

We've been adding value to the automotive industry since 1928.

We are ready to be renewed, to grow even stronger together, and to share the success stories...



Otokoç Otomotiv

Otokoç Birmot AVIS® AVIS filo Budget®

Otokoç Sigorta zipcar. Z Otokoç GÜVEN NOKTASI LEL Otokoç Parça

2020 Annual Report

CONTENTS

General Information

- 1 Our Founder
- 3 Otokoç Otomotiv at a Glance
- 14 Key Financial And Operational Highlight

Management Structure

- 16 Message from the CEO
- 24 Board of Directors
- 26 Organization Chart
- 28 Senior Management

Otokoç Otomotiv in 2020

- 32 Awards
- 34 The Turkish Automotive Market and Otokoç Otomotiv
- 44 Digital Transformation and Innovation
- 49 R&D
- 50 Management of the Pandemic Period at Otokoç Otomotiv
- 53 Customer Experience
- 56 Corporate Social Responsibility
- 58 Sustainability
- 60 Internal Communication

General Assembly Information

- 61 Agenda of the Ordinary General Assembly Meeting
- 62 Independent Auditor's Report on the Board of Directors' Annual Report

Corporate Governance

- 63 Legal Disclosures
- 64 2020 Associated Company Report
- 65 Risk Management And Internal Audit
- 67 Other Financial Disclosures
- 69 Statement Of Responsibility

Financial Reports

- 71 Consolidated Financial Statements as of 31 December 2020 Together With Independent Auditor's Report

125 Contact Information

OUR FOUNDER



I live and prosper with my country.

As long as democracy exists and thrives, so do we.

We shall do our utmost to strengthen our economy.

As our economy prospers, so will democracy and our standing in the world.

Vehbi Koç

Vehbi Koç

AN INNOVATIVE ROAD COMPANION OFFERING MOBILITY SOLUTIONS



Otokoç Otomotiv is a one-stop solution provider in the automotive industry.

OTOKOÇ OTOMOTİV AT A GLANCE

About Us

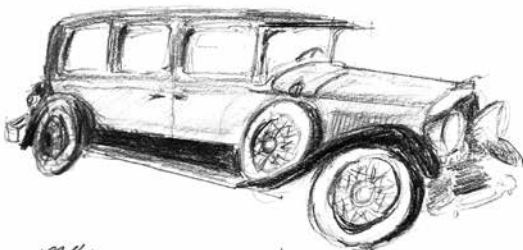
Incorporated in 1928 as the Koç Group's first investment in the automotive industry and the initiator of the history of automotive, Otokoç Otomotiv is today Turkey's biggest automotive retail, car rental and car sharing company offering service under the brands Otokoç, Birmot, Avis, Avis Filo, Budget, Otokoç Sigorta (insurance), Zipcar, Otokoç 2. El (2nd Hand), Otokoç Parça (Spares) and Lastick (tires).

New vehicle sales, service and spares, spare parts wholesale, insurance and finance, accessory sales, second hand vehicle sales and vehicle protection systems, in other words, all automotive solutions are

provided to customers under a single roof through Birmot that covers Fiat, Alfa Romeo, Jeep and Maserati brands and through Otokoç that covers Ford, Ford Trucks and Volvo brands. In car rental, Avis and Budget brands offer short-term rentals, Avis Fleet offers operational lease or fleet rental, and Zipcar brand offers rental-by-the-hour, e.g. car sharing service. Otokoç Otomotiv carries on with its activities at 306 locations in nine countries including Turkey with the vision of being "your global and innovative companion offering solutions in mobility".

Otokoç Otomotiv in the World

Active in Turkey, Greece, Hungary, Ukraine, Georgia, Azerbaijan, Kazakhstan, Northern Cyprus and Northern Iraq with its car rental operation, Otokoç Otomotiv moves forward with the goal of penetrating a new country each year and keeps a close eye on investment opportunities in the near geography. The Company aims to carry its automotive retailing business, its other core business, into the international arena, as well.

