	2.142.740	64.163	-	-	2.206.903
Buildings	4.229.849	117.686	-	-	4.347.535
Machinery and equipment	32.025.803	1.770.966	-	-	33.796.769
Motor vehicles	53.735	17.748	-	-	71.483
Furniture and fixtures	3.694.586	249.999	-	-	3.944.585
	42.146.713	2.220.562	-	-	44.367.275
Net book value	29.693.904				30.540.735

As of 30 June 2020, amortization expense amounting to TRY1.408.644 (30 June 2019: TRY1.994.725) accounted to cost of sales (Note 17), TRY211.861 (30 June 2019: TRY203.781) accounted to general administrative expense, TRY13.248 accounted to marketing expenses (30 June 2019: TRY7.163) and TRY84.038 accounted to researched and development expenses (30 June 2019: TRY14.893) (Note 18).

As of 30 June 2020 and 31 December 2019, there is no mortgage on property, plant and equipment.

As of 30 December 2020 and 31 December 2019, the Group does not have any tangible assets acquired by financial leasing

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2019	Additions	Transfers	30 June 2020
Cost:				
Rights	2.946.361	267.051	-	3.213.412
Development costs	3.773.698	5.469	3.027.457	6.806.624
Other intangible assets	314.172	-	-	314.172
	7.034.231	272.520	3.027.457	10.334.208
Accumulated depreciation:				
Rights	2.662.616	88.130	-	2.750.746
Development costs	238.353	604.017	-	842.370
Other intangible assets	264.668	21.374	-	286.042
	3.165.637	713.521	-	3.879.158
Net book value	3.868.594			6.455.050
	1 January 2019	Additions	Transfers	30 June 2019
Cost:				
Rights	2.787.976	146.385	-	2.934.361
Development costs	751.029	-	-	751.029
Other intangible assets	314.172	-	-	314.172
	3.853.177	146.385	-	3.999.562
Accumulated depreciation:				
Rights	2.561.753	49.680	-	2.611.433
Development costs	196.063	41.556	-	237.619
Other intangible assets	87.995	75.103	-	163.098
	2.845.811	166.339	-	3.012.150
Net book value	1.007.366			987.412

Amortization expenses for the periods ended at 30 June 2020 and 2019 are accounted under general administrative expenses. (Note 18).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 13 - GOVERNMENT GRANTS

Group, benefits from the insurance premium incentive, regional incentive (Law no: 56486), incentive of the social security institution and minimum wage (Law no: 56645) under the scope of Social Security and General Health Insurance Law (Law no: 5510) and R&D incentive. In this context, the Group offset the incentive of the insurance premium amounting to TRY846.955 (30 June 2019: TRY523.448) is recorded against the labor expense under cost of goods sold in the financial statements as of 30 June 2020.

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions

	30 June 2020	31 December 2019
Union rights provision	319.568	-
Provision for ongoing lawsuits	161.000	161.000
Provision for overseas turnover premium	102.093	30.521
Domestic turnover premium provision	79.796	-
Total	662.457	191.521

Various lawsuits have been filed and are ongoing against the Group. All of these lawsuits are business lawsuits. The Group management assesses the possible outcomes and financial impact of these lawsuits at the end of each period and allocates the provisions necessary as a result of this assessment. As of 30 June 2020, the Group had allocated provisions amounting to TRY161.000 (31 December 2019: TRY161.000) for the lawsuits.

As of 30 June 2020 and 31 December 2019, there is no case that Group does not have any provision.

Movement of lawsuit provisions for the periods ended 30 June 2020 and 2019 is as follows:

	2020	2019
1 January	161.000	190.014
Canceled provisions (-) (Note 20)	-	(59.014)
30 June	161.000	131.000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals/pledges/mortgages (“CPM”) position

As of 30 June 2020 and 31 December 2019, the Group's position in CPM is as follows:

Letters of guarantee and guarantee notes given

	30 June 2020			31 December 2019		
	TRY equivalent	TRY	EUR	TRY equivalent	TRY	EUR
A. CPM’s given in the name of its own legal personality	6.804.591	991.182	754.185	16.102.679	991.182	2.272.201
B. CPM’s given on behalf of 3rd parties for ordinary course of business	-	-	-	-	-	-
C. Total amount of other CPM’s given	-	-	-	-	-	-
i. Total amount of other CPM’s given on behalf of majority shareholders	-	-	-	-	-	-
ii. Total amount of CPM’s given on behalf of other group companies	-	-	-	-	-	-
iii. Total amount of CPM’s given on behalf of 3rd parties which are not in scope of B	-	-	-	-	-	-
Total	6.804.591	991.182	754.185	16.102.679	991.182	2.272.201

As at 30 June 2020 and 31 December 2019 all CPMs of the Company were given on behalf of its own legal entity. The rate of given CPMs to the Company’s total equity is 0%.

The Group does not expect any significant debt or loss related to the guarantee letters. These letters include those given to Türkiye İhracat Kredi Bankası A.Ş. for a loan, to suppliers for a steel purchase, to Kapadokya Doğalgaz A.Ş. for natural gas usage, to Meram Elektrik Perakende Satış A.Ş. for electricity usage and to the Niğde Enforcement Office for ongoing lawsuits.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Contingent assets	30 June 2020	31 December 2019
Collateral notes received from vendors	149.000	149.000
Collateral checks received from vendors	75.600	75.600
Letters of guarantee received from customers	50.000	50.000
Collateral checks received from customers	-	65.000
Total	274.600	339.600

The Group received collateral bills, guarantee letters, mortgage and guarantee checks from the clients as guarantees for the Group's receivables from the independent spare parts dealers. The Group obtained collateral bills from the sellers for the advance payments and other activities.

NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS

15.1 Provisions for employee benefits:

	30 June 2020	31 December 2019
Social security premiums payable	2.026.035	496.323
Wages payable to personnel	1.187.551	1.617.171
Income tax on fees	690.163	294.886
Total	3.903.749	2.408.380

15.2 Short term provisions for employment benefits:

	30 June 2020	31 December 2019
Provision for unused vacation	1.531.383	1.034.062
Bonus provision	162.033	-
Provision for collective labour agreement	-	887.562
	1.693.416	1.921.624

The movement of Provision for unused vacation within the period is as follows:

	2020	2019
1 January	1.034.062	920.844
Provision amount allocated during the period	518.976	89.250
Payment for unused vacation provision	(21.655)	(64.325)
30 June	1.531.383	945.769

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

NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

15.3 Long term provisions for employment benefits:

	30 June 2020	31 December 2019
Provision for employment termination benefits	11.182.596	10.409.798
	11.182.596	10.409.798

The Company has no pension plans and benefits.

