GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

Convenience Translation into English of
Consolidated Financial Statements
As At and For The Year Ended 31 December 2019
With Independent Auditor's Report Thereon
(Originally Issued in Turkish)

KPMG

KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish to English

To the General Assembly's of Garanti Filo Yönetim Hizmetleri Anonim Şirketi,

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated statement of financial position of Garanti Filo Hizmetleri Anonim Şirketi and its subsidiary (together will be referred to as "the Group"), as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Hedge Accounting

Refer to Note 2.5 for the accounting policies, estimates and judgements applied for determining the hedge accouting.

Key Audit Matters	**How the Matters Was Addressed in the Audit**
In order to hedge its foreign currency risk, the Group has attributed its operational lease receivables and future sales of second-hand vehicles with residual values denominated in Euro with its Euro denominated borrowings and applied fair value hedge and cash flow hedge accounting, respectively. In order to apply hedge accounting in accordance with Turkish Accounting Standard 39 ("TAS 39") Financial Instruments, an entity is required to make the designation and documentation for hedge relationships and regularly test the effectiveness of hedge accounting. Due to the complexity of the hedge accounting including determining whether relevant criteria are met, and technical calculations; hedge accounting is considered as a key audit matter.	Our audit procedures for testing hedge accounting included below: - Designation of hedge relationships in accordance with TAS 39 has been assessed. - Hedge documentation has been inspected. - The calculations made by the Group related to determination of fair value have been recalculated in order to check the arithmetical accuracy. - Hedge accounting effectiveness tests have been inspected and adequacy of related journal entries in accordance with the requirements of TAS 39 are tested. - In addition, hedge accounting specialist has been included in the audit team.

Residual values of the assets under operational lease

Refer to Note 2.6 for the accounting policies, estimates and judgements applied for determining the residual values of the assets under operational lease.

Key Audit Matters	How the Matters Was Addressed in the Audit
As at 31 December 2019, the assets under operational lease comprise 77% of the Group's total assets. The residual value of the asset under operational lease is the estimated amount that the Group would obtain from disposal of the leased vehicle until the end of a contract, after deducting the estimated costs of disposal. The residual value of the asset is based on the management's judgment since the residual value is estimated by considering the Group's previous sales and market prices. The residual values of the assets under operational lease was considered to be a key audit matter, due to the significance of the assets under operational lease in the financial statements, significance of the estimates and the level of judgement applied by management.	Our audit procedures for testing residual values of the assets under operational lease included below: - The Group's processes related to the assets under operational lease and the residual values have been assessed; and controls over the processes, consistency and accuracy of management estimates and assumptions to determine the residual values of assets have been tested. - The residual values of the assets under operational lease have been tested by comparing the residual values with actual sales at the end of the lease term.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing issued by the CMB and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2019 and 31 December 2019, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

[redacted]

Orhan Akova, SMMM
Partner
29 January 2020
Istanbul, Turkey

INDEX **PAGE**

GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2019

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

ASSETS	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
Current Assets		**293.705.428**	**223.711.906**
Cash and Cash Equivalents	**3**	5.879.990	5.894.977
Trade Receivables	**4**	39.922.221	40.360.313
Due From Related Parties	*4-22*	*601.986*	*508.325*
Due From Third Parties	*4*	*39.320.235*	*39.851.988*
Other Receivables	**5**	51.631	68.861
Due From Third parties	*5*	*51.631*	*68.861*
Derivative Financial Instruments	**24**	-	660
Derivative Financial Assets Held For Hedging	*24*	-	*660*
Inventories	**8**	169.824.822	47.531.115
Prepayment	**9**	20.263.865	25.659.278
Due From Third Parties	*9*	*20.263.865*	*25.659.278*
Current Tax Assets	**20**	190.732	26.093
Other Current Assets	**15**	57.572.167	104.170.609
Due From Third Parties	*15*	*57.572.167*	*104.170.609*
Non-current Assets		**1.291.969.029**	**1.460.970.204**
Property and Equipment		1.260.560.563	1.386.870.607
Operational Lease Assets	*10*	*1.226.961.064*	*1.364.873.855*
Other Property, Plant and Equipment	*11*	*33.599.499*	*21.996.752*
Right of Use Assets		2.293.109	-
Intangible Assets and Goodwill	**12**	9.665.114	6.893.875
Other Intangible Assets	*12*	*9.665.114*	*6.893.875*
Prepayments	**9**	147.896	93.953
Prepayments From Third Parties	*9*	*147.896*	*93.953*
Other Non-current Assets	**15**	19.302.347	67.111.769
Due From Third Parties	*15*	*19.302.347*	*67.111.769*
TOTAL ASSETS		**1.585.674.457**	**1.684.682.110**

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

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

LIABILITIES	**Notes**	**Audited Current Period 31 December 2019**	**Audited Prior Period 31 December 2018**
Current Liabilities		**917.023.270**	**728.029.599**
Short-term Borrowings	**6**	66.105.911	303.758.726
Due To Related Parties		-	*89.947.153*
Bank Loans		-	*89.947.153*
Due To Third Parties		*66.105.911*	*213.811.573*
Bank Loans		*66.105.911*	*213.811.573*
Short-term Portion of Long-term Borrowings	**6**	707.577.197	343.010.168
Due To Related Parties		*26.103.545*	-
Bank Loans		*26.103.545*	-
Due To Third Parties		681.473.652	343.010.168
Bank Loans		*681.473.652*	*251.849.723*
Issued Debt Instruments	**7**	-	*91.160.445*
Trade payables	**4**	114.738.522	43.014.644
Due to Related Parties	*4-22*	*641.331*	*879.045*
Due to Third Parties	*4*	*114.097.191*	*42.135.599*
Employee Benefits	**14**	826.186	2.355.891
Contract Liabilities	**9**	20.158.356	25.339.337
Contract Liabilities From Sale of Goods and Service Contracts	*9*	*20.158.356*	*25.339.337*
Derivative Financial Liabilities	**24**	-	8.319.263
Derivative Financial Liabilities Held for Hedging	***24***	-	*8.319.263*
Short-term Provisions	**14**	3.744.330	1.386.490
Provisions For Employee Benefits	*14*	*3.744.330*	*1.386.490*
Other Current Liabilities	**15**	3.872.768	845.080
Due To Third Parties	***15***	*3.872.768*	*845.080*
Non-current liabilities		**599.570.227**	**945.751.820**
Long-term borrowings	**6**	545.177.790	914.101.097
Due To Related Parties	**6**	63.896.455	-
Bank Loans		*63.896.455*	*914.101.097*
Due To Third Parties		481.281.335	914.101.097
Bank Loans		*481.281.335*	*914.101.097*
Other Payables	**5**	1.975.000	1.571.500
Due to Third Parties	*5*	*1.975.000*	*1.571.500*
Long-term Provisions	**14**	1.223.803	1.024.325
Provisions For Employee Benefits	***14***	*1.223.803*	*1.024.325*
Deferred Tax Liabilities	**20**	50.682.416	29.054.898
Other Long-term Liabilities	**15**	511.218	-
Due To Third Parties	***15***	*511.218*	-
EQUITY	**16**	**69.080.960**	**10.900.691**
Equity attributable to owners of the parent	**16**	**69.080.960**	**10.900.691**
Paid-in Capital		10.000.000	10.000.000
Other Comprehensive Income (Loss) will not be Reclassified to Profit or Loss		*(20.330)*	*(123.011)*
Gain(losses) on Revaluation and Remeasuremet		*(20.330)*	*(123.011)*
-Gain(Losses) on Remeasurement of Defined Benefit Plans		*(20.330)*	*(123.011)*
Other Comprehensive Income (Loss) will be Reclassified to Profit or Loss		(104.584.886)	(130.852.975)
-Gain(Losses) on Hedge		*(104.584.886)*	*(130.852.975)*
-Gain(Losses) on Cash Flow Hedges		*(104.584.886)*	*(130.852.975)*
Restricted Reserves		165.126	165.126
-Legal Reserves		*165.126*	*165.126*
Prior Years' Profits		131.711.551	122.051.645
Net Profit For The Period		31.809.499	9.659.906
TOTAL LIABILITIES AND EQUITY		**1.585.674.457**	**1.684.682.110**

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

GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

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

PROFIT OR LOSS	**Notes**	**Audited Current Period 1 January - 31 December 2019**	**Audited Prior Period 1 January - 31 December 2018**
Revenue	*17*	962.490.294	966.900.815
Cost of sales (-)	*17*	(630.965.928)	(652.553.221)
GROSS PROFIT		**331.524.366**	**314.347.594**
General administrative expenses (-)	*18*	(36.990.168)	(36.001.941)
Marketing expenses (-)	*18*	(680.186)	(1.519.166)
Other income from operating activities	*19*	21.762.122	25.955.325
Other expenses from operating activities (-)	*19*	(10.081.129)	(13.078.984)
PROFIT FROM OPERATING ACTIVITIES		**305.535.005**	**289.702.828**
Finance income	*19*	15.998.136	6.917.140
Finance cost (-)	*19*	(275.352.884)	(274.803.098)
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		**46.180.257**	**21.816.870**
Tax (expense) / income continuing operations		**(14.370.758)**	**(12.156.964)**
Tax Expense	*20*	(298.803)	(501.261)
Deferred Tax Expense	*20*	(14.071.955)	(11.655.703)
PROFIT (LOSS) FROM CONTUNIUNG OPERATIONS		**31.809.499**	**9.659.906**
NET PROFIT		**31.809.499**	**9.659.906**
Attributable to			
Non-controlling Interest		-	-
Owners of Parent		**31.809.499**	**9.659.906**
OTHER COMPREHENSIVE EXPENSE			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		**102.681**	**17.547**
Gains on remeasurements of defined benefit plans	***14***	*128.351*	*22.497*
Deferred Tax Expense	*20*	*(25.670)*	*(4.949)*
Other Comprehensive Income That Will Be Reclassified to Profit or Loss		**26.268.089**	**(30.365.893)**
Other Comprehensive Income (Loss) Related with Cash Flow Hedges	***24***	*33.797.982*	*(38.930.632)*
Deferred Tax Expense	***20,24***	*(7.529.893)*	*8.564.739*
OTHER COMPREHENSIVE INCOME (LOSS)		**26.370.770**	**(30.348.345)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**58.180.269**	**(20.688.439)**
Non-controlling Interest		-	-
Owners of Parent		**58.180.269**	**(20.688.439)**