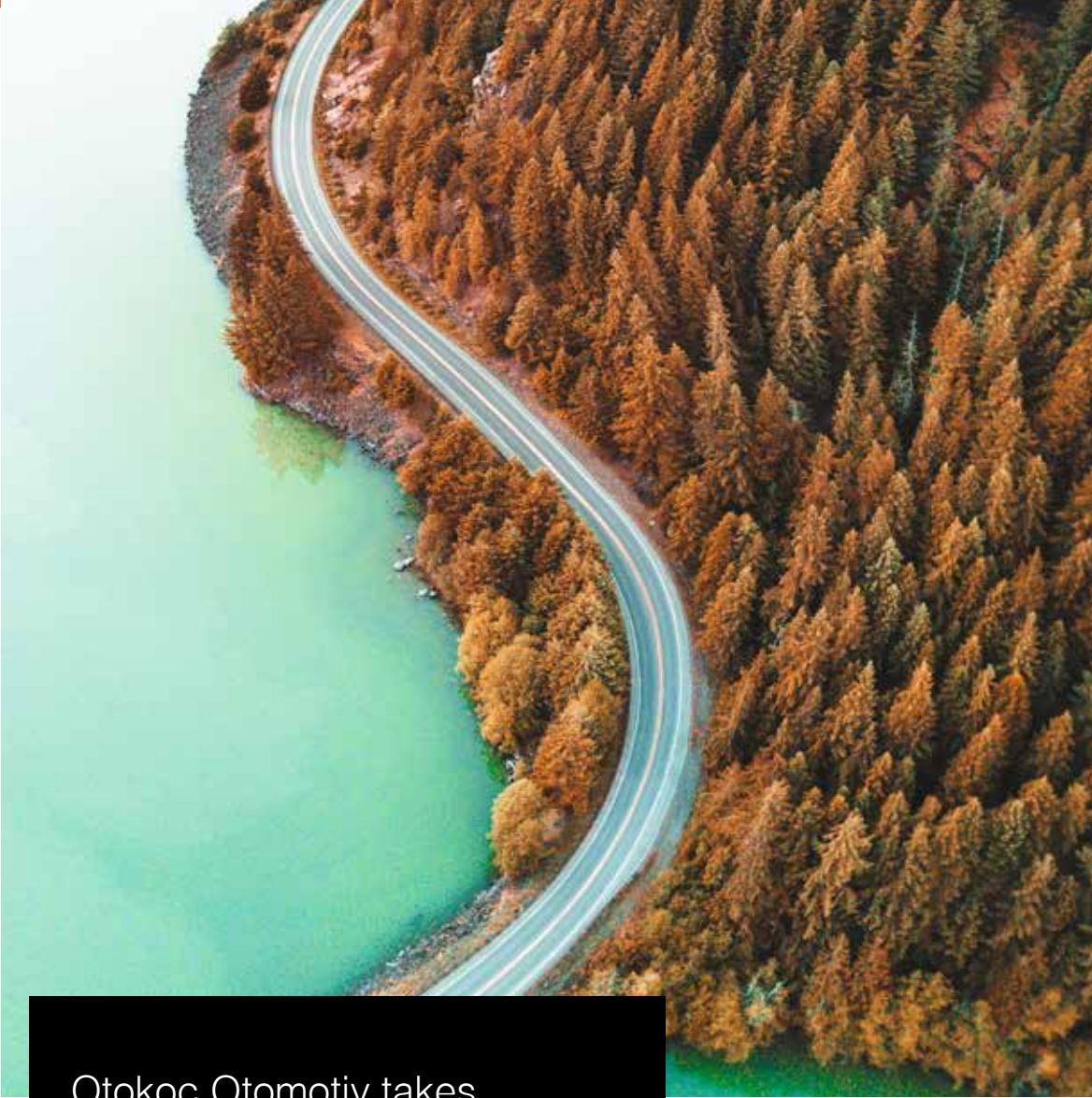


1928 LINCOLN MODEL L 168A SEDAN

Ahmet 13/11/2018

Otokoç Otomotiv is a Koç Holding group company, providing retail, car rental and car sharing services in automotive operations, acting with the vision of being an innovative road companion offering mobility solutions.

THE LONG-STANDING LEADER OF THE ROAD PASSIONATELY TRAVELED



Otokoç Otomotiv takes pioneering steps for the development of the sectors of which, it is a spokesperson.

Vision

Be your innovative, global road companion offering solutions in mobility.

Mission

We offer innovative, custom-made solutions to our **customers**.
 We invest in our **employees**, and provide the means for their development.
 We create sustainable profitability and increase the company's value for our **shareholders**.
 We drive our industry forward and we win together with our **business partners**.
 We lead the development of the **sector**, and we contribute to the national economy.
 We maintain a socially- and environmentally-sensitive approach as reflected in our social **responsibility** projects.