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 and achieves the retirement age. As of 30 June 2020, the maximum amount payable equivalent to one month of salary is TRY6.730,15 (31 December 2019: 6.379,86) for each year of service. The retirement pay provision ceiling TRY7.117,17 which is effective from 1 July 2020, is taken into consideration in the calculation of provision for employment termination benefits (1 January 2020: TRY6.730,15).

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Company.

The standard TAS 19 “Employee Benefits” envisages the development of actuarial valuation methods in order to estimate the provision of severance pay. According to this, following assumptions were used in the calculation of total liability based on the report prepared by the actuarial firm.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2020, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

Discount rate applied as 11,86% ⁽¹⁾ (31 December 2019: 11,86%), inflation ⁽²⁾ rate applied as 7,77% (31 December 2019: 7,77%) and increase in wages applied as 7,77% (31 December 2019: 7,77%) in the calculation.

Age of retirement is based on considering the Company’s historical operating data and taken as the average age of retirement from the Company

(1) The gross discount rate used in the calculation of severance pay has been determined by taking the compound interest rate of 10-year Government Bonds and 10-year and 15-year swap rates. Based on this, the net discount rate was determined as 3.80%. (31 December 2019: 3,80%).

(2) The upper band inflation rate of the inflation report of Central Bank of the Republic of Turkey as of the year 2021 has been used in calculating the liability for severance payment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 15 - PROVISION FOR EMPLOYMENT BENEFITS (Continued)

15.3 Long term provisions for employment benefits (Continued):

The movement details of provision for employee termination benefits are as follows:

	2020	2019
1 January	10.409.798	8.765.198
Service cost	426.718	379.573
Interest cost	597.909	668.983
Payments during the period	(251.829)	(487.560)
30 June	11.182.596	9.326.194

NOTE 16 - EQUITY

Issued Capital

The Company adopted the registered paid-in capital system and set a limit on its registered paid-in capital representing registered type shares with a nominal value of TRY1. Company’s registered capital ceiling and issued capital at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Registered authorized capital ceiling	38.000.000	38.000.000
Issued capital	10.000.000	10.000.000

The ultimate shareholders of the Company are Aydın Doğan and Doğan Family (Işıl Doğan, Arzuhan Yalçındağ, Vuslat Sabancı, Hanzade V. Doğan Boyner ve Y.Begümhan Doğan Faralyalı).

As of 30 June 2020 and 31 December 2019 the shareholding structure of the Group is as follows:

	(%)	30 June 2020	(%)	31 December 2019
Doğan Holding	72,62	7.261.815	72,62	7.261.815
Publicly traded on Borsa İstanbul and other (1)	27,38	2.738.185	27,38	2.738.185
Issued Capital	100,00	10.000.000	100,00	10.000.000
Adjustment to issued capital		15.137.609		15.137.609
Total		25.137.609		25.137.609

- (1) In accordance with the “CMB” Resolution No: 31/1059 issued on 30 October 2014 and 21/655 issued on 23 July 2010, it is regarded that 27,31 % of the shares are outstanding as of 30 June 2020 based on the Central Registry Agency’s (“CRA”) records. (31 December 2019: 27,31%). In addition, as of 12 August 2020, shares corresponding to 27,31% of Ditaş’s capital are considered to be “in circulation”.

There are no privileged shares of the Company.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 16 - EQUITY (Continued)

Restricted reserves

Restricted reserves are reserved from the prior period profit due to legal or contractual obligations or for certain purposes other than the profit distribution (for example, to obtain the tax advantage of gain on sale of associates). Restricted reserves are in the scope of solo legal records in accordance with TCC and TPL.

General Statutory Legal Reserves are reserved according to the article 519 of Turkish Commercial Code and used in accordance with the principles set out in this article. The aforementioned amounts should be classified in “Restricted Reserves” in accordance with the TAS.

As of 30 June 2020, according to the Company’s records kept in line with tax legislation, TRY3.028.735 (31 December 2019: TRY3.018.735) of its restricted reserves of TRY814.881 (31 December 2019: TRY2.203.854) allocated from profits comprises affiliate and real estate sales earnings, and TRY2.213.854 (31 December 2019: TRY2.203.854) comprises legal reserves, calculated by considering amounts discounted in previous periods.

Capital Reserves and Retained Earnings

Subsequent to the first inflation adjusted financial statements, equity items such as; “Capital, Emission Premiums, General Statutory Legal Reserves, Statutory Reserves, Special Reserves and Extraordinary Reserves” are carried at carrying value in the statement of financial position and their adjusted values based on inflation are collectively presented in equity accounts group.

In accordance with the CMB regulations, “Issued capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences resulted due to the inflation adjustment shall be disclosed as follows:

- If the difference is due to the “Issued Capital” and not yet been transferred to capital, it should be classified under “Capital adjustment difference”;
- If the difference is due to “Restricted Reserves” and “Share Premium” and the amount has not been subject to dividend distribution or capital increase yet, it shall be classified under “Retained Earnings/(Losses)”.

Capital adjustment differences have no other use than to be included to the share capital.

In the financial records for the period 30 June 2020 under the tax legislation “Extraordinary Reserves” are TRY10.676.579 (31 December 2019:TRY8.626.844).

Dividend distribution

The Company decides to distribute profit and makes profit distribution in accordance with the Turkish Commercial Code (“TCC”), Capital Market Law (“CML”), Capital Market Board (“CMB”) Regulations and Laws; Tax Legislations; other related statutory legislation and Articles of Association and Resolutions of General Assembly. Profit distribution is determined by Profit Distribution Policy.

On the other hand,

- a) Retained earnings derived from the reparation of comparative financial statements based on the first time adoption of TAS,
- b) “Equity inflation adjustment differences” derived from resources that do not have any restriction regarding profit distribution,
- c) Retained earnings derived from the first time inflation adjustment of financial statements, can be distributed to shareholders as cash dividends.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 16 - EQUITY (Continued)

Dividend distribution (Continued)

In addition, if the financial statements include the “Purchasing Impact on Equity” item under equity, the related item is not considered as a deductible or additional item when presenting net distributable profit for the period.

At the Ordinary General Assembly Meeting dated on 25 March 2020 as per the Communiqué on Financial Reporting in Capital Markets (Communiqué No. II-14.1), presentation principles prepared in accordance with Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standard (TFRS) published by the Public Oversight, Accounting and Auditing Standards Board (KGK) were independently audited as required by the CMB. As a result of the “Tax Expense of the Period” and “Deferred Tax Expense” in the Company's Consolidated Financial Statements for the 1 January 2019-31 December 2019 accounting period, the “Net Period Profit” was TRY1.084.082.