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

GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

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

				Other Comprehensive Income that will not be reclassified in profit or loss	Other Comprehensive Income that will be reclassified to profit or loss	Retained earnings		
	Notes	**Capital**	**Restricted Reserves**	**Gain / (losses) on remeasurements of defined benefit plans**	**Reserve of Gains or Losses on Hedge**	**Prior years' Profits or Losses**	**Net profit / (loss) for the period**	**Total Equity**
Balances at 1 January 2018		**10.000.000**	**165.126**	**(140.559)**	**(100.487.082)**	**93.174.992**	**28.813.244**	**31.525.721**
TFRS 9 adjustments		-	-	-	-	63.409	-	63.409
Restated at 1 January 2018		**10.000.000**	**165.126**	**(140.559)**	**(100.487.082)**	**93.238.401**	**28.813.244**	**31.589.130**
Transfers		-	-	-	-	28.813.244	(28.813.244)	-
Total comprehensive income		-	-	17.548	(30.365.893)	-	9.659.906	(20.688.439)
Balances at 31 December 2018	**16**	**10.000.000**	**165.126**	**(123.011)**	**(130.852.975)**	**122.051.645**	**9.659.906**	**10.900.691**
Balances at 1 January 2019		**10.000.000**	**165.126**	**(123.011)**	**(130.852.975)**	**122.051.645**	**9.659.906**	**10.900.691**
Transfers		-	-	-	-	9.659.906	(9.659.906)	-
Total comprehensive income		-	-	102.681	26.268.089	-	31.809.499	58.180.269
Balances at 31 December 2019	**16**	**10.000.000**	**165.126**	**(20.330)**	**(104.584.886)**	**131.711.551**	**31.809.499**	**69.080.960**

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

GARANTİ FİLO YÖNETİM HİZMETLERİ ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

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

STATEMENT OF CASH FLOWS	**Notes**	**Audited Current Period 1 January- 31 December 2019**	**Audited Prior Period 1 January 31 December 2018**
Cash flows from (used in) operating activities		**340.403.373**	**158.614.662**
Profit (loss)		**31.809.499**	**9.659.906**
Adjustment for depreciation and amortisation expense	**17,18**	124.848.646	139.570.881
Adjustment for impairment loss (reversal of impairment loss)	**4**	6.296.955	2.361.731
Adjustment for (reversal of) provisions related with employee benefits	**14**	3.568.355	4.024.771
Adjustment for interest expense		18.400.478	10.109.144
Deferred financial expense		38.585	2.643.821
Unearned financial income		(324.820)	420.589
Adjustment for tax (income) expenses		14.860.293	12.684.318
Adjustment for losses (gains) on disposal of non-current assests		(120.217.475)	(10.430.689)
Other adjustment to reconcile profit (loss)		167.391.556	77.525.789
		246.672.072	**248.570.261**
Changes in working capital		**95.103.522**	**(85.833.455)**
Adjustment for decrease (increase) in trade accounts receivables		(5.516.813)	(11.891.981)
Decrease (increase) in trade receivables from related parties		(93.661)	(230.948)
Decrease (increase) in trade receivables from third parties		(5.423.152)	(12.122.929)
Adjustment for decrease (increase) in inventories		(129.242.874)	99.635.079
Adjustment for decrease (increase) in trade accounts payables		72.088.793	(143.518.321)
Increase (decrease) in trade payables to related parties		(237.714)	(79.700.806)
Increase (decrease) in trade payables to third parties		72.326.507.	(63.817.515)
Adjustment in decrease (increase) in contract receivables		(5.180.981)	7.120.543
Other adjustment for other increase (decrease) in working capital		162.955.397	(37.178.775)
Decrease (increase) in other assests related with operations		160.946.196	(38.109.457)
Increase (decrease) in other liabilities related with operations		2.009.201	930.682
Cash flows from (used in) operations		**341.775.594**	**162.736.806**
Payments related with provisions for employee benefits	**14**	(882.686)	(3.594.790)
Income taxes refund (paid)		(489.535)	(527.354)
Cash flows from (used in) investing activities		**(31.076.133)**	**(17.371.967)**
Proceeds from sales of property, equipment and intangible assests		14.627.124	10.430.689
Acquisition of property, equipment and intangible assets	**11,12**	(45.703.257)	(27.802.656)
Cash flows from (used in) financing activities		**(309.321.865)**	**(137.491.179)**
Proceeds/(repayment) from borrowings (net)	**6**	(214.311.115)	(119.624.274)
Proceeds/(repayment) from issued securities (net)	**6**	(95.010.750)	(17.866.905)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes		**5.375**	**3.751.516**
Effect of exchange rate changes on cash and cash equivalents		**(12.633)**	**(54.480)**
Net increase(decrease) in cash and cash equivalents		**(7.258)**	**(3.697.036)**
Cash and cash equivalents at the beginning of the period	**3**	**5.883.990**	**2.186.954**
Cash and cash equivalents at the end of the period	**3**	**5.876.732**	**5.883.990**

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

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

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Garanti Filo Yönetim Hizmetleri A.Ş. ("the Company") has been founded in 2007 in order to lease and to operate, all kinds of motorized and non-motorized vehicles, all kinds of sea vehicles like yacht, craft, boat, all qualified equipment and all construction and business machines including tractor which are owned and provided by third parties and also, all movable goods and all vehicles for rental operations. Also, Garanti Filo Sigorta Aracılık Hizmetleri A.Ş. ("Garanti Filo Sigorta"), the subsidiary of the Company, has been established and announced in the Turkish Trade Registry Gazette on 20 March 2014. Garanti Filo Sigorta has started its operations and has started generating revenue as of 31 December 2015.

Here in after, the Company together with its consolidated subsidiary, Garanti Filo Sigorta, is referred to as "the Group" in this report.

The Group gives operational car fleet leasing service of many brands.

The registered address of the Group is Eski Bü yükdere Caddesi Ayazağa Köyü Yolu No:23 Maslak- İstanbul.

The Group has 4 branches in İstanbul Anadolu, Ankara, İzmir and Bursa.

The Group has 77 employees as of 31 December 2019 (31 December 2018: 90).

The Group's main shareholder and the controlling party is Garanti Finansal Kiralama A.Ş. The Group's shareholders and respective shares are as follows:

	31 December 2019 Shares	**%**	**31 December 2018 Shares**	**%**
Garanti Finansal Kiralama A.Ş.	10.000.000	100%	10.000.000	100%
Total paid-in capital	**10.000.000**	**100%**	**10.000.000**	**100%**

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Compliance with Turkish Financial Reporting Standards ("TFRS"s)

The accompanying consolidated financial statements are prepared in accordance with the Communiqué numbered II-14.1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the Article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which are published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and related appendices and interpretations.

The accompanying consolidated financial statements and explanatory notes have been disclosed in accordance with the announcement published by the CMB on 7 June 2013.

Approval of the financial statements:

The consolidated financial statements were approved and authorized for issue by the Board of Directors based on the decision dated 29 January 2020. The General Assembly has the authority to amend the consolidated financial statements.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.1 Basis of Presentation (Cont'd)

Compliance with Turkish Financial Reporting Standards ("TFRS"s) (Cont'd)

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional Currency

The financial statements of the Group are presented in the functional currency that is in the primary econonmic environment in which the entity operates The functional currency of the Company and its subsidiary is Turkish Lira ("TL"). Financial position of the Group is expressed in TL, which is the functional currency of the Company.

2.2 Changes in accounting policies

Except for the accounting policies stated below, the accounting policies applied in these financial statements are the same as the accounting policies applied in the financial statements as at and for the year ended 31 December 2018.

The Group has initally adopted TFRS 16 *Leases* from 1 January 2019. In addition, as of 1 January 2019, several other standard amendments have entered into force.

The Group has applied TFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retain earnings at 1 January 2019.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.2 Changes in accounting policies (Cont’d)

B. As a lessee

The group rents real estate and vehicles.

As a lessee, the Group has previously been classified as a financial or operating lease based on an assessment of whether the lease has been transferred to the full range of risks and benefits arising from ownership of the asset; According to TFRS 16, these leasing transactions are presented in the statement of financial position, in accordance with TFRS 16, in almost all of the leases made, they have included their right of use assets and lease debts in their financial statements.

Leases previously classified as operating leases
Previously, the Group has classified its real estate as operating lease pursuant to TAS 17.

During the transition, for leases classified as operating leases under TAS 17, the lease liability was measured at the present value of the remaining lease payments discounted using the alternative borrowing interest rate on the first application date of the tenant. The right of use assets are measured according to the following on each lease basis:

- At an amount equal to the lease obligation that is reflected in the statement of financial status immediately before the date of first application, which has been pre-paid or corrected for the amount of all lease payments accrued.

The Group has tested the impairment assets for impairment at the date of transition to TFRS 16 and concluded that there are no indications of impairment of the entitlement assets.

For leases classified as financial leasing pursuant to TAS 17, the book value of the right of use and lease obligation on 1 January 2019 is determined based on the carrying amount of the leased asset and the lease obligation in accordance with TAS 17 immediately before TFRS 16 is put into practice.

C. As a lessor

The Group leases out its vehicles, including right-of-use assets. The Group has classified these leases as operating leases.

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.2 Changes in accounting policies (cont'd)

D. Effect on financial statements

i. Impacts on transition

The impact on transition is summarised below.

	1 January 2019
Right-of-uses assets	1.069.554
Lease liabilities	1.069.554

The Group used its alternative borrowing rate on 1 January 2019 to discount its lease payments. The weighted average rate applied is 20.55%.

	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	1.677.589
Discounted using the incremental borrowing rate at 1 January 2019	1.069.554
Finance lease liabilities recognised as at 31 December 2018	-
Lease liabilities recognised at 1 January 2019	1.069.554

ii. Current period effect

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised 2.293.109 TL of right-of-use assets and 2.603.805 TL lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. For the year ended 31 December 2019, the Group recognised 2.134.447 TL depreciation charges and 287.782 TL interest costs from these leases.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.3 Changes in accounting estimates and errors

Changes in accounting estimates are applied in the current period if the change is related with only one period. They are applied in the current period and prospectively if they are related to current and to the future periods. There is no significant change in accounting estimates in the current year. Significant accounting errors are applied retrospectively and prior period financial statements are restated. Preparation of consolidated financial statements in accordance with Turkish Accounting Standards, the implementation of policies, the reported assets, liabilities, income and expenses that affect the decisions, requires management to make estimates and assumptions. Actual results may differ from these estimates. Estimates and underlying assumptions of the revision are reviewed on an ongoing basis. Revisions to accounting estimates, are recognized in the current period and prospectively.

Note 10 – Assets used in operational leasing
Note 11 – Tangible assets
Note 12 – Intangible assets
Note 14 – Employee benefits
Note 20 – Tax assets and liabilities
Note 23 – Financial instruments

2.4 Standards and interpretations issued but not yet effective

The standards and interpretations issued but not yet effective and not early adopted as at 31 December 2019

Standards issued but not yet effective and not early adopted

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

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 2019 POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended “definition of material “was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 1 and TAS 8.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and interpretations issued but not yet effective (Cont'd)

The standards and interpretations issued but not yet effective and not early adopted as at 31 December 2019 (Cont'd)

Amendments to TFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs.. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 3.

Indicator Interest Rate Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018 added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

• pre-replacement issues—issues affecting financial reporting in the period before the reform; and
• replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- IAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies

The significant accounting policies applied in the preparation of consolidated financial statements are described below:

Consolidation Principles

The details of the Group's subsidiary as of 31 Deember 2019 and 31 December 2018 are as follows:

	31 December 2019 Shares	%	31 December 2018 Shares	%
Garanti Filo Sigorta Aracılık Hizmetleri A.Ş.	300.000	100	300.000	100
Total capital	**300.000**	**100**	**300.000**	**100**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and cicumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant acitivities of the investee unilaterally. The Company considers all relevant facts and cicumstances assessing whether or not the Company's voting rights in an 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 Company, other vote holders or other parties;
- rights arising from other contractual aggreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Consolidation Principles (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Related Parties

A related party is a person or entity that is related to the 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.