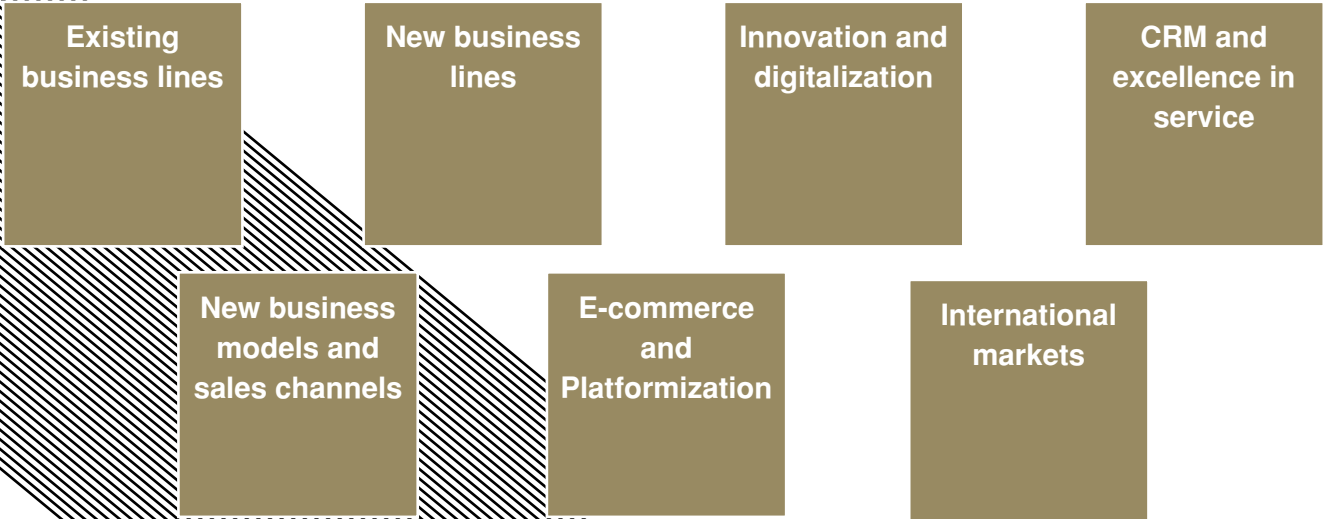
Values

- Innovation
- Reliability
- Diversity
- Candor
- Sensitivity
- Sustainability

Business Goals

- Growth
- Profitability
- Customer experience
- Competent and happy employees

Strategic Focuses



RETAILING

Otokoç

Koç Holding's first investment in the automotive industry, Otokoç carries out the sales and after-sales operations of Ford, Ford Trucks and Volvo brands. Having an extensive service network of 17 branches across Turkey, Otokoç is the leader with its initiatives giving the forefront to unconditional customer satisfaction.

Birmot

Birmot offers sales and after-sales services of Fiat, Alfa Romeo, Jeep and Maserati brands. The Company is the leader in the brands it sells with vehicle options that cater to all kinds of needs and customer segments. With its 17 branches in Turkey, the brand offers service out of its modern locations.



The Company operates as a point of trust in 2nd Hand vehicles with innovative options such as car sales, same day car purchase in cash, professional surveyor services, broad service network, contactless pick up and online purchasing.

Otokoç Sigorta

With 25 branches in nine cities in Turkey and 77 expert employees, it acts as an agency of pioneering and trusted companies in the sector, with a focus on motor TPL and motor own damage policies, health insurance, home and work place insurance.



Engaged in original and equivalent spare parts wholesaling and retailing, Otokoç Parça acts as the dealer of Ford, Fiat, Magneti Marelli, and Mako brands while supplying spares, batteries, tires, accessories and consumables under its own brand, Axam domestically and abroad. On retail sales, it provides supplies to chain markets and insurance companies alongside online and offline channels.

RENTAL

AVIS®

Budget®

AVIS®filo

The story of Avis is the story of car rental in Turkey. Its foundations laid 46 years ago, this sector had to overcome numerous obstacles before achieving its current position. Carrying the responsibility of being the pioneer and the first in the country, Avis continues to lead the journey with love, happiness and confidence. Its customers keep the company in top position because of the customer satisfaction it delivers, and its achievements are crowned with awards garnered. Avis offers service with 89 offices in 49 provinces across Turkey.

Budget combines the power of one of the world's largest rent-a-car brands with in-depth local knowledge, flexibility and the service that best fits needs. Budget offers service with 62 offices in 34 provinces across Turkey.

Capturing the distinction of Avis in fleet rental service, Avis Filo is the leading vehicle leasing brand with its diversified services including professional portfolio management, fast and far-reaching replacement vehicle supply process and 24/7 full support.