Considering that the limit determined in accordance with paragraph (1) of Article 519 of the TCC has been reached so “General Legal Reserve” was not allocated and “Donations” amounting to TRY2.300 made in 2019 were deducted, “Net Distributable Period Profit Including Donation” amounting to TRY1.086.382 was calculated for the 1 January 2018-31 December 2018 accounting period, as per CMB regulations on dividend distribution,

- In the Legal Statutory Records (“Statutory Records”) for the period 1 January 2019 - 31 December 2019, kept as per tax legislation and prepared as per the Uniform Chart of Accounts issued by the Republic of Turkey Ministry of Finance, a “Net Period Profit” of TRY2.659.734,67 was observed. Considering that the limit determined in accordance with paragraph (1) of Article 519 of the TCC has been reached, a "Net Distributable Term Profit" in the amount of 2.659.734,67 Turkish Lira was calculated as a result of not allocating "General Legal Reserve",
- In the framework of CMB and KGK regulations, the consolidated financial statements prepared in line with TAS and TFRS taken as the base when calculating “net distributable period profit”,
- After an additional “General Legal Reserve” amounting to TRY10.000 was allocated as per subparagraph (c) of paragraph 2 of Article 519 of the TCC, a “cash” dividend amounting to TRY600.000 (gross) and TRY510.000 (net), equal to 6,00% gross and 5,10% net of the unpaid capital, would be distributed in line with the rules of the Central Securities Depository A.Ş. on “fractions” applicable on the date the dividend distribution started, and the dividend distribution shall begin on 30 April 2020 at the latest,
- As per the CMB and POA regulations, after the above-mentioned legal and special reserves were allocated in the consolidated financial statements prepared in line with TAS and TFRS, non-distributed profit amounting to TRY474.082 was recognised under “Previous Years’ Profit or Loss”,
- The retained earnings amounting to TRY2.049.734,67 which were not distributed after required legal reserves were allocated according to the legal accounting records of the Company, would be included in the “Extraordinary Reserves” account.

The CMB’s requires the disclosure of total amount of net profit in the statutory records and other resources which may be subject to distribution. As of the statement of financial position date, the Group’s gross amount of resources that may be subject to the profit distribution amounts to TRY12.900.800,00 (2019: TRY12.101.459,38).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 16 -EQUITY (Continued)

Actuarial gains (losses) on defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. The Group recognised all actuarial gains and losses in other comprehensive income. Remeasurement loss on defined benefit plans amounting to TRY4.712.176 is accounted under shareholders’ equity (31 December 2019: TRY4.712.176).

Currency translation differences

Currency translation differences consist of currency translation differences of the Group’s subsidiaries and joint ventures financial statements located out of Turkey using a measurement currency other than TRY and classified under equity amounting to TRY335.728 (31 December 2019: TRY302.365).

NOTE 17 - REVENUE AND COST OF SALES

Revenue:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Independent spare parts sales	31.634.634	14.096.439	32.895.986	17.048.806
Original spare parts sales	21.796.801	8.113.744	21.539.602	10.477.347
Net sales	53.431.435	22.210.183	54.435.588	27.526.153

Cost of sales:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Raw material cost (Note 7)	22.951.372	8.599.920	22.888.641	10.116.259
Labour costs (Note 19.b)	9.819.189	4.308.438	9.591.276	5.389.514
Production overhead	7.241.006	2.893.117	7.071.465	4.517.109
Depreciation and amortization (Nots 11 and 12)	2.222.817	1.368.748	2.084.522	1.024.146
Total	42.234.384	17.170.223	41.635.904	21.047.028

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 18 - RESEARCH AND DEVELOPMENT, MARKETING AND GENERAL MANAGEMENT EXPENSES

	1 January - 30 June 2020				1 April - 30 June 2020			
	Research and development expenses	Marketing expenses	General administrative expenses	Total	Research and development expenses	Marketing expenses	General administrative expenses	Total
Service expenses	305.791	2.967.484	2.128.694	5.401.969	125.572	1.399.522	867.530	2.392.624
Personnel expenses	1.231.119	1.167.053	2.444.476	4.842.648	631.645	443.981	950.201	2.025.827
Payments to managers (Note 24 ii.c)	-	-	1.294.153	1.294.153	-	-	431.065	431.065
Packing materials	-	460.698	-	460.698	-	218.931	-	218.931
Depreciation and amortization (Notes 11, 12)	84.038	86.873	322.298	493.209	42.991	79.632	134.060	256.683
Other	38.590	31.423	23.182	93.195	23.918	11.018	9.202	44.138
Total	1.659.538	4.713.531	6.212.803	12.585.872	824.126	2.153.084	2.392.058	5.369.268

	1 January - 30 June 2019				1 April - 30 June 2019			
	Research and development expenses	Marketing expenses	General administrative expenses	Total	Research and development expenses	Marketing expenses	General administrative expenses	Total
Service expenses	30.192	3.293.040	2.007.568	5.330.800	23.043	1.771.502	993.131	2.787.676
Personnel expenses	127.149	1.332.495	1.511.235	2.970.879	77.091	750.009	704.887	1.531.987
Payments to managers (Note 24 ii.c)	-	-	1.009.661	1.009.661	-	-	551.285	551.285
Packing materials	-	493.582	-	493.582	-	249.188	-	249.188
Depreciation and amortization (Notes 11, 12)	14.893	7.163	401.403	423.459	2.227	4.714	225.950	232.891
Other	7.349	31.295	38.833	77.477	1.962	19.833	24.663	46.458
Total	179.583	5.157.575	4.968.700	10.305.858	104.323	2.795.246	2.499.916	5.399.485

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 19 - EXPENSES BY NATURE

a) The Group's depreciation and amortization expenses are as follows:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Cost of sales (Note 17)	2.222.817	1.368.748	2.084.522	1.024.146
General and administrative expenses (Note 18)	322.298	134.060	401.403	225.950
Research and development costs (Note 18)	84.038	42.991	14.893	2.227
Marketing expenses (Note 18)	86.873	79.632	7.163	4.714
Total	2.716.026	1.625.431	2.507.981	1.257.037

b) The Group's personnel expenses are as follows:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Cost of sales (Note 17)	9.819.189	4.308.438	9.591.276	5.389.514
General and administrative expenses (Note 18)	3.738.629	1.381.266	2.520.896	1.256.172
Marketing expenses (Note 18)	1.167.053	443.981	1.332.495	750.009
Research and development costs (Note 18)	1.231.119	631.645	127.149	77.091
Total	15.955.990	6.765.330	13.571.816	7.472.786