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity has a post-employment benefit plan for the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity has 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.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments

Classification of financial asset and liabilities

Financial Assets

Under TFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under TFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized for the FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized for the at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Classification of financial asset and liabilities (Cont'd)

Financial Assets (Cont'd)

The following accounting policies apply to subsequent measurements of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities

A financial liability is measured at fair value at initial recognition. During initial recognition of financial liabilities that are not recognized for at fair value through profit or loss, transaction costs directly attributable to the burden of the financial liability are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Classification of financial asset and liabilities (Cont'd)

Financial liabilities (Cont'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial Iiabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The significant interest rate risk arises from bank loans. The Group's policy is to convert a proportion of its floating rate debt to fixed rates. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes occurred are recognized as mentioned below.

If the financial instrument holds for aiming risk management and does not carry out the necessities of hedge accounting, these financial instruments are classified as held for trading. Thus, differences due to fair value calculations are recognized within gains/losses from derivative financial transactions' account.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Hedge accounting

The Group has not chosen to apply the hedge accounting model under TFRS 9. As of 31 December 2019, there is no change in the accounting policies applied in the preparation of the consolidated financial statements

The Group has documented the requirements and rules for cash flow hedging and fair value hedging within the framework of TAS 39 and its own risk policies. Each new risk protection relationship is evaluated and documented in this framework and passed through the relevant approval process. Efficiency tests were also selected among the methods permitted under TAS 39 in accordance with the Company's risk strategies.

The Group has associated its contractual operational lease receivables (contractual future cash flows) denominated in Euro, with its Euro denominated borrowings and applied cash flow hedge accounting. In the cash flow hedge accounting, the effective portion of changes in the foreign currencies is recognized directly in other comprehensive income and presented in hedging reserve under equity and the ineffective portion is recognized in the statement of profit or loss. The amount recognized in other comprehensive income is recycled and included in the profit or loss in the same period as the hedged cash flows affect the profit or loss under the same line item as the hedged item.

Prior to 1 October 2017, the Group applied cash flow hedge accounting to its future operating lease receivables arising from cash and lease agreements from second-hand sales. As of 1 October 2017, the Group has begun to apply the fair value hedge model as well as the cash flow hedge model. Accordingly, the Group has started to account for future operating lease receivables that are not recognized, as firm commitments since 1 October 2017 in the scope of fair value hedge accounting.

In the fair value hedge model, the gain or loss arising from the measurement of the foreign currency component of the carrying amount of the hedged item of Euro loans by TAS 21 is recognized in profit or loss in the financial statements and the gain or loss arising from Euro loans recognized in the period in which hedge accounting is effective, is recognized in the statement of financial position as "Fair value of firm commitments" and reflected to the profit or loss statement.

Effectiveness testing is performed at the beginning of the hedge accounting and each report period. Effectiveness test is performed by "Dollar off-set method" and hedge accounting is maintained in case the efficiency is in the range of 80% - 125%.

Hedge accounting is discontuned when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. When a cash flow hedge accounting is discontuned, the profit or loss recognized in other comprehensive income and presented in the hedging reserve under equity remains there until the cash flows of the hedged item realised. When the cash flows from the hedged item is realised, the gain or loss accumulated under equity is recognized immediately in profit or loss.

Where the fair value hedge accounting requirements no longer apply, adjustments to the carrying value of the hedged risk are reflected to profit or loss on a straight-line depreciation basis for the remaining period of time.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Impairment of Financial Assets

TFRS 9 replaces the 'incurred loss' model in TAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under TFRS 9, credit losses are recognized earlier than under TAS 39.

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs. The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- 90 days past the time of the financial instrument.

The Company considers a debt security to have low credit risk when determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

The maximum time to be measured by the ECLs is the maximum contractual period that the Group is exposed to credit risk.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

<u>Impairment of Financial Assests (Cont'd)</u>

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The expected credit losses were calculated based on actual credit loss experience over the past three years.The Group performed ECL rate calculations separately for its customers. Risks in each group are grouped according to common credit risk, such as geographic region and sector, for customers who are selling based on their credit risk rating characteristics.

Cash deficit is the difference between the cash flows that must be made to the business according to the contract and the cash flows that the business expects to receive. Since the amount and timing of the payments are taken into consideration in the expected credit losses, a credit loss occurs even if the enterprise expects to receive the entire payment late than the term specified in the contract. ECLs are discounted over the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Trade Receivables

The analysis below gives more detailed information on the calculation of the ECLs regarding trade receivables with the application of TFRS 9. The Group considers the model it uses and some of the assumptions used in calculating these ECLs as the main sources of estimation uncertainty.

The analysis for the TFRS - 9 provisioning calculation model includes the products of customers who default between 2007 - October / 2014. The Group performed the calculation of ECL separately for each customers of receivables at the reporting date. Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, delinquency status, geographic region, age of relationship. ECLs has calculated according to experience of credit losses in the last three years. The Group carried out the calculations of the ECLs ratio separately for its customers. The risks in each group are grouped according to the credit risk level, based on common credit risk for the customers who are sold, geographical region and sector.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. 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 statement of income/(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 changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Assets Under Operating Leases

The ownership of the leased object in economic sense is at the lessor. Motor vehicles are recognized through the reduction of depreciation is calculated using straight line method. Depreciation of these assets are calculated based on the ratios in accordance with the contract duration after deducting the residual value. The amount of depreciable assets used in operational leasing's costs at the end of the lease term is calculated based on the expected market value after deducting any residual value of the state. The residual value of the assets is the amount which is deducted after the cost of sales until the end of contract. Residual values are recognized on estimates based on the market prices and asset sales prices in the market. The residual value of the asset is based on the market and marketing conditions of the Group on the date of sale. The Group assesses the residual value of the vehicles periodically and make necessary adjustments during the renewal of the contracts. If there are changes in the estimation of residual values, these are recognized as a change in accounting estimation.

Property, Plant and Equipment

Property, plant and equipment are reported at acquisition cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method. The 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 in profit or loss.

Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Taxation and deferred income taxes

Since the Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare a consolidated tax return, as reflected in the accompanying consolidated financial statements, the tax provision is calculated on the basis of each company separately.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or 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 subsidiary 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

Employee Benefits / Retirement Pay Provisions

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as part of defined retirement benefit plans as per Turkish Accounting Standard 19 (Revised) "Employee Benefits" ("TAS 19"). In this context, in addition to the salary, the Group provides various benefits, such as; bonuses; fuel and food support; leaves of absence, national holidays, marriage, birth and death; and educational incentives to its employees. Principal assumption is that maximum liability for each year of service will increase in line with inflation.

Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

Provision is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. All actuarial gains and losses have been presented in the consolidated financial statements.

Actuarial gains losses are presented in other comprehensive income/expenses under revised TAS 19.

Foreign currency transactions

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Group are expressed in TL, which is the functional currency of the Group, and the presentation currency for the financial statements.

In preparing the financial statements of the Group, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation or a result of past events, it is probable that on 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 Assets and Liabilities

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Capital

Ordinary shares are classified as equity. Dividends on ordinary shares are reclassified as dividend payables by offsetting against retained earnings in the period in which they are approved and disclosed. The Group has not distributed any dividends in the related periods.

Offsetting

Financial assets and liabilities are presented as their net value, if there is a legal right of netting and net amount of payment and/or collection is considered and acquisition of the asset and settlement of the liability is carried out at the same time.

TFRS 15 Revenue from Contracts with Customers

General model for accounting of revenue

Step 1: Identify the contract with a customer

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability). Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

Step 2: Identify the performance obligations in the contract

An entity determines whether it promises to transfer either goods or services that are distinct, or a series of distinct goods or services that meet certain conditions. A 'performance obligation' is the unit of account for revenue recognition. An entity assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

Step 3: Determine the transaction price

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

Significant financing component

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. The Group does not have sales transactions which includes significant financing component.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

TFRS 15 Revenue from Contracts with Customers (Cont'd)

Variable consideration

An entity assesses whether discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

Step 4: Allocate the transaction price to the performance obligations in the contract

The transaction price is allocated to each performance obligation – generally each distinct good or service – to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation

An entity recognizes revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Group recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Group exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Group provides a provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract modifications

A 'contract modification' occurs when the parties to a contract approve a change in its scope, price, or both. The accounting for a contract modification depends on whether distinct goods or services are added to the arrangement, and on the related pricing in the modified arrangement.

Revenue

The revenue of the Group consists of revenues from car rentals and second-hand vehicle sales revenues.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Policies (Cont'd)

Events After the Reporting Period

Events after the reporting date comprise any event between the reporting date and the date of authorization of the financial statements for publication, even if any event after reporting date occurred subsequent to an announcement on the Group's profit or following any financial information disclosed to public. The Group restates its consolidated financial statements if such subsequent events arise.

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 operational leasing operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (capital expenditure 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 and without any risks of volatility in the value.

2.6 Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with the Turkish Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Updates to accounting estimates are recognized in the period in which the update is made and in subsequent periods affected by these updates.

(a) Useful lives of tangible assets

The Group uses the estimated useful lives of tangible fixed assets in Note 11 while charging depreciation**.**

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont'd)

2.6 Significant Accounting Estimates and Assumptions (Cont'd)

(b) Residual Value

For the Group, the residual value is estimated value of the vehicle at the end of the lease term. Residual value at the end of the lease term may be different from the market value and it is defined as market risk. Residual value is affected by external factors. Used vehicle sales channels and methods, consumer preferences, foreign currency exchange rates and general economic conditions are influential in the market price and managed to some extent. In addition, leasing period may be realized in different dates on the contracts, and this may affect the estimated residual value as an external factor.

The Group uses market prices, databases, and uses its realized values of own vehicle sales in the determination of residual value. To manage the risk of residual value, residual value estimation is evaluated by analyzing the profitability of realized sales.

(c) Deferred tax assets

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Based on available evidence, it is estimated whether it is probable that all or a portion of the deferred tax asset to be recovered.

While evaluating, projections of future profits, occurred loss in current period, deadline of use of inappropriate loss and other tax assets and tax planning strategies that can be used if necessary, have been taken into account. In the light of data obtained, if the Group's taxable profit will be obtained in future is not sufficient to meet all deferred tax assets, partially or whole of deferred tax is reserved. The Company calculates deferred income tax assets and liabilities based on temporary differences arising as a result of different considerations between the Financial Reporting Standards and the Tax Procedure Law in the balance sheet. As of 31 December 2019 and 2018, the tax rate used in calculation of deferred tax assets and liabilities is 22% for taxable income to be realized between 2018-2020 and 20% for later.

When the Group has taxable profit that will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse, the deferred tax asset occurred due to the carry forward tax losses is recognised in the period in which the deductible temporary differences arise.

The major part of the Group's deferred tax assets are calculated on carry forward tax losses recorded in the past and the current year. The details of the above-mentioned carry forward tax losses are shown below.