SHARING

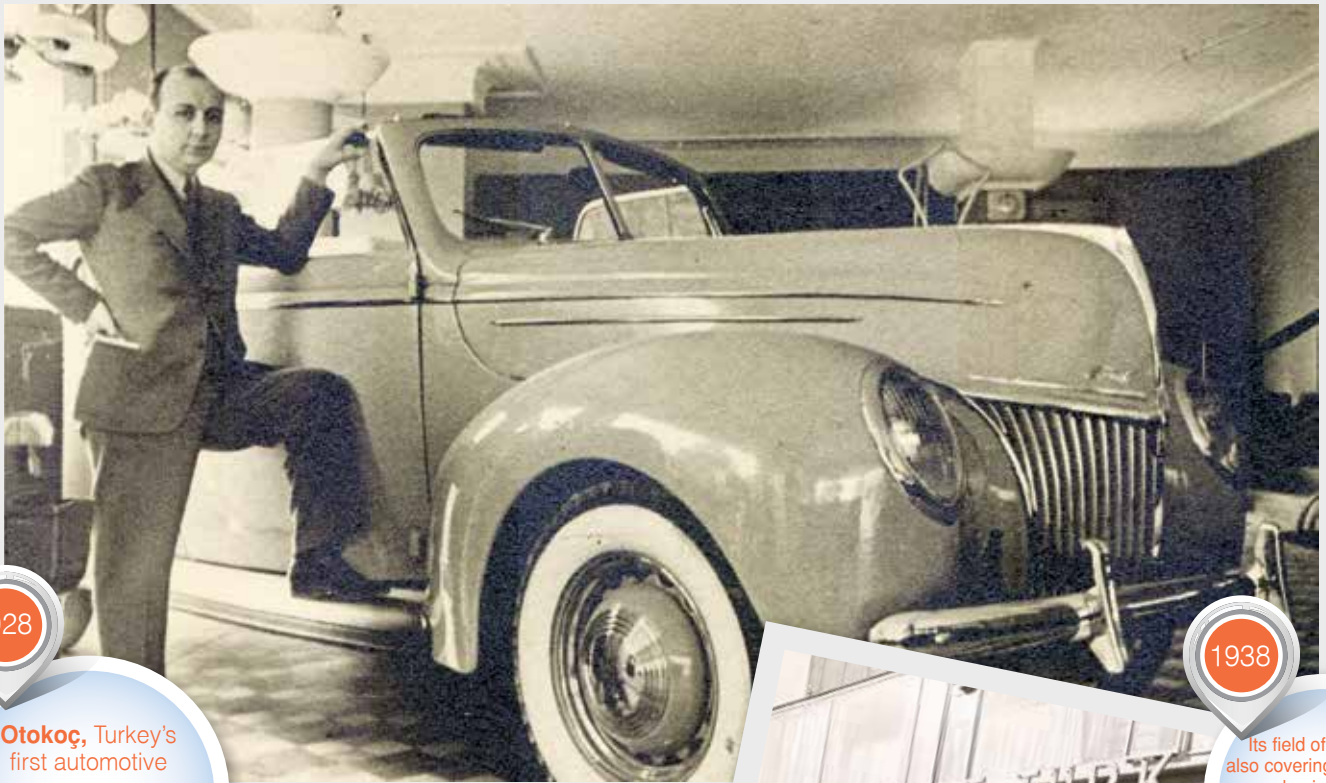
Payless CAR RENTAL

Services are rendered in Greece, Azerbaijan, Kazakhstan and Northern Iraq under the Payless brand.

zipcar

Zipcar, which operates with the mission of providing a simple and accountable city life, carries out its activities under Otokoç Otomotiv in Turkey. Functioning on membership basis, ZIPCAR offers hourly and daily rental service at more than 30 locations in İstanbul.

MILESTONES



1928

Otokoç, Turkey's first automotive company, was originally incorporated as a Ford agency.

1938

Its field of activities also covering passenger car business, Koç Ticaret A.Ş., Turkey's first joint stock company, was incorporated.



1944

Bernar Nahum, one of the lead names that authored the history of the Turkish automotive industry, joined the Koç Group and the foundations of Motör Ticaret were laid.



The Koç Group's first operation in the automotive industry, Otokoç Otomotiv also embodies the history of the Turkish automotive sector. The establishment of the Koç Group's Automotive Group also dates back to Otokoç.



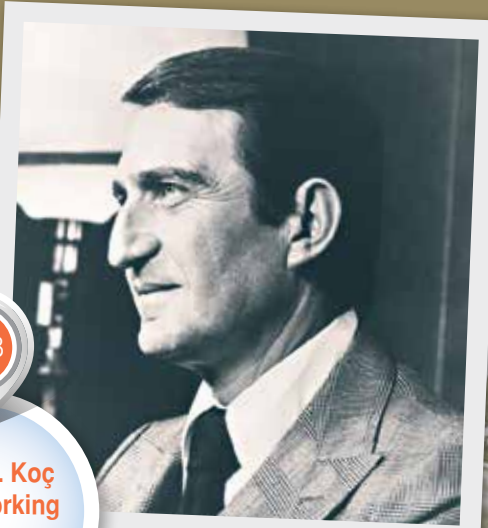
1951

As the dealer network continued to expand, the first dealers meeting in the Turkish private sector was organized in 1951.



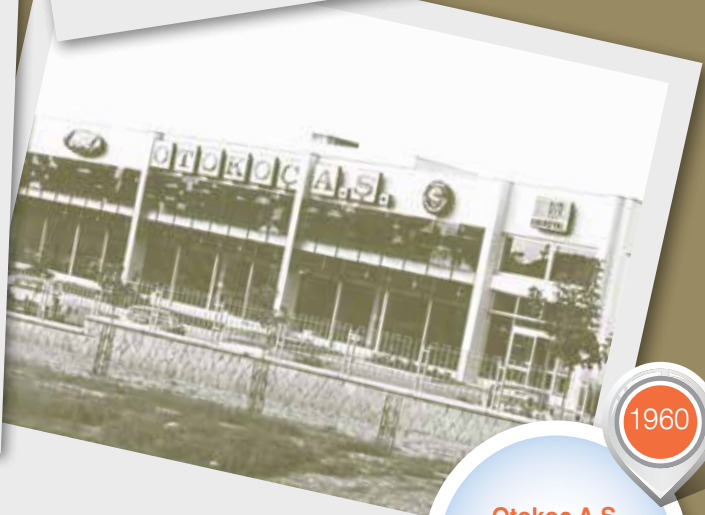
1953

Egemak was established in İzmir.