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gains from operations	3.712.595	1.779.872	3.185.336	1.422.283
Deferred financing expense from forward purchases (*)	97.104	97.104	78.711	78.711
Provisions no longer required (Notes 5 ve 14)	13.000	-	59.014	59.014
Interest income	11.517	6.642	42.960	24.781
Other	134.862	60.177	375.443	318.748
Total	3.969.078	1.943.795	3.741.464	1.903.537

(*) Prior period "Finance income from sales with maturity" reversals are included.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (Continued)

Other expenses from operating activities

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange loss from operations	1.185.789	475.218	1.269.521	572.108
Unearned finance income from forward sales (*)	164.832	84.166	263.490	(6.585)
Compensation costs	8.694	125	7.864	3.089
Donations and grants	1.100	600	650	650
Other	116.980	61.920	198.923	113.174
Total	1.477.395	622.029	1.740.448	682.436

(*) Prior period "Finance expense from purchases with maturity" reversals are included.

NOTE 21 - FINANCIAL INCOME AND EXPENSES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange differences, net	2.579.605	1.092.968	2.219.425	1.161.304
Interest expenses	418.796	148.593	477.055	244.309
Expense related to derivative instruments	1.569.875	659.678	121.278	121.278
Interest expenses arising from the lease obligation	221.589	108.408	49.911	42.768
Total	4.789.865	2.009.647	2.867.669	1.569.659

NOTE 22 - INCOME TAX

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis for all the subsidiaries consolidated on a line-by-line basis

	30 June 2020	31 December 2019
Prepaid taxes	18.196	16.573
Current period tax asset	18.196	16.573

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 22 - INCOME TAX (Continued)

Income tax (expense) / income for the periods ended at 30 June 2020 and 2019 are detailed below:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Tax income/(expense) for the period	-	-	(11.687)	(5.862)
Deferred tax income/(expense)	932.200	362.458	356.284	159.764
Total	932.200	362.458	344.597	153.902

Corporate Tax

Turkey

The Corporate Tax Law has been amended as of 13 June 2006 by Law No: 5520. The majority of the clauses of Law No: 5520 are effective as of 1 January 2006. Corporate tax rate for the fiscal year 2020 is 22% (2019: 22%) for Turkey. Corporate tax is payable on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (exemption for participation in subsidiaries, etc.) and corporate income tax deductions (such as research and development expenditures deduction). No further tax is payable unless there is dividend distribution.

Companies calculate corporate tax quarterly at the rate of 22% (2019: %22) over their corporate income and these amounts are disclosed by the end of 14th day and paid by the end of the 17th day of the second month following each calendar quarter-end. Advance taxes paid in the period are offset against the following period's corporate tax liability. . If there is an outstanding advance tax balance as a result of offsetting, the related amount may either be refunded in cash or used to offset against for other payables to the government.

Within the scope of the “Law on the Amendment of Certain Tax Laws and Some Other Laws” numbered 7061, which was published in the Turkish Trade Registry Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. As per this law, deferred tax assets and obligations were calculated in the financial statements dated 31 December 2019, applying a tax rate of 22% for temporary differences' portion to lead to tax effects in 2018, 2019 and 2020, and at 20% for the portion to lead to tax effects in 2021 and subsequent periods.

According to, Amendments in Tax Procedural Law, Income Tax Law and Corporate Tax Law (“Law No. 5024”) published in the Official Gazette on 30 December 2003 and the income or corporations taxpayers whose determine their profits on the basis of the statement of financial position, the financial statements are subject to inflation adjustment starting from 1 January 2004.

In accordance with the related law, the cumulative inflation of last 36 months inflation rate (PPI) must exceed 100% and the inflation rate (PPI) of last 12 months must exceed 10% in order to adjust inflation. There has not been any inflation adjustment after 2005 due to the absence of conditions required.

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

NOTE 22 - INCOME TAX (Continued)

Turkey (Continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax authorities can review accounting records within five years and if they determine any errors on the accounting records, tax payable can be reassessed as a result of another tax assessment.

Under the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years.

There are numerous exemptions in the Corporate Tax Law concerning the corporations. The exemptions that are related to the Group are as follows:

Exemption for participation in subsidiaries

Dividend income from participation in shares of capital of another fully fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

For companies participating in 10% or more of the capital of a non-resident limited liability or joint stock company,(except for those whose principal activity is financial leasing or investment property) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (minimum corporate income tax applicable in Turkey for those whose principal activity is finance assurance or insurance).

Russian Federation

The corporate tax rate effective in the Russian Federation is 20% (31 December 2019: 20%).

The Russian tax year is the calendar year and fiscal year ends other than the calendar year end are not applicable in the Russian Federation.

The income taxes over gains are calculated annually. Tax payments are made monthly or depending on tax payer’s discretion, it can be made monthly or quarterly by using different calculation methods. Corporate tax declarations are given until 28th of March following the fiscal year end.

According to the Russian Federation’s tax legislation, financial losses can be carried forward indefinitely to be deducted from future taxable income

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

NOTE 22 - INCOME TAX (Continued)

Russian Federation (Continued)

Tax can be refunded in practice; however, refund is generally available following the outcome of legal procedures. Consolidated tax reporting or tax payment of parent companies or subsidiaries is not allowed. In general, dividend payments that are paid to foreign shareholders are subject to 15% withholding tax. Based on bilateral tax agreements, withholding tax rate can be decreased.

In accordance with the new tax amendment in Russian Federation, the Companies can reduce 50% of the profit occurred between 2017 - 2020 and total accumulated losses as of 2021. Besides, the limitation of carried forward tax losses due to accumulated losses after 2007 for up to 10 years has been removed.

Tax regulations in the Russian Federation are subject to various interpretations and often change. The interpretation of tax legislation by the tax authorities for D-Stroy Ltd.'s activities may not be the same as the interpretation of management.