	31 December 2019	**31 December 2018**
Expiring in 2020	-	19.139.253
Expiring in 2021	5.929.538	103.625.174
Expiring in 2022	116.608.020	116.608.020
Expiring in 2023	176.738.238	177.009.007
	299.275.796	**416.381.454**

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents at 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
Cash on hand	827	362
Cash at banks	5.879.163	5.894.615
- Demand deposits - TL	*2.243.411*	*1.651.061*
- Demand deposits – Foreign currency	*132.497*	*215.713*
- Time deposits – TL	*3.503.258*	*4.027.841*
	5.879.990	**5.894.977**

As of 31 December 2019, time deposit balance of the Group is amounting to TL 3.503.258 with the interest of 6.80% and maturity of 3 January 2020 and (As of 31 December 2018, time deposit balance of the Group is amounting to TL 3.107.465 with the interest of 22,00% and maturity of 4 January 2019 and TL 920.376 with the interest of 15,00% and maturity of 4 January 2019).

The Group has bank deposits amounting to TL 4.812.349, TL 3.503.258 of which is time deposits, at Garanti Bank which is related party of the Group (31 December 2018: The Group has TL 5.736.923, TL 4.027.841 of which is time deposits).

There are no restrictions on bank deposits of the Group as at 31 December 2019 and 31 December 2018.

Cash and cash equivalents in the Group's consolidated statement of cash flows as at 31 December 2019 and 31 December 2018 are presented by netting off interest accruals and time deposits:

	31 December 2019	31 December 2018
Cash and cash equivalents	5.879.990	5.894.977
Interest accruals (-)	(3.258)	(10.987)
	5.876.732	**5.883.990**

NOTE 4 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2019 and 31 December 2018 are as follows:

Trade receivables	31 December 2019	31 December 2018
Trade receivables	54.932.788	49.198.268
Due from related parties (Note 22)	601.986	508.325
	55.534.774	**49.706.593**
Allowance for doubtful receivables (-)	(13.902.794)	(7.538.950)
Allowance for expected credit loss (-)	(1.709.759)	(1.807.330)
Allowance for trade receivables (-)	**(15.612.553)**	**(9.346.280)**
	39.922.221	**40.360.313**

(Amounts are expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 4 - TRADE RECEIVABLES AND PAYABLES (Cont’d)

The Group's average turnover of trade receivables is 27 days (31 December 2018: 25 days). Expected credit losses for doubtful receivables is calculated based on the past collection performance of the Group.

The Group calculates its expected credit losses for trade receivables based on its previous years collection experience and the risk rating matrix developed for calculating expected credit losses. The movement of the expected credit losses for trade receivables is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(9.346.280)	(7.467.215)
Impact of adopting TFRS 9	-	81.293
Provisions during the period (Note 19)	(6.296.955)	(4.462.059)
Write-offs (*) (Note 19)	-	2.100.328
Provision no longer required (Note 19)	30.682	401.373
Closing balance	**(15.612.553)**	**(9.346.280)**

(*) Doubtful receivables, for which no possibility of collection is foreseen and became insolvent, are written off along with the related provisions.

31 December 2019	Not past due	<30	31-90	>90	Total
Expected credit loss rate	%3,8	%5,1	%8,8	%97,5	%34,8
Expected gross book value of trade receivables from third parties at default date (*)	11.826.630	14.385.636	4.103.097	14.586.942	44.902.304
Life-time credit coss	**446.734**	**800.194**	**462.831**	**13.902.794**	**15.612.553**

31 December 2018	Not past due	<30	31-90	>90	Total
Expected credit loss rate	%4,2	%4,6	%8,7	%68,9	%13,3
Expected gross book value of trade receivables from third parties at default date (*)	7.462.393	8.792.520	12.462.735	10.944.825	39.662.473
Life-time credit coss	**316.703**	**406.17**	**1.084.457**	**7.538.950**	**9.346.280**

(*) The gross amouting to 10.030.484 TL (2018: 9.535.795 TL) trade receivables are not included in the calculation.

The details of trade payables as of 31 December 2019 and 31 December 2018 are as follows:

Short term trade payables	31 December 2019	31 December 2018
Trade payables	114.097.191	42.135.599
Due to related parties (Note 22)	641.331	879.045
	114.738.522	**43.014.644**

The average maturity of trade payables of the Group is 28 days during the current period (31 December 2018: 28 days).

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

NOTE 5 – OTHER RECEIVABLES AND PAYABLES

The details of other current receivables at 31 December 2019 and 31 December 2018 are as follows:

Other current receivables:	**31 December 2019**	**31 December 2018**
Receivables from tax office	42.617	16.607
Receivables from personnel	1.758	35.818
Other receivables	7.256	16.436
	51.631	**68.861**

The details of other non-current payables at 31 December 2019 and 31 December 2018 are as follows:

Other non-current payables:	**31 December 2019**	**31 December 2018**
Deposits and guarantees received (*)	1.975.000	1.571.500
	1.975.000	**1.571.500**

(*) Deposits and guarantees received consist of collaterals received for sale of second hand vehicles.

NOTE 6 – BORROWINGS

The details of borrowings at 31 December 2019 and 31 December 2018 are as follows:

Borrowings	**31 December 2019**	**31 December 2018**
Short-term borrowings	66.105.911	303.758.726
Short-term portion of long-term borrowings	707.577.197	251.849.723
Total short-term borrowings	**773.683.108**	**555.608.449**
Long-term borrowings	545.177.790	914.101.097
Total borrowings	**1.318.860.898**	**1.469.709.546**

The redemption schedule of borrowings are as follows:

	31 December 2019	**31 December 2018**
Up to 1 year	773.683.108	555.608.449
Up to 2 years	189.504.073	393.395.105
Up to 3 years	355.673.717	520.705.992
	1.318.860.898	**1.469.709.546**

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

NOTE 6 – BORROWINGS (Cont'd)

The effective interest rates of the currencies of borrowings at 31 December2019 and 31 December 2018 are as follows:

	Average effective	31 December 2019	
Currency	**interest rate**	**Short-term**	**Long-term**
Turkish Lira	22,81%	605.441.696	189.906.801
Euro	4,37%	168.241.412	355.270.989
		773.683.108	**545.177.790**

	Average effective	31 December 2018	
Currency	**interest rate**	**Short-term**	**Long-term**
Turkish Lira	27,67%	336.520.539	76.101.047
Euro	4,33%	219.087.910	838.000.050
		555.608.449	**914.101.097**

The reconciliation of the cash flows arising from the financing activities of the period ended 31 December 2019 and 31 December 2018 and the movements in liabilities is as follows:

	1 January 2019	Cash out	Foreign exchange difference	Other non-cash movement	31 December 2019
Short and long-term bank loans	1.469.709.546	(214.311.115)	48.912.294	14.550.173	1.318.860.898
Other financial liabilities	91.160.445	(95.010.750)	-	3.850.305	-
Total liabilities arising from financing activities	**1.560.869.991**	**(309.321.865)**	**48.912.294**	**18.400.478**	**1.318.860.898**

	1 January 2018	Cash out	Foreign exchange difference	Other non-cash movement	31 December 2018
Short and long-term bank loans	1.357.230.053	(119.624.274)	223.155.068	8.948.699	1.469.709.546
Other financial liabilities	90.510.573	(17.866.905)	-	18.516.777	91.160.445
Total liabilities arising from financing activities	**1.447.740.626**	**(137.491.179)**	**223.155.068**	**27.465.476**	**1.560.869.991**

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

NOTE 7 – OTHER FINANCIAL LIABILITIES

The details of other financial liabilities at 31 December 2019 ve 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Short-term financing bills issued	-	91.160.445
	-	**91.160.445**

The Group issued bills in September 2017 with an annual interest rate of 22,72% and with a nominal value of TL 90.000.000. The nominal value and coupon payments amouting to TL 95.010.750 were paid on 25 March 2019.

NOTE 8 – INVENTORIES

The details of inventories at 31 December 2019 ve 31 December 2018 are as follows:

	31 December 2019	31 December 2018
New vehicles	97.810.167	18.244.814
Second hand vehicles	72.014.655	29.286.301
	169.824.822	**47.531.115**

Vehicles which have current period depreciation expense of TL 6.949.167 and accumulated depreciation of TL 16.513.548 were classified from assets under operating lease to inventories since the operating lease terms of these vehicles have ended. Depreciation expenses were recognized under cost of sales (31 December 2018: TL 2.772.563 and TL 6.148.219).

NOTE 9- PREPAID EXPENSES AND DEFERRED INCOME

The details of short-term and long-term prepaid expenses at 31 December 2019 and 31 December 2018 are as follows:

Short-Term Prepaid Expenses	31 December 2019	31 December 2018
Short-term prepaid expenses (*)	18.714.478	20.301.810
Advances given	1.549.387	5.357.468
	20.263.865	**25.659.278**

Long-Term Prepaid Expenses	31 December 2019	31 December 2018
Long-term prepaid expenses (*)	147.896	93.953
	147.896	**93.953**

(*) Prepaid expenses of the Group composed of the prepayments for the car insurance and other insurance expenses.

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

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME (Cont'd)

The details of short-term deferred income 31 December 2019 and 31 December 2018 are as follows:

Short-Term Deferred Income	**31 December 2019**	**31 December 2018**
Deferred rent income (*)	19.897.846	19.479.510
Advances received	260.510	5.859.827
	20.158.356	**25.339.337**

(*) The Company bills majority amount of the invoices for operational leases to its customers before the service. However, invoiced but not served profit amount is not recognized within TFRS 15 as profit and is recognized as deferred income.

NOTE 10 - ASSETS UNDER OPERATING LEASE

The detail of assets under operating lease at 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Opening balance	1.364.873.855	1.364.615.271
Additions	427.051.531	549.157.346
Disposals and transfers to inventories (-)	(458.991.619)	(419.050.126)
Depreciation (-)	(105.972.703)	(129.848.636)
Net book value of the assets under operating lease	**1.226.961.064**	**1.364.873.855**

Amounting to TL 2.727.867 of provision has been provided for 25% of the net book value of 238 vehicles of 191 lost vehicles with the net book value of TL 10.911.147 in assets under operating lease which are under legal follow-up and cannot be found and amounting to TL 902.604 of provision has been provided in the current period for 75% remaining net book value of 4 vehicles have been made provision in 2018 (31 December 2018: TL 2.181.002). Amounting to TL 1.737.564 of provision has been provided for 103 vehicles in previous years which founded in the current year and provision no longer required.

Depreciation expenses for the years ended 31 December 2019 and 31 December 2018 have been charged to cost of sales.