1958

Rahmi M. Koç began working at Otokoç.



1960

Otokoç A.Ş. became a distributor of Otosan Mamuller.

MILESTONES

1966

The manufacturing of Anadolu started, which gave momentum to the Turkish automotive industry.



1996

Ford and Fiat regional sales companies began offering service all over Turkey.



1974

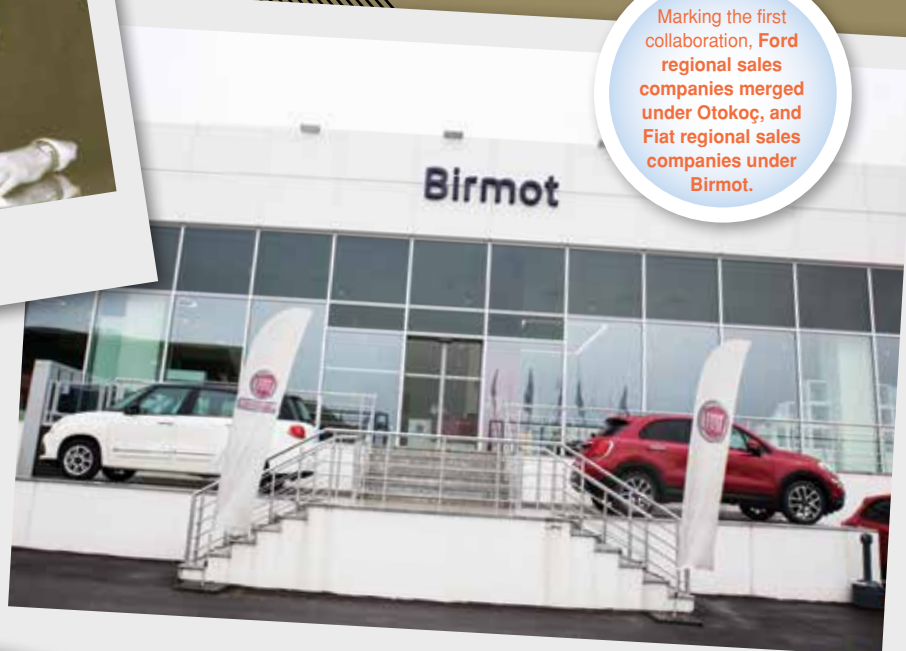
Avis, Turkey's first car rental company, was established with a fleet of 9 cars.





1997

The first overseas investment was made with **Avis Azerbaijan.**



2001

Marking the first collaboration, **Ford regional sales companies merged under Otokoç, and Fiat regional sales companies under Birmot.**



2005

Otokoç, Birmot and Avis came together, and formed the second collaboration.



2007

Budget, the second rent-a-car brand, joined the family.

MILESTONES



2009

Otokoç included Volvo brand in its portfolio.

2012

A decision was adopted to grow through investments abroad.



2012

Jeep brand was included in Birmot's portfolio.

2013

Ford Trucks 4S facility structuring kicked off.

2017

Birmot began offering service for Maserati brand.

2018

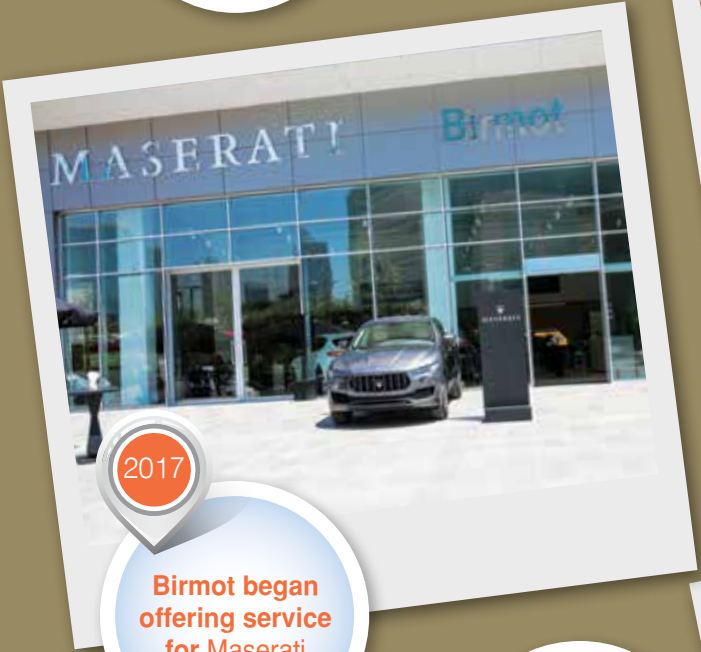
Otokoç Otomotiv, in partnership with Avis Budget Group, realized its investment in Greece.