The tax rates at 30 June 2020 applicable in the foreign countries, where the significant part of the Group's operations are performed, are as follows:

Country	Tax rates (%)
Russia	20
China	25
USA	40

Investment Tax Credit Practise

Article 5 of Law No. 6009 which became effective after being promulgated in Official Gazette No. 27659 dated 1 August 2010, and the statement "pertaining only to the years 2006, 2007 and 2008" in temporary article 69 of Income Tax Law No. 193, which was annulled with Constitutional Court decision No. 2009/144 after being promulgated in the Official Gazette dated 08 January 2010, have been changed. With this new arrangement, it is possible to continue benefiting from the investment allowance which cannot be deducted due to inadequate earnings and which was carried forward without a time limit; however, the amount to be deducted as an investment allowance cannot exceed 25% of the total revenue in the relevant year when determining the tax base. The same arrangement brought the principle that the corporate income tax rate of 20% which is in effect shall apply to those who can benefit from the investment allowance exemption instead of the 30% tax rate.

The provision "However, the amount deducted as an investment allowance cannot exceed 25% of the related revenue when determining the tax base" regarding the 25% limit added to temporary article 69 with Law No. 6009 was annulled with Constitutional Court decision (stay of execution) No. E: 2010/93, K: 2012/9 dated 09 February 2012, which was promulgated in Official Gazette No. 28208 dated 18 February 2012 on the grounds that it is contrary to the Constitutional Law.

The regulation related to the 25% limitation was cancelled by decision no. 2012/9 dated 9 February 2012 of the Constitutional Court. The Constitutional Court's relevant decision has not yet been promulgated in the Official Gazette. However, the motion of the Court, case no. 2010/93 decision no. 2012/9, granting a stay of execution until the Court's decision of cancellation is published in the Official Gazette, was promulgated in the Official Gazette dated 18 February 2012.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 22 - INCOME TAX (Continued)

Deferred tax

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the POA’s Financial Reporting Standards. The temporary differences arise due to accounting treatments made in different reporting periods based on the applicable tax laws and the transfer of financial losses.

Deferred taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using tax rates enacted at the statement of financial position dates which are disclosed in the table and explanations above.

Deferred tax assets and liabilities are presented in net in the consolidated financial statements of the Group, since they are presented in net in the financial statements of subsidiaries and joint ventures, which are each individual tax payers. Temporary differences, deferred tax assets and deferred tax liabilities at the table below are presented based on gross amounts.

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 30 June 2020 and 31 December 2019 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Provision for employee termination benefits	11.182.596	10.409.798	2.236.519	2.081.960
Withdrawal of unrealized sales	983.890	866.575	216.456	190.647
Unused vacation provisions	1.428.363	950.692	314.240	209.152
Provision for lawsuits	161.000	161.000	32.200	32.200
Provision for doubtful receivables	202.789	202.789	40.558	40.558
Correction of R&D activations	3.096.784	2.255.737	619.357	451.147
Provision for impairment of inventory	384.714	327.704	84.637	72.095
Leases	325.953	262.414	71.710	57.731
Provisin for the collective labour agreement	-	349.139	-	76.811
Deferred incentive income	447.759	-	98.507	-
Fair value decrease in derivative instruments	1.569.875	-	345.373	-
Bonus provision	162.033	-	35.647	-
Other	50.866	-	11.191	-
Deferred tax assets	19.996.622	15.785.848	4.106.395	3.212.301
Net differences between the tax and registered value of property, plant and equipment, inventories and intangible assets	(4.695.366)	(4.811.303)	(939.073)	(962.261)
Financial income/(expense) and accruals arising from forward purchases and sales	(5.869)	(73.597)	(1.291)	(16.191)
Interest accrual	(36)	(117)	(8)	(26)
Deferred tax liabilities	(4.701.271)	(4.885.017)	(940.372)	(978.478)
Deferred tax assets/(liabilities) ,net			3.166.023	2.233.823

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 22 - INCOME TAX (Continued)

Deferred tax (Continued):

The rates to be applied for the deferred tax assets and liabilities calculated according to the liability method over the future long-term temporary differences are valid tax rates at the balance sheet date and these rates are included in the table above and explanations.

The movement details of deferred tax income is as follows:

	2020	2019
1 January	2.233.823	1.614.043
Deferred tax income	932.200	356.284
30 June	3.166.023	1.970.327

Reconciliation of current period tax income is as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
Profit before tax	(3.687.003)	1.627.173
Tax rate 22% (2019: 22%)	811.141	(357.978)
Tax effect:		
Exceptions, investment discounts	322.202	715.832
Non-deductible expenses	(11.271)	(1.975)
Effect of legal tax rate change on deferred tax amount (*)	(106.953)	(11.282)
Other	(82.919)	-
Current period tax income	932.200	344.597

(*) Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Turkish Trade Registry Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. As per this law, deferred tax assets and obligations were calculated in the financial statements dated 30 June 2019 and 2018, applying a tax rate of 22% for temporary differences' portion to lead to tax effects in 2018, 2019 and 2020, and at 20% for the portion to lead to tax effects in 2021 and subsequent periods.

NOTE 23 - EARNING/LOSS PER SHARE

Gain/(loss) per share for each class of shares is disclosed below:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Net profit/(loss) for the period	(2.754.803)	(654.731)	1.971.770	884.984
Weighted average number of shares with face value of TRY1 each	10.000.000	10.000.000	10.000.000	10.000.000
Earnings/(losses) per share	(0,28)	(0,07)	0,20	0,09

There are no differences between base per share and proportional profit/(loss) for any periods.

DİTAŞ DOĞAN YEDEK PARÇA İMALAT VE TEKNİK A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 24 - RELATED PARTY DISCLOSURES

As of the statement of financial position date, due from and to related parties and related party transactions for the periods ending 30 June 2020 and 31 December 2019 are disclosed below:

i) **Balances with related parties:**

a) **Short term trade payables to related parties:**

	30 June 2020	31 December 2019
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. (“Değer Merkezi”) ⁽¹⁾	116.387	685.450
Çelik Halat Tel ve Sanayii A.Ş. (“Çelik Halat”) ⁽²⁾	45.676	324.199
Doğan Enerji Doğan Enerji Yatırımları San. ve Tic. A.Ş. (“Doğan Enerji”) ⁽³⁾	26.801	26.801
Doruk Faktoring A.Ş. (“Doruk Faktoring”) ⁽⁴⁾	5.457	4.784
Aytemiz Akaryakıt Dağıtım A.Ş. (“Aytemiz”) ⁽⁵⁾	4.960	18.689
D Gayrimenkul Yatırımları ve Ticaret A.Ş. (“D Gayrimenkul”) ⁽⁶⁾	3.053	94.859
Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”) ⁽⁷⁾	-	78.098
Doğan Burda Dergi Yayıncılık ve Pazarlama A.Ş. ⁽⁸⁾	-	14.160
Total	202.334	1.247.040

(1) Comprises of advisory, consultancy and technical support services purchased from Değer Merkezi.

(2) Comprises of consultancy services purchased from Çelik Halat.