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

NOTE 10 - ASSETS UNDER OPERATING LEASE (Cont'd)

The carrying value of assets whose operating lease terms expire within one year is as follows:

	31 December 2019	31 December 2018
Operating lease assets expiring within 1 year	562.052.085	515.139.907
	562.052.085	**515.139.907**

The Group's future lease receivables from operating leases terms as of 31 December 2019 and 31 December 2018 are as follows:

Future receivables from leasing business	31 December 2019	31 December 2018
Year 2019	-	444.906.197
Year 2020	448.362.203	228.672.252
Year 2021	239.792.709	80.826.857
Year 2022	98.068.800	8.466.200
Year 2023	7.683.476	-
	793.907.188	**762.871.506**

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of the property, plant and equipment and related accumulated depreciation during the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January 2019	Additions	Disposals	31 December 2019
Cost:				
Vehicles	23.756.156	38.085.992	(22.590.110)	39.252.038
Furniture and fixtures	2.814.006	32.027	(28.511)	2.817.722
Leasehold improvements	387.226	78.300	-	465.526
	26.957.388	**38.196.319**	**(22.618.421)**	**42.535.286**
Accumulated depreciation:				
Vehicles	(2.878.051)	(4.465.739)	1.051.472	(6.292.318)
Furniture and fixtures	(1.766.709)	(547.060)	30.007	(2.283.762)
Leasehold improvements	(315.876)	(43.831)	-	(359.707)
	(4.960.636)	**(5.056.630)**	**1.081.479**	**(8.935.787)**
Net book value	**21.996.752**			**33.599.499**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Vehicles	5.674.876	21.879.831	(3.798.551)	23.756.156
Furniture and fixtures	2.613.922	313.028	(112.944)	2.814.006
Leasehold improvements	387.226	-	-	387.226
	8.676.024	**22.192.859**	**(3.911.495)**	**26.957.388**
Accumulated depreciation:				
Vehicles	(637.209)	(2.818.392)	577.550	(2.878.051)
Furniture and fixtures	(1.285.818)	(572.133)	91.242	(1.766.709)
Leasehold improvements	(278.792)	(37.084)	-	(315.876)
	(2.201.819)	**(3.427.609)**	**668.792**	**(4.960.636)**
Net book value	**6.474.205**			**21.996.752**

The depreciation expenses amounting to TL 5.056.630 (31 December 2017: TL 3.427.609) are classified in general administrative expenses.

There are no pledges or liens on tangible fixed assets (31 December 2018: None).

Estimated useful lives of property, plant and equipment are as follows:

	Useful lives (year)
Vehicles	5
Furniture and fixtures	3-15
Leasehold improvements	3-5

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

NOTE 12 - INTANGIBLE ASSETS

Movements of intangible assets and related accumulated amortization for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019 Other Intangible Assets (*)	1 January- 31 December 2018 Other Intangible Assets (*)
Cost		
Openning balance, 1 January	18.051.745	12.441.948
Purchases	7.506.938	5.609.797
Closing balance, 31 December	**25.558.683**	**18.051.745**
Accumulated amortization:		
Openning balance, 1 January	(11.157.870)	(7.635.797)
Charge for the period	(4.735.699)	(3.522.073)
Closing balance, 31 December	**(13.295.437)**	**(11.157.870)**
Net book value as of 31 December	**9.665.114**	**6.893.875**

(*) Intangible assets are comprised of costs of software and second hand sale platform.

Total amortization expense amounting to TL 4.735.699 TL (31 December 2018: TL 3.522.073) has been classified to general administrative expenses.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Group has given letters of guarantee amounting to TL 241.735 (31 December 2018: TL 269.735) to courts for various litigations with the lease clients.

The details of the Group's guarantees given or contingent liabilities born in favor of the related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	31 December 2019	31 December 2018
A.Given in the name of its own legal personality	241.735	269.735
B.Given in favor of the the fully consolidated companies	-	-
C.Given in favor of the third parties for ordinary course of business	-	-
-Given in favor of the majority shareholders	-	-
-Given in favor of the other group companies which are not in the scope of B and C	-	-
-Given in favor of third parties which are not in the scope of C	-	-
D.Other	-	-
	241.735	**269.735**

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

NOTE 14 -EMPLOYEE BENEFITS

The details of provision for short-term and long-term employment benefits at 31 December 2019 and 31 December 2018 are as follows:

Payables related to short-term employee benefits

	31 December 2019	31 December 2018
Payables to personnel	170.658	792.840
Social security premiums payable	251.500	416.580
Taxes payables	404.028	1.146.471
	826.186	**2.355.891**

Provision for short-term employee benefits

	31 December 2019	31 December 2018
Bonus provisions	2.823.609	584.615
Provision for vacation pay liability	920.721	801.875
	3.774.330	**1.386.490**

Provision for vacation pay liability	1 January- 31 December 2019	1 January - 31 December 2018
1 January	801.875	685.318
Terminated unused vacation accruals (Note 19)	(904.306)	(573.270)
Unused vacation expense	1.023.152	689.827
31 December	**920.721**	**801.875**

Provision for bonuses	1 January- 31 December 2019	1 January - 31 December 2018
1 January	584.615	378.000
Bonus expense (Note 18)	3.000.000	3.414.700
Paid bonus	(761.006)	(3.208.085)
31 December	**2.823.906**	**584.615**

Provision for long-term employee benefits

	31 December 2019	31 December 2018
Provision for employee termination benefits	1.223.803	1.024.325
	1.223.803	**1.024.325**

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

NOTE 14 -EMPLOYEE BENEFITS (Cont'd)

Provision for Employment Termination Benefits:

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Additionally, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL 6.379,86 (31 December 2018: TL 5.434,42) for each period of service.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 Employee Benefits requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

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 31 December 2019 and 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Provisions on the relevant balance sheet dates are calculated using the real discount rate of approximately 3,97% - 3,38%, based on the assumptions of 8,2% - 12,5% annual inflation rate and 12,50% - 16,30% discount rate. . The retirement pay ceiling is revised every six months and the ceiling amount of TL 6.379,86 is taken into account in calculating the Group's provision for severance pay.

The movements of retirement pay provision for the periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Opening balance	1.024.325	940.013
Service and interest cost	449.509	493.514
Acturial gain/losses	(128.351)	(22.497)
Paid during period	(121.680)	(386.705)
Closing Balance	**1.223.803**	**1.024.325**

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

NOTE 15 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 December 2019 and 31 December 2018 are as follows:

Short-term firm commitments – Hedge Accounting	**31 December 2019**	**31 December 2018**
Fair value of firm commitments (*)	57.572.167	104.170.609
	57.572.167	**104.170.609**

Long-term firm commitments – Hedge Accounting	**31 December 2019**	**31 December 2018**
Fair value of firm commitments (*)	14.027.463	53.812.817
	14.027.463	**53.812.817**

(*) The Group has begun to account for future operating lease receivables under fair value hedge accounting as of 1 October 2017 that are not recognized as firm commitments. Accordingly, foreign exchange differences arising from the hedging instruments originated by Euro loans are accounted for under "Fair value of firm commitments" in the statement of financial position and reflected in the profit or loss statement during the period when hedge accounting is effective.

In the current period, the foreign exchange rate effect related to the cash to be obtained from future operating lease receivables based on Euro and the amount recognized in the "Fair Value of Firm Commitments" account is TL 71.599.630 (31 December 2018: TL 157.983.426).

Other non-current assets	**31 December 2019**	**31 December 2018**
Deferred VAT	5.274.884	12.866.202
Construction in progress	-	432.750
	5.274.884	**13.298.952**

Other short-term liabilities	**31 December 2019**	**31 December 2018**
Lease payables	2.092.587	-
Taxes payables	375.738	330.726
Provisions for legal cases	512.404	412.404
Other	892.039	101.950
	3.872.768	**845.080**

Other long-term liabilities	**31 December 2019**	**31 December 2018**
Lease payables	511.218	-
	511.218	**-**

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

NOT 16 – EQUITY

Capital

The shareholders of the Company and the historical values of shares at 31 December 2019 and 31 December 2018 are as follows:

		31 December 2019		31 December 2018	
	Type of share	**Nominal Value**	**%**	**Nominal Value**	**%**
Garanti Finansal Kiralama A.Ş.	**Group A**	10.000.000	100%	10.000.000	100%
Total capital		**10.000.000**	**100%**	**10.000.000**	**100%**

Paid-in capital consists of 10.000.000 shares, each with a per value of TL 1 as of 31 December 2019. There are no privileged shares in the Company's capital.

Restricted reserves

Restricted reserves are reserves which are reserved for special purposes from retained earnings other than due to law or contractual obligations or dividend payments. These reserves are presented as the same amount in the Company's statutory books and differences arising preparing the financial statements in accordance with TFRS are related with retained earning.

As at 31 December 2019 and 2018, the reserves of the Company are as follows:

	31 December 2019	**31 December 2018**
Paid-in Capital	10.000.000	10.000.000
1st Legal reserves	58.664	58.664
2nd Legal reserves	106.462	106.462
Items that will not be reclassified to profit or loss	(20.330)	(123.011)
Items that will be reclassified to profit or loss	(104.584.886)	(130.852.975)
Prior years' profits	131.711.551	122.051.645
Net profit for the period	31.809.499	9.659.906
	69.080.960	**10.900.691**

In accordance with the Turkish Commercial Code ("TCC") numbered 519, the first legal reserve is appropriated from the statutory profits at the rate of 5 percent, until the total reserve reaches 20 percent of the Group's paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent of all cash distributions in excess of 5 percent of the paid-in share capital.

Unless such reserves do not exceed half of the Group's paid-in capital, the reserves may only be used to cover the losses, to continue operations or to prevent unemployment and to mitigate the consequences when business is not doing well.

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

NOT 16 – EQUITY (Cont'd)

Other accumulated comprehensive income or expenses that will not be reclassified in profit or loss

Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans:

As of 31 December 2019, it consists of actuarial losses recognized in other comprehensive income not to be reclassified to profit or loss related to severance pay provision amounting to TL 20.330 (31 December 2018: TL 123.011).

Other accumulated comprehensive income or expenses that will be reclassified in profit or loss

Hedging gains / losses

Hedging gains /losses consist of the effective part of the accumulated net change in the fair value of the cash flow hedge instrument related to the hedged transaction.

Retained Earnings

The accumulated profits other than the net profit for the period is presented in retained earnings. The extraordinary reserves which are accumulated profits are also presented in retained earnings. The distribution of previous years' profits / losses in the consolidated financial statements of the Group is given below:

	31 December 2019	31 December 2018
Expiring in 2020	-	19.139.253
Expiring in 2021	5.929.538	103.625.174
Expiring in 2022	116.608.020	116.608.020
Expiring in 2023	176.738.238	177.009.007
	299.275.796	**416.381.454**

For the year ended 31 December 2019, the net profit is amounting to TL 31.809.499 (2018: TL 9.659.906). According to the Tax Procedure Law, for the year ended 31 December 2019, the net profit in the Company's statutory records is amounting to TL 118.553.175 (31 December 2018: TL 174.462.436).

NOTE 17 - SALES AND COST OF SALES

The details of sales and cost of sales for the years ended 31 December 2019 and 31 December 2018 are as follows:

Sales:	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Sales revenue of second hand vehicles	499.772.620	491.299.140
Revenue from operational leases	468.367.041	484.733.141
Revenue from insurance commission	1.541.930	2.260.317
Sales returns and discounts	(7.191.297)	(11.391.783)
Total operating income	**962.490.294**	**966.900.815**

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

NOTE 17 – SALES AND COST OF SALES (Cont'd)

Cost of Sales	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Net book value of second hand vehicles sold	(376.104.285)	(378.531.589)
Depreciation expense of vehicles	(114.170.980)	(132.621.199)
Maintenance and repair expenses (*)	(75.052.079)	(65.955.492)
Insurance expenses	(27.886.037)	(35.882.264)
Tax expenses related to vehicles	(30.475.057)	(32.800.494)
Cost of second hand vehicles sold	(5.177.019)	(5.477.892)
Stamp duty	(1.478.304)	(954.837)
Other cost of sales	(622.167)	(329.454)
Cost of Sales	**(630.965.928)**	**(652.553.221)**
Gross Profit	**331.524.366**	**314.347.594**

(*) The amounts reported as maintenance and repair expenses mainly consists maintenance and repair costs of vehicles but also includes expenses such as replacement vehicle costs and seasonal tire change service costs.