2014

Otokoç Otomotiv became Zipcar's first licensee holder in the world.

2020

Brand representation abroad is increased with Budget and Payless brands entering the Azerbaijan, Kazakhstan and Northern Iraq markets.



KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

CASH POSITION (TL MILLION)	2016	2017	2018	2019	2020
Cash and Banks	142	174	421	1,540	1,005
Current Assets	1,773	2,388	3,626	4,844	6,605
Total Assets	3,218	4,217	8,043	10,258	14,258
Total Financial Liabilities	1,586	1,866	4,531	6,318	7,008
Financial Liabilities. net	1,370	1,587	3,950	4,700	5,987
Short-term Liabilities	1,464	2,366	3,641	4,702	5,659
Total Liabilities	2,751	3,624	6,634	8,517	11,376

FINANCIAL RATIOS

Current Ratio	1.2	1.0	1.0	1.0	1.2
Liquidity Ratio	0.1	0.1	0.1	0.3	0.2
Financial Liabilities. net / EBITDA	3.3	2.7	3.1	3.0	2.6
Current Assets / Total Assets	0.6	0.6	0.5	0.5	0.5
Short-term Liabilities / Total Liabilities	0.5	0.7	0.5	0.6	0.5
Total Liabilities / Total Assets	0.9	0.9	0.8	0.8	0.8

MARGINS (%)

Gross Profit Margin	12	12	19	20	17
EBITDA Margin	9	9	17	18	16
Operating Profit Margin	7	7	12	12	11
Pre-tax Profit Margin	3	3	7	4	7
Profit Before Tax	2	2	6	3	6