(3) Comprises of the rent expenses of the Group.

(4) The balance arises from the debt transfers of the other related parties.

(5) Comprises of purchases of passenger vehicles fuel.

(6) Comprises of Trump Towers participation fee for the common expenses and Trump Towers office lease

(7) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchases and İstanbul Office rent and common expense shares.

(8) Debt balance arising from advertising and advertising expenses.

b) **Short-term lease payables from related parties:**

	1 January - 30 June 2020	1 January - 31 December 2019
D Gayrimenkul Yatırımları ve Ticaret A.Ş. ⁽¹⁾	473.806	540.980
Değer Merkezi Hizmetler ve Yönetim Danışmanlığı A.Ş. ⁽²⁾	65.820	89.408
Total	539.626	630.388

c) **Long-term lease payables from related parties:**

	1 January - 30 June 2020	1 January - 31 December 2019
D Gayrimenkul Yatırımları ve Ticaret A.Ş. ⁽¹⁾	1.305.119	1.374.037
Total	1.305.119	1.374.037

(1) Comprises of rent an office from Trump Towers.

(2) Comprises of rent a car services purchased from Değer Merkezi.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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

NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

ii) Transactions with related parties:

a) Product and service sales to related parties

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Çelik Halat ⁽¹⁾	151.290	75.645	10.731	-
Sunflower ⁽²⁾	1.837	1.837	-	-
Değer Merkezi ⁽³⁾	-	-	21.413	21.413
Total	153.127	77.482	32.144	21.413

(1) Comprises of rent an office of Trump Towers.

(2) Comprises of the electricity service received.

(3) Comprises of a refund invoice for Istanbul office rent.

b) Product and service purchases from related parties

Operating expenses:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Değer Merkezi ⁽¹⁾	947.254	354.767	1.406.534	729.146
D Gayrimenkul ⁽²⁾	462.009	228.521	-	-
Aytemiz Akaryakıt ⁽³⁾	36.271	9.303	64.120	36.239
Doruk Faktoring ⁽⁴⁾	670	523	511	364
Doğan Burda ⁽⁵⁾	-	-	14.373	12.000
Doğan Enerji ⁽⁶⁾	-	-	2.456	-
Çelik Halat ⁽⁷⁾	-	-	213	-
Total	1.446.204	593.114	1.488.207	777.749

(1) Comprises of advisory, consultancy and technical support services and rent a car, travel services purchased from Değer Merkezi Hizmetler and Yönetim Danışmanlığı A.Ş.

(2) Comprises of rent an office from Trump Towers and participation in common expenses

(3) Comprises of vehicle identification service purchases from Aytemiz Akaryakıt.

(4) It arises from the debt assignments of related parties.

(5) Comprises of seminar participation fee.

(6) Comprises of rent a car services purchased from Doğan Enerji.

(7) Comprises of the stamp tax charge.

c) Benefits provided to key management personnel of Company

The Company has designated its key management personnel as members of the board of directors, general manager and assistant general manager (Note 18).

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Salaries and other short-term provisions	1.294.153	431.065	1.009.661	551.285
Total	1.294.153	431.065	1.009.661	551.285

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

NOTE 25 - DERIVATIVE FINANCIAL INSTRUMENTS

Future currency transactions	30 June 2020		30 June 2019	
	Assets	Liabilities	Assets	Liabilities
Short-term	-	1.569.875	-	-

The Group utilizes foreign exchange derivatives and commodity derivatives to protect future significant transactions and cash flows from financial risk. Group has signed various forward exchange contracts and option contracts regarding the management of fluctuations in exchange rates and metal prices. The derivative instruments purchased are mainly denominated in foreign currencies in which the Group operates.

	30 June 2020	31 December 2019
Forward foreign exchange contracts - Euro	1.426.404	-

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Company’s activities expose it to a variety of financial risks; these risks are credit risk, market risk including the effects of changes in debt and equity market prices, foreign currency exchange rates, fair value interest rate risk and cash flow interest rate risk, and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

a) Market risk

a.1) Foreign currency risk

The Company operates internationally. The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. These risks are monitored and limited by analyzing foreign currency position.

As of 30 June 2020 and 31 December 2019, net foreign currency position of Company is as follows:

	30 June 2020	31 December 2019
Total assets	25.092.490	18.500.430
Total liabilities	(21.109.813)	(23.081.718)
Net foreign currency position	3.982.677	(4.581.288)

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

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

a.1) Foreign currency risk (Continued)

As of 30 June 2020 and 31 December 2019, sensitivity analysis for currency risk and foreign currency denominated asset and liability balances are summarized below:

	30 June 2020			
	TRY equivalent	USD	EUR	GBP
1. Trade receivables	16.845.034	1.195.089	1.110.923	12.432
2. Monetary financial assets (cash, banks included)	8.080.965	101.163	955.530	2.773
3. Other non-monetary assets	166.491	14.275	8.928	-
4. Current Assets (1+2+3)	25.092.490	1.310.527	2.075.381	15.205
5. Total Assets (4)	25.092.490	1.310.527	2.075.381	15.205
6. Short-term liabilities (Note 4)	(12.333.120)	-	(1.600.000)	-
7. Short-term portion of long-term liabilities (Note 4)	(1.653.578)	-	(214.522)	-
8. Trade Payables	(3.677.217)	(264.165)	(242.566)	-
9. Other non-monetary Financial Liabilities	(362.617)	(1.415)	(45.787)	-
10. Short Term Liabilities	(18.026.533)	(265.580)	(2.102.875)	-
11. Long Term Liabilities (Note 4)	(3.083.280)	-	(400.000)	-
12. Total liabilities (10+11)	(21.109.813)	(265.580)	(2.502.875)	-
13. Total asset related to the cash flow hedges (Note 25)	-	-	-	-
14. Total liabilities related to the cash flow hedges (Note 25)	(10.995.007)	-	(1.426.404)	-
15. Net Asset / Liability Position Of Off Statement of Financial Position (13+14)	(10.995.007)	-	(1.426.404)	-
16. Net Foreign Currency Asset/(Liability) Position (5+12+15)	(7.012.330)	1.044.947	(1.853.898)	15.205
17. Net Foreign Currency Asset/(Liability) Position of Monetary Items (5+12)	3.982.677	1.044.947	(427.494)	15.205
Export	35.587.152	1.755.528	2.922.912	123.999
Import	36.354.861	58.703	4.664.280	-

As of 30 June 2020, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY: 6,8422= USD1, TRY7,7082 = EUR1, TRY8,4282 = GBP1.