NOTE 18 – MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

The details of marketing and general administrative expenses for the years ended 31 December 2019 and 31 December 2018 as follows:

Marketing expenses	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Exhibitions, seminars, advertising and promotion expenses	(661.317)	(1.506.548)
Entertainment expenses	(18.896)	(12.618)
	(680.186)	**(1.519.166)**

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

NOTE 18 - MARKETING, GENERAL ADMINISTRATIVE EXPENSES (Cont'd)

General administrative expenses	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	(13.813.725)	(15.284.975)
Depreciation and amortization expenses	(10.677.666)	(6.949.682)
Services outsourced	(2.780.638)	(3.377.909)
Premium provision expense (Note 14)	(3.000.000)	(3.414.700)
Other benefits for the personnel	(1.668.211)	(1.777.078)
Information system expenses	(1.261.539)	(1.333.010)
Provision for unused vacation	(1.023.152)	(689.827)
Commission expenses	(584.170)	(447.541)
Travel expenses	(523.426)	(648.142)
Office expenses	(554.872)	(450.458)
Provision for employee termination benefits	(327.829)	(106.809)
Contribution expenses	(181.774)	(116.437)
Notary and tax expenses	(104.884)	(110.001)
Telephone and communication expenses	(96.527)	(107.688)
Entertainment expenses	(45.276)	(79.492)
Shipping expenses	(18.256)	(33.243)
Rent expenses	-	(894.395)
Other expenses	(328.223)	(180.554)
	(36.990.168)	**(36.001.941)**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

The details of other operating income for the years ended 31 December 2019 and 31 December 2018 are as follows:

Other operating income	1 January- 31 December 2019	1 January- 31 December 2018
Insurance loss settlement income	10.922.266	15.314.066
Other operational fleet income	3.857.156	1.644.892
Comission Income from suppliers	3.171.509	3.760.824
Provisions no longer required for missing vehicles (Note 10)	1.737.564	854.099
Reversal of provision for unused vacation,net (Note 14)	904.306	573.270
Discount on trade payables	324.820	813.025
Reversal of provision for doubtful receivables (Note 4)	30.682	2.501.701
Other income	813.819	493.448
	21.762.122	**25.955.325**

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

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES (Cont'd)

The details of other operating expenses for the years of 31 December 2019 and 31 December 2018 are as follows:

Other operating expenses and losses:	**1 January-31 December 2019**	**1 January-31 December 2018**
Provision for doubtful receivables (Note 4)	(6.296.955)	(4.462.059)
Provision for missing vehicles (Note 10)	(3.630.471)	(2.181.002)
Discount on trade receivables	(38.585)	(3.881.275)
Impairment of scrap car expenses	(38.654)	-
Reversal of provision for doubtful expenses	-	(2.500.973)
Other expenses	(76.464)	(53.675)
	(10.081.129)	**(13.078.984)**

The details of finance income and expenses for the years of 31 December 2019 and 31 December 2018 are as follows:

Finance income:	**1 January-31 December 2019**	**1 January-31 December 2018**
Gain from derivative financial instruments held for trading and foreing exchange profit	8.318.603	5.479.543
Interest income	7.679.533	1.437.597
	15.998.136	**6.917.140**

Finance expenses	**1 January-31 December 2019**	**1 January-31 December 2018**
Interest and comission expenses	(182.896.084)	(166.216.012)
Foreign exchange losses	(92.456.800)	(108.587.086)
	(275.352.884)	**(274.803.098)**

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

NOTE 20 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2019	31 December 2018
Current corporate tax provision	(298.803)	(501.261)
Prepaid taxes and funds	489.535	527.354
Current tax assets	**(190.732)**	**26.093**

The income taxes for the years ended 31 December are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Tax charge:		
Current period tax charge	(298.803)	(501.261)
Deferred tax charge:		
TFRS 9 adjusment	-	(17.885)
Deferred tax charge related to temporary differences	17.676.806	(22.529.201)
Deferred tax income related to carry forward tax losses	(31.748.761)	34.184.904
Total tax charge	**(14.370.758)**	**(11.136.557)**

Deferred tax recognized in other comprehensive income for the years ended 31 December 2019 and 31 December 2018 is associated with remeasurement gains from hedge accounting losses and defined benefit plans.

Corporate Tax

The Company and its subsidiary in Turkey, are subject to the tax legislation and practices in force in Turkey. The corporation tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporation tax rate is 22% as of 31 December 2019 (2018: 22%). However, in accordance with Article 91 of the "Law on Amendments to Certain Tax Laws and Other Laws" numbered 7061 and published in the Official Gazette dated 5 December 2017 and numbered 30261 and the provisional article 10 added to the Tax Law No.5520, it is foreseen that the corporation tax that should be paid over the profits of the 2018, 2019 and 2020 taxation periods is calculated as 22% and the taxation will be continued with 20% for the subsequent years. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%.

As of 31 December 2019, provisional tax is payable at the rate of 22% (31 December 2018: 22%) on the income generated for the three-month periods pursuant to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

Tax legislation in Turkey does not allow to fill consolidated tax returns of the Company and its subsidiary. Therefore, the tax liability reflected in the financial statements is calculated separately for each company.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of the tax year, and tax accounts can be revised.

NOTE 20 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Corporate Tax (Cont'd)

In Turkey, the joint-stock companies, corporation tax and non-responsible for the income tax and who are resident in Turkey, those made to those except for exempt and non-natural persons and dividend payments to legal persons not resident in Turkey are subject to 15% income tax.

Dividend payments by resident corporations to resident joint-stock company in Turkey again in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

Dividend income (excluding profits from investment funds 'participation certificates and investment trusts' shares) obtained from participating in the capital of another corporation which is fully taxpayed is exempt from corporation tax. In addition, 75% of the profits arising from the sale of founders' shares, redeemable shares and preferential rights of real estates (immovables) owned by the same duration as the participation shares included in the assets of the institutions for at least two full years are exempt from corporate taxation. However, with the amendment made by Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% in tax declarations to be prepared from 2018.

In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. Income tax withholding 24 April 2003 - 22 July 2006 is 10% among all companies. This rate since 22 July 2006, by the Council of Ministers No. 2006/10731 of 15% is applied. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Deferred Tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from differences between tax-based legal consolidated financial statements and consolidated financial statements prepared in accordance with IFRS. These differences generally arise from the fact that some income and expense items are included in different periods in the consolidated financial statements prepared in accordance with tax and IFRS. These differences are stated below.

As of 31 December 2019 and 2018, the tax rate used in calculating deferred tax assets and liabilities is 22% for taxable earnings between 2018-2020 and 20% for later.

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

NOTE 20 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

The movement of the deferred tax balances are as follows:

	1 January 2019	Current Period Deferred Tax Income / (Expense)	Recognised in Other Comrehensive Income	Recognised in Retained Earnings	31 December 2019
Carry forward tax losses	91.603.920	(31.748.761)	-	-	59.855.159
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	(94.772.166)	(8.601.177)	-	-	(103.373.343)
Allowance for doubtful receivables	1.998.628	1.384.638	-	-	3.383.266
Provision for missing vehicles	291.919	124.520	-	-	416.439
Discount on trade receivables and payables (net)	(39.258)	(62.972)	-	-	(102.230)
Provision for employee termination benefits	193.883	72.395	(25.670)	-	240.608
Provision for unused vacation	160.375	42.184	-	-	202.559
Fair value of derivative financial instruments	1.830.093	(1830.093)	-	-	-
Provision for bonus	128.615	492.579	-	-	621.194
Interest accrual on borrowings	218.470	(601.483)	-	-	(383.013)
Deferred rent income	4.285.492	75.420	-	-	4.360.912
Hedge accounting (Cash flow)	-	7.529.893	(7.529.893)	-	-
Hedge accounting (Fair value)	(34.756.354)	19.284.985	-	-	(15.471.369)
Other	(198.515)	(234.083)	-	-	(432.598)
Total deferred tax assets / (liabilities)	**(29.054.898)**	**(14.071.955)**	**(7.555.563)**	**-**	**(50.682.416)**

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

NOTE 20 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

The movement of the deferred tax balances are as follows:

	1 January 2018	Current Period Deferred Tax Income / (Expense)	Recognised in Other Comrehensive Income	Recognised in Retained Earnings	31 December 2018
Carry forward tax losses	57.419.016	34.184.904	-	-	91.603.920
Difference between the tax base and carrying value of assets under operating lease, property, plant and equipment and intangible assets	(82.789.498)	(11.982.668)	-	-	(94.772.166)
Allowance for doubtful receivables	1.593.262	405.366	-	-	1.998.628
Provision for missing vehicles	164.639	127.280	-	-	291.919
Discount on trade receivables and payables (net)	(714.189)	674.931	-	-	(39.258)
Provision for employee termination benefits	180.377	18.455	(4.949)	-	193.883
Provision for unused vacation	137.064	23.311	-	-	160.375
Fair value of derivative financial instruments	3.035.592	(1.205.499)	-	-	1.830.093
Provision for bonus	83.160	45.455	-	-	128.625
Interest accrual on borrowings	(36.925)	255.395	-	-	218.470
Deferred rent income	3.712.132	573.360	-	-	4.285.492
Hedge accounting (Cash flow)	-	(8.564.739)	8.564.739		-
Hedge accounting (Fair Value)	(8.048.529)	(26.707.825)	-	-	(34.756.354)
Other	(677.201)	496.571	-	(17.885)	(198.515)
Total deferred tax assets / (liabilities)	**(25.941.100)**	**(11.655.703)**	**8.559.790**	**(17.885)**	**(29.054.898)**

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

NOTE 20 - INCOME TAX (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Deferred Tax (Cont'd):

The maturity analyses of deductible tax losses are as follows:

	31 December 2019	31 December 2018
Expiring in 2020	-	19.139.253
Expiring in 2021	5.929.538	103.625.174
Expiring in 2022	116.608.020	116.608.020
Expiring in 2023	176.738.238	177.009.007
	299.275.796	**416.381.454**

Movements of deferred tax assets (liabilities) for the years ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Opening balance at 1 January	(29.054.898)	(25.941.100)
TFRS 9 adjustment	-	(17.885)
Recognised in profit or loss	(14.071.955)	(11.655.703)
Recognised in other comprehensive income	(7.555.563)	8.559.790
Closing balance at 31 December	**(50.682.416)**	**(29.054.898)**

The reconciliation between tax expenses and calculated tax expenses are as follows:

Tax reconciliation:	1 January-31 December 2019	1 January-31 December 2018
Profit before tax	46.180.257	21.816.870
Income tax rate of 22%	(10.159.657)	(4.799.711)
Tax effects of:		
-Disallowable expenses	(4.521.868)	(3.907.673)
-Exceptions	1.613.988	1.346.485
-Written off carry forward tax losses	-	(5.068.408)
-Other	86.469	272.343
Tax expense recognized in statement of profit or loss	**(14.370.758)**	**(12.156.964)**

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

NOTE 21 - EARNINGS PER SHARE

Earnings per share disclosed in the consolidated financial statements of income are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year.