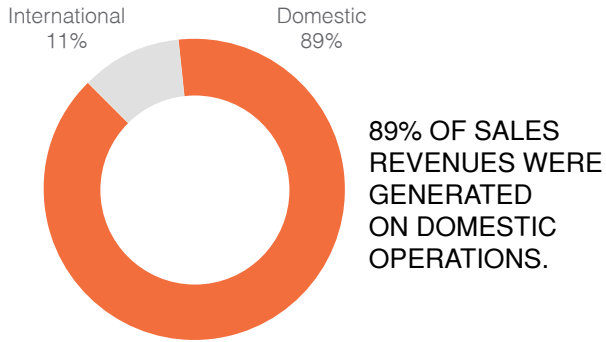
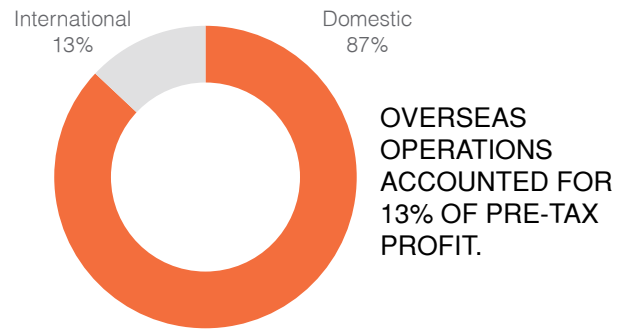
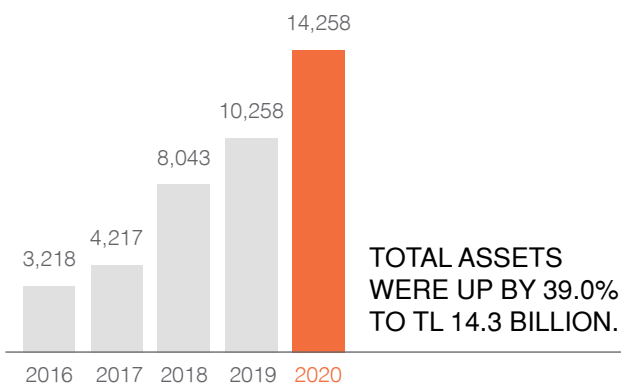
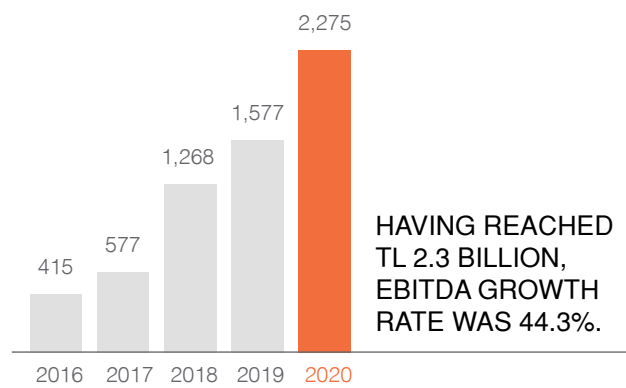
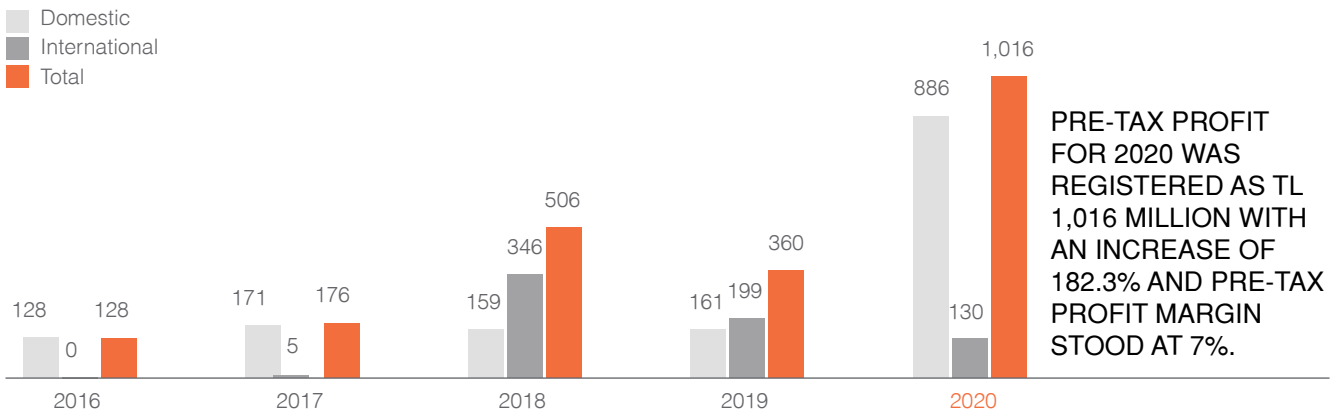
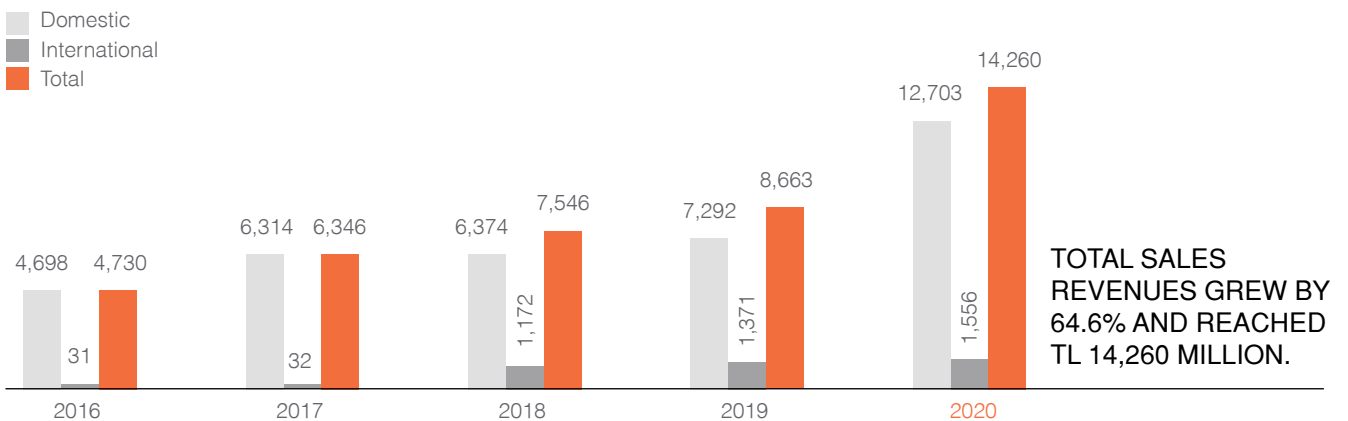
KEY INDICATORS (TL MILLION)	2016	2017	2018	2019	2020
Sales Revenues	4,730	6,346	7,546	8,663	14,260
Gross Profit	568	764	1,448	1,772	2,382
Operating Profit	327	463	876	1,028	1,565
EBITDA	415	577	1,268	1,577	2,275
Pre-tax Profit	128	176	506	360	1,016
Net Profit	102	127	423	277	817
Net Profit –attributable to the parent company	102	126	348	218	781

KEY INDICATORS (TL MILLION)

Sales Revenues	4,730	6,346	7,546	8,663	14,260
Domestic	4,698	6,314	6,374	7,292	12,703
International	31	32	1,172	1,371	1,556
Pre-tax Profit	128	176	506	360	1,016
Domestic	128	171	159	161	886
International	0	5	346	199	130

BREAKDOWN – DOMESTIC VS INTERNATIONAL (%)

Sales Revenues					
Domestic	99	99	84	82	89
International	1	1	16	18	11
Pre-tax Profit					
Domestic	100	97	32	45	87
International	0	3	68	55	13

DISTRIBUTION OF SALES REVENUES (%)**DISTRIBUTION OF PRE-TAX PROFIT (%)****TOTAL ASSETS (TL MILLION)****EBITDA (TL MILLION)****PRE-TAX PROFIT (TL MILLION)****SALES REVENUES (TL MILLION)**

MESSAGE FROM THE CEO



WE FINALIZED 2020 SUCCESSFULLY DUE TO OUR CORRECT MANAGEMENT AND STRATEGIES DESPITE THE CHALLENGES ACCOMPANYING THE PANDEMIC. WE INCREASED OUR MARKET SHARE IN AUTOMOTIVE RETAILING DURING THIS PHASE. WE POSITIONED OURSELVES AS THE MARKET LEADER IN 4 COUNTRIES INCLUDING TURKEY.