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

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

	31 December 2019			
	TRY equivalent	USD	EUR	GBP
1. Trade receivables	17.877.992	1.195.168	1.585.524	30.061
2. Monetary financial assets (cash, banks included)	143.454	3.154	18.753	-
3. Other non-monetary assets	478.984	31.978	43.459	-
4. Current Assets (1+2+3)	18.500.430	1.230.300	1.647.736	30.061
5. Total Assets (4)	18.500.430	1.230.300	1.647.736	30.061
6. Short-term liabilities (Note 4)	(3.657.830)	-	(550.000)	-
7. Short-term portion of long-term liabilities (Note 4)	(5.015.164)	-	(754.092)	-
8. Trade Payables	(5.355.276)	(402.959)	(445.316)	-
9. Other non-monetary financial liabilities	(302.456)	-	(45.478)	-
10. Short Term Liabilities	(14.330.726)	(402.959)	(1.794.886)	-
11. Long Term Liabilities (Note 4)	(8.750.992)	-	(1.315.820)	-
12. Total liabilities (10+11)	(23.081.718)	(402.959)	(3.110.706)	-
13. Total asset related to the cash flow hedges	-	-	-	-
14. Total liabilities related to the cash flow hedges	-	-	-	-
15. Net Asset/Liability Position Of Off Statement of Financial Position (13+14)	-	-	-	-
16. Net Foreign Currency Asset/(Liability) Position (5+12+15)	(4.581.288)	827.341	(1.462.970)	30.061
16. Net Foreign Currency Asset/(Liability) Position of Monetary Items (5+12)	(4.581.288)	827.341	(1.462.970)	30.061
Export	70.195.620	3.659.201	6.910.588	321.440
Import	9.533.139	9.058	1.425.335	-

As of 31 December 2019, foreign currency denominated asset and liability balances were converted by the following exchange rates TRY5.9402 = USD1, TRY6.6506 = EUR1, TRY7.7765 = GBP1.

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company’s EUR and USD foreign currency position as of 30 June 2020 and 31 December 2019 under the assumption of the appreciation and depreciation of TRY against other currencies by 20% with all other variables held constant, is as follows:

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

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

	30 June 2020 Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	1.429.947	(1.429.947)
Hedging amount of USD (-)	-	-
USD net effect	1.429.947	(1.429.947)
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(659.042)	659.042
Hedging amount of EUR (-)	-	-
EUR Net Effect	(659.042)	659.042
If the GBP had changed by 20% against the TRY		
GBP net (liabilities)/assets	25.630	(25.630)
Hedging amount of GBP (-)	-	-
GBP Net Effect	25.630	(25.630)
Total Net Effect	796.535	(796.535)
	31 December 2019 Profit/(Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
If the USD had changed by 20% against the TRY		
USD net (liabilities)/assets	982.914	(982.914)
Hedging amount of USD (-)	-	-
USD net effect	982.914	(982.914)
If the EUR had changed by 20% against the TRY		
EUR net (liabilities)/assets	(1.945.926)	1.945.926
Hedging amount of EUR (-)	-	-
EUR Net Effect	(1.945.926)	1.945.926
If the GBP had changed by 20% against the TRY		
GBP net (liabilities)/assets	46.754	(46.754)
Hedging amount of GBP (-)	-	-
GBP Net Effect	46.754	(46.754)
Total Net Effect	(916.258)	916.258

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

NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Market risk (Continued)

a.2) Price risk

The Group does not have any financial assets with price risk.

a.3) Cash-flow and fair value of financial instruments

As of 30 June 2020, if interest rates on Euro denominated borrowings had been higher/lower by 1 basis points with all other variables held constant, profit before income taxes would have been TRY122.647 (31 December 2019: TRY228.918) higher/lower, mainly as a result of additional interest expense on floating rate borrowings.

The Group is subject to fair value interest rate risk because of loans with fixed interest rates . Group management manages this risk by balancing the assets and the liabilities that are sensitive to interest rates.

Financial instruments with fixed rate	30 June 2020	31 December 2019
Financial assets (Note 3)	530.036	535.117
Financial liabilities (Note 4)	(30.632.587)	(7.734.035)
Total	(30.102.551)	(7.198.918)
Financial instruments with floating rate	30 June 2020	31 December 2019
Financial liabilities (Note 4)	(4.671.038)	(13.676.746)
Total	(4.671.038)	(13.676.746)

b) Credit risk

Credit risk consists of deposits at banks and clients subject to credit risk, including uncollected receivables and transfers guaranteed. The Group prefers working with banks with high credit ratings. Management assesses the client’s credit quality, considering financial position, previous experience and other factors, because there are no independent assessment opportunities for clients. The Group relieves these risks by limiting the average risk for the other party in each agreement and taking securities when necessary. Group management assesses the trade receivables that have passed their maturity periods (which is 90 days on average) considering the current market conditions, and after allocating necessary provisions for doubtful receivables, indicates this in net amounts on the balance sheet.

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NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The table representing the Company’s credit risk of financial instruments as of 30 June 2020 is as follows:

	Trade receivables		Other receivables		Bank deposits
	Related parties	Other	Related parties	Other	
Exposure to maximum credit risk as at balance sheet date	-	21.796.908	-	209.264	10.144.344
The part of maximum risk under guarantee with collateral etc.	-	13.920.318	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	17.325.045	-	209.264	10.144.344
- The part under guarantee with collateral etc.	-	10.235.281	-	-	-
B. Book value of restructured otherwise accepted as past due and impaired financial assets	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	4.471.863	-	-	-
- Guaranteed amount by collateral ⁽¹⁾	-	3.685.037	-	-	-
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	789.909	-	-	-
- Impairment (-) (Note 5)	-	(789.909)	-	-	-
- Net value collateralized or guaranteed	-	-	-	-	-

⁽¹⁾ Represents overdue receivable that is guaranteed by receivables insurance.

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NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The table representing the Company’s credit risk of financial instruments as of 31 December 2019 is as follows:

	Trade receivables		Other receivables		Bank deposits
	Related parties	Other	Related parties	Other	
Exposure to maximum credit risk as at balance sheet date	-	23.406.520	-	142.459	2.075.550
The part of maximum risk under guarantee with collateral etc.	-	14.617.223	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	17.555.945	-	142.459	2.075.550
- The part under guarantee with collateral etc.	-	11.936.485	-	-	-
B. Book value of restructured otherwise accepted as past due and impaired financial assets	-	-	-	-	-
C. Net book value of past due but not impaired assets	-	5.850.575	-	-	-
- Guaranteed amount by collateral ⁽¹⁾	-	2.680.738	-	-	-
D. Impaired asset net book value	-	-	-	-	-
- Past due (gross amount) (Note 5)	-	802.909	-	-	-
- Impairment (-) (Note 5)	-	(802.909)	-	-	-
- Net value collateralized or guaranteed	-	-	-	-	-

⁽¹⁾ Represents overdue receivable that is guaranteed by receivables insurance.