Earning per share for the years ended 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Net income for the period	31.809.499	9.659.906
Weighted average number of shares (with a nominal par value)	10.000.000	10.000.000
Earnings per share	**3,18**	**0,97**

NOTE 22 - RELATED PARTY DISCLOSURES

i) Due to/from related parties as of 31 December 2019 and 31 December 2018:

a) Due from related parties:

	31 December 2019	**31 December 2018**
Türkiye Garanti Bankası A.Ş.	536.453	297.762
Garanti Emeklilik ve Hayat A.Ş.	39.977	-
Garanti Yatırım Ortaklığı A.Ş.	22.857	20.591
Garanti Kültür A.Ş.	1.818	-
Garanti Bank Internatıonal	704	366
Boyner Perakende ve Tekstil Yatırımları A.Ş	177	-
Garanti Portföy Yönetimi A.Ş.	-	12.811
Garanti Faktoring Hizmetleri A.Ş.	-	158.328
Garanti Finansal Kiralama A.Ş	-	5.221
Garanti Emeklilik Hayat A.Ş	-	12.504
Garanti Ödeme Sistemleri A.Ş.	-	624
Garanti Yatırım Menkul Kıymetler A.Ş.	-	118
	601.986	**508.235**

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

NOTE 22 - RELATED PARTY DISCLOSURES (Cont'd)

i) Due to/from related parties as of 31 December 2019 and 31 December 2018 (Cont'd):

b) Due to related parties :

	31 December 2019	31 December 2018
Garanti Bilişim Teknolojisi ve Ticaret A.Ş.	635.220	483.504
Boyner Perakende ve Tekstil Yatırımları A.Ş.	5.580	-
Garanti Portföy Yönetimi A.Ş.	531	-
Garanti Finansal Kiralama A.Ş.	-	194.734
Türkiye Garanti Bankası A.Ş.	-	194.170
Garanti Emeklilik Hayat A.Ş.	-	6.637
	641.331	**879.045**

ii) Significant sales to and significant purchases from related parties for the years ended 31 December 2019 and 31 December 2018:

a) Service and product sales to related parties:

	1 January- 31 December 2019	1 January- 31 December 2018
Türkiye Garanti Bankası A.Ş.	61.322.026	54.356.176
Garanti Ödeme Sistemleri A.Ş.	2.395.294	2.234.867
Garanti Finansal Kiralama A.Ş.	2.118.170	2.550.123
Garanti Emeklilik ve Hayat A.Ş.	2.153.067	2.277.401
Garanti Faktoring Hizmetleri A.Ş.	1.696.171	1.822.970
Garanti Yatırım Menkul Kıymetler A.Ş.	1.681.846	1.866.282
Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş	659.927	552.366
Garanti Bilişim Teknolojisi ve Tic. A.Ş.	656.535	563.675
Garanti Portföy Yönetimi A.Ş.	618.816	799.771
Boyner Perakende ve Tekstil Yatırımları A.Ş.	335.299	-
Garanti Yatırım Ortaklığı A.Ş.	225.359	51.275
Garanti Bank International	144.504	149.331
Garanti Kültür A.Ş.	62.193	250.317
Garanti Filo Sigorta Aracılık Hizmetleri A.Ş.	57.110	-
Beymen Mağazacılık A.Ş.	476	-
Garanti Hizmet Yönetimi A.Ş.	-	21.342
Eureko Sigorta A.Ş. (*)	-	1.303.051
Doğuş Oto Pazarlama ve Ticaret A.Ş. (*)	-	251.150
Diğer	-	-
	74.126.793	**69.785.270**

The sales to related parties by the Group composed of operating lease income.

(*) As of 20 December 2018, related companies have not been taken into account as the related party of the Group, as the related party does not meet the criteria under TAS 24 Related Party Disclosures. On the other hand, service and product sales to these companies between 1 January 2018 and 20 December 2018 are related included in the disclosures of the party.

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

NOTE 22 - RELATED PARTY DISCLOSURES (Cont'd)

ii) Significant sales to and significant purchases from related parties for the years ended 31 December 2019 and 31 December 2018: (Cont'd)

b) Services and product purchases from related parties:

	1 January- 31 December 2019	1 January- 31 December 2018
Garanti Bilişim Teknolojisi ve Tic. A.Ş.	6.471.633	2.490
Garanti Finansal Kiralama A.Ş. (*)	1.509.660	1.209.293
Türkiye Garanti Bankası A.Ş.	1.331.599	1.510.336
Garanti Emeklilik ve Hayat A.Ş.	81.886	320.210
Garanti Faktoring Hizmetleri A.Ş.	27.878	53.954
Garanti Ödeme Sistemleri A.Ş.	7.115	125.231
Garanti Portföy Yönetimi A.Ş.	6.549	303.870
Boyner Perakende ve Tekstil Yatırımları A.Ş.	5.167	-
Garanti Hizmet Yönetimi A.Ş.	-	22.090
Garanti Yatırım Menkul Kıymetler A.Ş.	-	241.108
Doğuş Oto Pazarlama ve Ticaret A.Ş. (**)	-	67.575.845
Tüvtürk İstanbul Taşıt Muayene İstasyonları Yapım ve İşletim A.Ş. (**)	-	377.843
Antur Turizm A.Ş. (**)	-	62.542
Eureko Sigorta A.Ş. (**)	-	61.549
Others (**)	-	56.482
	9.441.487	**71.922.843**

(*) Purchases from the Group's related party, Garanti Finansal Kiralama A.Ş., are made of its share of office building rental and its contributions for the share of the building expenses.

(**) As of 20 December 2018, the Companies are not considered as related parties of the Group since those do not meet the related party criteria under TAS 24 Related Party Disclosures.

iii) Other significant transactions with related parties for the period ended 31 December 2019:

Other income from related parties:

	1 January- 31 December 2019	1 January- 31 December 2018
T. Garanti Bankası A.Ş.	4.162.649	1.137.271
	4.162.649	**1.137.271**

Other income from related parties composed of the interest income of time deposits at Türkiye Garanti Bankası A.Ş.

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

NOTE 22 - RELATED PARTY DISCLOSURES (Cont'd)

Other expenses to related parties:

	1 January- 31 December 2019	1 January- 31 December 2018
T. Garanti Bankası A.Ş.(*)	29.771.972	7.293.806
	29.771.972	**7.293.806**

(*) It composed of the interest expenses on bank loans from Türkiye Garanti Bankası A.Ş.

c) Remuneration of the members of the Board of Directors and key management personnel:

The remuneration of the members of the Board of Directors and key management personnel for the period ended 31 December 2019 is amounting to TL 1.745.185 (1 January - 31 December 2018: 2.032.939 TL).

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital Risk Management

While managing the continuity of its activities in the capital management, the Group aims to increase its profit by using the debt and equities balance in the most efficient way.

The funding structure of the Group consists of debt which includes cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, legal reserves and retained earnings.

The Management of the Group considers the cost of capital and risks associated with each class of capital. Based on evaluation of the senior management, obtained additional debt or repayment of existing debt is to be kept in balance.

Capital is monitored using the ratio of debt/total capital by the Group. This ratio is calculated as net debt divided by total capital. Net debt is obtained by deducting cash and cash equivalents from total of financial borrowings (as shown in the balance sheet, including current and non-current financial borrowings).

The net liability/total equity ratio at 31 December 2019 and 31 December 2018 is summarized below:

	31 December 2019	31 December 2018
Financial and Trade Liabilities	1.433.599.420	1.603.884.635
Less: Cash and cash equivalents (Note 3)	(5.879.990)	(5.894.977)
Net Liabilities	1.427.719.430	1.597.989.658
Total Equity	69.080.960	10.900.691
Gearing Ratio	4,84 %	0,68 %

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors

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

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and if possible obtaining sufficient collaterals. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit risk is controlled each year according to counterparty limits which are reviewed and approved for the customers.

Trade receivables consist of reputable financially strong customers excluding related parties. On-going credit evaluation is performed on the financial condition of account receivable.

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont'd)

Exposed credit risks through types of financial instruments:

	Receivables					
	Trade Receivables		Other Receivables			
31 December 2019	**Related Parties**	**Other**	**Related Parties**	**Other**	**Bank Deposits**	**Total**
Maximum net credit risk as of balance sheet date (*)	601.986	39.320.235	-	51.631	5.879.163	45.853.015
- The part of maximum risk under guarantee with collaterals (**)	-	1.975.000	-	-	-	1.975.000
A. Net book value of neither past due nor impaired financial assets	601.986	21.530.427	-	51.631	5.879.163	28.063.207
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	-	17.789.808	-	-	-	17.789.808
- Guaranteed amount by collateral	-	-	-	-	-	-
D. Impaired asset net book value	-	2.235.191	-	-	-	2.235.191
- Past due (gross carrying value)	-	17.847.744	-	-	-	17.847.744
-Impairment (-)	-	(15.612.553)	-	-	-	(15.612.553)
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-
E. Off balance sheet items containing credit risk	-	-	-	-	-	-

(*) Factors which increase credit reliability, like guarantees received, have not been taken into consideration during amount determination.

(**) Including; guarantee notes, guarantee cheques and mortgages.

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont'd)

Exposed credit risks through types of financial instruments:

	Receivables					
	Trade Receivables		**Other Receivables**			
31 December 2018	**Related Parties**	**Other**	**Related Parties**	**Other**	**Bank Deposits**	**Total**
Maximum net credit risk as of balance sheet date (*)	508.325	39.851.988	-	68.861	5.894.615	46.323.789
- The part of maximum risk under guarantee with collaterals (**)	-	1.571.500	-	-	-	1.571.500
A. Net book value of neither past due nor impaired financial assets	508.325	16.681.485	-	68.861	5.894.615	23.153.286
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	-	23.170.503	-	-	-	23.170.503
- Guaranteed amount by collateral	-	-	-	-	-	-
D. Impaired asset net book value	-	1.787.735	-	-	-	1.787.735
- Past due (gross carrying value)	-	11.134.015	-	-	-	11.134.015
-Impairment (-)	-	(9.346.280)	-	-	-	(9.346.280)
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-	-	-
E. Off balance sheet items containing credit risk	-	-	-	-	-	-

(*) Factors which increase credit reliability, like guarantees received, have not been taken into consideration during amount determination.
(**) Including; guarantee notes, guarantee cheques and mortgages.

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.1) Credit risk management (Cont'd)

	31 December 2019 Trade Receivables	31 December 2018 Trade Receivables
1-30 days overdue	11.470.155	13.870.239
1-3 months overdue	2.847.265	5.830.362
3-5 months overdue	3.472.389	3.469.902
Total	**17.789.808**	**23.170.503**
Guaranteed amount by collateral	-	-

As of the balance sheet date, there are no guarantees received for past due but not impaired receivables.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

31 December 2019

Contractual maturities	Book value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Borrowings	1.318.860.898	1.556.287.022	232.357.780	559.332.481	764.596.761	-
Trade payables	114.738.522	115.508.962	115.508.962	-	-	-
Total liabilities	**1.433.599.420**	**1.671.795.984**	**347.866.742**	**559.332.481**	**764.596.761**	**-**

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.2) Liquidity risk management (Cont'd)

31 December 2018

Contractual maturities	Book value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Securities issued	91.160.445	95.261.240	95.261.240	-	-	-
Borrowings	1.469.709.546	1.597.952.832	269.114.432	302.412.111	1.026.426.289	-
Trade payables	43.014.644	43.822.592	43.822.592	-	-	-
Total liabilities	**1.603.884.635**	**1.737.036.664**	**408.198.264**	**302.412.111**	**1.026.426.289**	**-**

As of 31 December 2019, the Group has no derivative financial liabilities (as of 31 December 2018, a total of 8.319.263 TL of which 25.014 TL is less than 3 months, 8.294.249 TL is less than 1 year derivative financial liabilities).

b.3) Interest rate risk management

Hedging strategies are evaluated on a regular basis, to be compatible with expectation of interest rate risk and defined risks.

Thus, the aim of the determination of an optimal hedging strategy is both to review the balance sheet position and to keep under control of interest expenditures with the different interest rate.

As of 31 December 2019, if the interest rate in terms of TL was 100 bps higher/lower and all the other conditions were the same, profit before tax would be amounting to TL 1.406.720 / TL (1.406.720) (31 December 2018: TL 1.194.343/(TL 1.194.343) higher/lower.

	31 December 2019	31 December 2018
Financial instruments with fixed rate		
Financial Assets	3.503.258	4.027.841
Financial Liabilities	1.318.860.898	1.469.709.546
Financial instruments with floating rate		
Financial Liabilities	-	91.160.445

b.4) Foreign currency risk management(cont'd)

Foreign currency transactions expose the Group to foreign currency risk. Foreign currency risk is managed with approved policies on the basis of the forward purchase/sale contracts.

As of 31 December 2019 and 31 December 2018, the Group's monetary and non-monetary assets and liabilities in foreign currency positions are as follows.

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

Currency position table:

31 December 2019	TL Equivalent **(Functional Currency)**	**USD**	**EUR**	**Other**
1. Trade receivables	-	-	-	-
2.a Monetary financial assets	132.498	1.865	18.257	-
2.b Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	**132.498**	**1.865**	**18.257**	**-**
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**132.498**	**1.865**	**18.257**	**-**
10. Trade payables	-	-	-	-
11. Financial liabilities, Note 6	168.241.412	-	25.297.178	-
12.a Other monetary liabilities	-	-	-	-
12.b Other non-monetary liabilities	-	-	-	-
13. CURRENT LIABILITIES	**168.241.412**	**-**	**25.297.178**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities, Note 6	355.270.989	-	53.419.389	-
16.a Other monetary liabilities	-	-	-	-
16.b Other non-monetary liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	**355.270.989**	**-**	**53.419.389**	**-**
18. TOTAL LIABILITIES	**523.512.401**	**-**	**78.716.567**	**-**
19. Net asset / liability position of off-balance sheet derivaties (19a-19b)	-	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position	(899.823)	1.865	(136.965)	-
21. Net foreign currency asset / liability position of monetary items (l+2a+6a-10-11-12a-14-15-16a)	(523.397.903)	1.865	(78.698.310)	-
22. Fair value of foreign currency hedged financial assets	522.580.080	-	78.561.345	-
23. Amount of foreign currency hedged financial assets	-	-	-	-
24. Export	-	-	-	-
25. Import	-	-	-	-

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

b.4) Foreign currency risk management (Cont'd)

Currency position table: **31 December 2018**	**TL Equivalent (Functional Currency)**	**USD**	**EUR**	**Other**
1. Trade receivables	-	-	-	-
2.a Monetary financial assets	215.708	2.103	33.949	-
2.b Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	**215.708**	**2.103**	**33.949**	**-**
5. Trade receivables	-	-	-	-
6.a Monetary financial assets	-	-	-	-
6.b Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**215.708**	**2.103**	**33.949**	**-**
10. Trade payables	-	-	-	-
11. Financial liabilities (Note 6)	219.087.910	-	36.345.041	-
12.a Other monetary liabilities	-	-	-	-
12.b Other non-monetary liabilities	-	-	-	-
13. CURRENT LIABILITIES	**219.087.910**	**-**	**36.345.041**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities (Note 6)	838.000.050	-	139.017.925	-
16.a Other monetary liabilities	-	-	-	-
16.b Other non-monetary liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	**838.000.050**	**-**	**139.017.925**	**-**
18. TOTAL LIABILITIES	**1.057.087.960**	**-**	**175.362.966**	**-**
19. Net asset / liability position of off-balance sheet derivaties (19a-19b)	5.077.861	-	842.379	-
19.a Off-balance sheet foreign currency derivative assets	35.733.707	-	5.927.954	-
19.b Off-balance sheet foreign currency derivative liabilities	30.655.846	-	5.085.575	-
20. Net foreign currency asset liability position	(11.249.367)	2.103	(1.868.021)	-
21. Net foreign currency asset / liability position of monetary items (l+2a+6a-10-11-12a-14-15-16a)	(1.057.003.305)	2.103	(175.350.758)	-
22. Fair value of foreign currency hedged financial assets	1.040.676.077	-	172.640.358	-
23. Amount of foreign currency hedged financial assets	-	-	-	-
24. Export	-	-	-	-
25. Import	-	-	-	-

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro:

	31 December 2019	31 December 2018
USD Dollar	5,9402	5,2609
Euro	6,6506	6,0280

The Group is exposed to foreign exchange risk primarily from USD Dollar and Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollar and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis covers only the outstanding monetary items and reflects the effect of 10% change in the foreign exchange rates to the related items in the year end. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity components.

31 December 2019

	Income / Loss	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of US Dollars against TL		
1 - USD net assets / (liabilities)	1.108	(1.108)
2 - Hedging amount of USD (-)	-	-
3 - USD net effect	1.108	(1.108)
10% appreciation / devaluation of Euro against TL		
4 - Euro net assets / (liabilities)	(52.339.098)	52.339.098
5 - Hedging amount of Euro (-)	52.248.008	(52.248.008)
6 - EUR net effect	(91.090)	91.090
TOTAL	**(89.982)**	**89.982**

	Equity (*)	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of Euro against TL		
7 - Euro net assets / (liabilities)	29.051.948	(29.051.948)
8 - EUR net effect	**(29.051.948)**	**29.051.948**

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Cont'd)

b) Financial Risk Factors (Cont'd)

Foreign currency sensitivity (Cont'd)

	31 December 2018	
	Income / Loss	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of US Dollars against TL		
1 - USD net assets / (liabilities)	1.106	(1.106)
2 - Hedging amount of USD (-)	-	-
3 - USD net effect	1.106	(1.106)
10% appreciation / devaluation of Euro against TL		
4 - Euro net assets / (liabilities)	(105.701.437)	105.701.437
5 - Hedging amount of Euro (-)	104.575.394	(104.575.394)
6 - EUR net effect	(1.126.043)	1.126.043
TOTAL	**(1.124.937)**	**1.124.937**

	Equity (*)	
	Foreign currency appreciates	Foreign currency depreciates
10% appreciation / devaluation of Euro against TL		
7 - Euro net assets / (liabilities)	(35.834.880)	35.834.880
8 - EUR net effect	**(35.834.880)**	**35.834.880**

(*) It does not include the profit / (loss) part.

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

NOTE 24 – FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK)

Fair value of financial instruments:

31 December 2019	Loans and receivables (Including cash and cash equivalents)	Financial liabilities at amortized cost
Financial Assets		
Cash and cash equivalents	5.879.990	-
Trade receivables	39.922.221	-
-Due from related parties	*601.986*	-
-Other trade receivables	*39.320.235*	-
Other receivables	51.631	-
Financial Liabilities		
Financial borrowings	-	1.318.860.898
Other financial liabilities	-	-
Trade payables	-	114.738.522
-Due to related parties	-	*641.331*
-Other trade payables	-	*114.097.191*

The Group considers that the carrying values of financial instruments reflect their fair value.

31 December 2018	Loans and receivables (Including cash and cash equivalents)	Financial liabilities at amortized cost
Financial Assets		
Cash and cash equivalents	5.894.977	-
Trade receivables	40.360.313	-
-Due from related parties	*508.325*	-
-Other trade receivables	*39.851.988*	-
Other receivables	68.861	-
Financial Liabilities		
Financial borrowings	-	1.469.709.546
Other financial liabilities	-	91.160.445
Trade payables	-	43.014.644
-Due to related parties	-	*879.045*
-Other trade payables	-	*42.135.599*

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

NOTE 24 – FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK) (Cont'd)

Fair value of financial instruments (Cont'd):

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

- Level 1: 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;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- Level 3: the fair value of the financial assets and fmancial liabilities are determined based upon market data that is not observable.

Derivative Financial Instruments:

	31 December 2019		31 December 2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Swap	-	-	660	8.319.263
Short term	-	-	660	8.319.263
Total	**-**	**-**	**660**	**8.319.263**

As of 31 December 2019, the Group has no foreign currency swaps (31 December 2018: 660 TL asset and 8.319.263 TL liability) (level 2).

Cash flow hedge accounting:

The Group treats future operating lease receivables based on Euro and future sales of second hand vehicles pursued in Euro based on the residual values in relation to Euro loans in the statement of financial position to account for cash flow risk and protects against exchange rate risk.

As of 31 December 2019, amounting TL 39.525.056 (31 December 2018: TL 138.969.525), which is the unrealized portion of the Group's Euro denominated foreign exchange loss, is associated with long term future Euro receivables, hedging loss net of deferred tax asset amounting to TL 8.695.512 (31 December 2018: TL 30.573.295) and is recognized under equity.

TL 73.323.038 (31 December 2018: 100.038.893) of the hedging instrument affect profit or loss has been recognized in shareholders' equity in previous periods and its portion amounting to TL 16.225.405 (31 December 2018: TL 22.008.556) has been netted off with deferred tax liability and reflected to the statement of profit or loss.

Prior to 1 October 2017, the Group had applied cash flow hedge accounting to its future operating lease receivables arising from cash and lease agreements from second-hand sales. As of 1 October 2017, the Group has begun to apply the fair value hedge model as well as the cash flow hedge model. Accordingly, the Group has started to account for future operating lease receivables that are not recognized, as firm commitments since 1 October 2017 in the scope of fair value hedge accounting.

NOTE 24 – FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND ACCOUNTING POLICY FOR HEDGING FINANCIAL RISK) (Cont'd)

Cash flow hedge accounting (Cont'd):

Accordingly, foreign exchange differences arising from the hedging instruments originated by Euro loans are recognized under "Other current/non-current assets" in the consolidated statement of financial position and recognized in the profit or loss statement during the period when hedge accounting is effective.

As of 31 December 2019, the effect of the exchange rate change related to the cash to be obtained from future operating lease receivables under Euro and the amount recognized in the "Other current/non-current assets" account is TL 71.599.630 (31 December 2018: TL 157.983.426).

NOT 25 –EVENTS AFTER THE REPORTING PERIOD

None.