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NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The aging of the receivables of the Company, which are past due but not impaired including related party balances by taking into consideration past due dates are as follows:

	30 June 2020		
	Receivables		Bank deposits
	Trade receivables	Other receivables	
1-30 days overdue	3.467.057	-	-
1-6 months overdue	1.004.806	-	-
6-12 months overdue	-	-	-
1-5 years overdue	-	-	-
Up to 5 years overdue	-	-	-
Total overdue	4.471.863	-	-
The part under guarantee with collateral ⁽¹⁾	3.685.037	-	-

	31 December 2019		
	Receivables		Bank deposits
	Trade receivables	Other receivables	
1-30 days overdue	4.288.380	-	-
1-6 months overdue	1.562.195	-	-
6-12 months overdue	-	-	-
1-5 years overdue	-	-	-
Up to 5 years overdue	-	-	-
Total overdue	5.850.575	-	-
The part under guarantee with collateral ⁽¹⁾	2.680.738	-	-

⁽¹⁾ Guarantees consist of guarantee letters received, collaterals, credit risk insurance and mortgages from customers.

c) Liquidity risk

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk (Continued)

As of 30 June 2020 and 31 December 2019, undiscounted cash flows of financial liabilities based on the agreement maturities are as follows:

Non-derivative financial liabilities	30 June 2020					
	Book value	Contractual undiscounted cash flow	Less than 3 months	3-12 months	1-5 years	On demand
Short-term borrowings (Note 4)	28.779.242	29.366.806	7.708.200	21.658.606	-	-
Short-term portion from						
long-term borrowings (Note 4)	1.548.828	1.563.543	792.723	770.820	-	-
Long-term borrowings (Note 4)	3.083.280	3.233.068	-	-	3.233.068	-
Lease payables (Note 4)	1.892.275	2.809.553	229.723	530.726	2.049.104	-
Trade payables due to non-related parties (Note 5)	13.914.279	14.100.877	12.690.789	1.410.088	-	-
Other payables due to related parties (Note 25.i.a)	202.334	202.334	202.334	-	-	-
Other payables due to non-related parties (Note 6)	126.309	126.309	126.309	-	-	-
Payables related to employee benefits (Note 15)	3.903.749	3.903.749	1.187.551	2.716.198	-	-
Total	53.450.296	55.306.239	22.937.629	27.086.438	5.282.172	-
Non-derivative financial liabilities	31 December 2019					
	Book value	Contractual undiscounted cash flow	Less than 3 months	3-12 months	1-5 years	On demand
Short-term borrowings (Note 4)	5.712.705	5.774.125	2.090.294	3.683.831	-	-
Short-term portion from						
long-term borrowings (Note 4)	4.925.754	4.981.610	667.050	4.314.560	-	-
Long-term borrowings (Note 4)	8.750.992	9.219.919	-	-	9.219.919	-
Lease payables (Note 4)	2.021.330	3.145.626	201.830	576.508	2.367.288	-
Trade payables due to non-related parties (Note 5)	20.695.270	21.046.700	18.942.030	2.104.670	-	-
Other payables due to related parties (Note 25.i.a)	1.247.040	1.247.040	1.247.040	-	-	-
Other payables due to non-related parties (Note 6)	96.809	96.809	96.809	-	-	-
Payables related to employee benefits (Note 15)	2.408.380	2.408.380	1.617.171	791.209	-	-
Total	45.858.280	47.920.209	24.862.224	11.470.778	11.587.207	-

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NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management

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

The Company monitors capital on the basis of the net liability/total equity ratio. Net liability is calculated as the total liability less cash and cash equivalents, derivative instruments and tax liabilities. Total equity is calculated as the total of net liability and the equity as shown in the statement of financial position.

As of 30 June 2020 and 31 December 2019, the debt/equity ratio is as follows:

	30 June 2020	31 December 2019
Total liability ⁽¹⁾	69.371.537	58.690.603
Less: Cash and cash equivalents (Note 3)	(10.144.344)	(2.075.550)
Net liability	59.227.193	56.615.053
Total equity	23.074.645	26.396.085
Total capital	82.301.838	83.011.138
Net Liability/total capital	%71,96	%68,20

⁽¹⁾ The amounts are calculated by deducting profit for the period, income tax payable, and deferred tax liability accounts from total liability.

e) Fair value of financial instruments

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

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

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

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

The fair values of certain financial assets carried at cost, including fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature and immateriality of losses on collectibility. The fair value of investment securities has been estimated based on the market prices at the statement of financial position dates.

Trade receivables are disclosed at their amortized cost using the effective interest rate method and the carrying values of trade receivables along with the related allowances for collectability are estimated to be at their fair values.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2020

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NOTE 26 - NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

e) Fair value of financial instruments (Continued)

Monetary liabilities

The fair value of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are principally at variable rates, and denominated in foreign currencies, are translated at the period-end exchange rates and accordingly, their fair values approximate their carrying values.

Trade payables are disclosed at their amortized cost using the effective interest rate method and accordingly their carrying amounts approximate their fair values.

The fair value of financial instruments:

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

- First Level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Second Level: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on prices from observable current market transactions.
- Third Level: The fair value of the financial assets and financial liabilities is determined in accordance with the unobservable current market data.

30 June 2020	Level 1	Level 2	Level 3	Total
Derivative instruments held for sale (Note 25)	-	(1.426.404)	-	(1.426.404)
	-	(1.426.404)	-	(1.426.404)
31 December 2019	Level 1	Level 2	Level 3	Total
Derivative instruments held for sale (Note 25)	-	-	-	-
	-	-	-	-

NOTE 27 - SUBSEQUENT EVENTS

Approval of Financial Statements

The financial statements for the period ended on 30 June 2020 were approved by the Board of Directors on 12 August 2020. Persons who are not members of the Board of Directors are not authorized to amend financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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**NOTE 28 - OTHER MATTERS THAT REQUIRED TO BE DISCLOSED WHICH MAY
HAVE SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS OR
REQUIRED TO BE DISCLOSED TO MAKE FINANCIAL STATEMENTS
INTERPRETABLE AND UNDERSTANDABLE**

None (31 December 2019: None).

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