We increased our market share to 9.7% with a successful hike of 1 point. In second-hand vehicle sales, we continued to lead the corporate brands

Esteemed Stakeholders,

Distinguished Business Partners,

My Dear Colleagues,

COVID-19 pandemic marked the year 2020 with its paradigm shifting dynamics that turned all plans upside down. The pandemic re-framed points of view and business models with its challenging yet enlightening aspects. One of the biggest gains of this process was understanding better the importance of the approaches that “focus on life above all”.

As Otokoç Otomotiv, we established close contact with our customers, employees, distributors, partners and in short, stakeholders starting from the beginning of the pandemic period. We took actions prioritizing health. We framed all of our services in line with the pandemic conditions. We asked our stakeholders how we can support them during this process while requesting their valuable suggestions and opinions and the feedback we received from them lead our way. We also tried to ease the difficulties arising from the pandemic through social support projects we put into action.

The biggest change observed in all of the lines of business during the pandemic was the acceleration and expansion of digitalization. The importance of individual mobility and hygiene in services became prominent while the use of digital instruments and contactless services in meeting customer needs increased dramatically. We pursued our activities for maintaining our service quality and customer satisfaction at the highest level through carrying out new actions within this framework.

We finalized 2020 successfully due to our correct management and strategies despite the challenges accompanying the pandemic. We increased our market share in automotive retailing during this phase. We positioned ourselves as the market leader in 4 countries including Turkey. We achieved many accomplishments in 2020 with our award winning projects in innovation, digital transformation, equality of opportunities and mobility. We continued our activities for maintaining our service quality and customer satisfaction at the highest level by carrying out new actions suitable for the term.

MESSAGE FROM THE CEO

35 ideas

Within the scope of Digital Transformation Program, 42 separate workshops yielding 35 different projects were organized with the participation of headquarters and field business units.

We increased our market share in automotive retailing to 9.7%

We sold over 77 thousand new vehicles in 2020. We increased our market share to 9.7% with a successful hike of 1 point. In second-hand vehicle sales, we continued to lead the corporate brands with sales of 17 thousand cars.

Our shares in the sales of brands we represent were realized as 28.5% for Ford, 32.6% for Fiat, 44.9% for Alfa Romeo and Jeep, 30.7% for Volvo and 48.9% for Maserati. Our share in the sales of Ford Trucks in the heavy commercial vehicles category reached 28.2%.

Within our car rental business unit in Turkey, our revenues increased by 5.9% while our market share in both short-term and long-term rental brands expanded. Otokoç Parça (Spare Parts) finalized its re-structuring with the focus on profitable and sustainable growth while increasing its revenues by 22.9%.

In 2020, we managed a car park of 90 thousand in 9 countries. Being the major licensee and the prominent abroad investment partner of Avis Budget Group, we

managed the 45 thousand car park in 8 countries outside Turkey at 84 points with 541 employees. We strengthened our international position by continuing to be the leader in the car rental sector in 4 countries, namely Turkey, Greece, Azerbaijan and Kazakhstan. 11% of our revenues were generated abroad and the share of the international operations in combined EBITDA reached 34%.

Success is not a coincidence

The success and reputation of our Company continued to be certified with the awards in varying categories given by independent corporations.

Otokoç Otomotiv held the 38th position within the Fortune 500 Turkey and was granted the "Best Workplace in Turkey" award by Kincentric in 2020.

With the "We Speak the Same Language" project which has been carried out for four years in cooperation with the Association of Training Activities for the Hearing Impaired (IEEFDER), as Avis Turkey, we were granted the Platinum award on the category of "Reducing Inequalities" at the 12th Corporate Social Responsibility Summit.

Our “We Speak the Same Language” project continued to add value also in 2020.

We were granted “One of the 50 Most Innovative Companies in Turkey” award by Fast Company with the Avis at Your Side and Budget Wherever You Want projects.

As Avis Turkey, we won the leadership in Customer Experience Index, measured by evaluation of the tangible and emotional differences made in 10 distinct areas from the customer’s point of view.

Avis Fleet won “One of the Most Reputable Business Partners” award of B2B Excellence Awards Turkey and Avis Turkey won “Most Reputable of the Year” award of The One Awards Integrated Marketing Awards. Avis Turkey and Budget Turkey won respectively the first and second prizes in the category of “World’s Leading Car Rental Company” at the Uzakrota Global Travel Awards.

We succeeded to come to the forefront once more with our activities in technology. Within this context, we were granted awards in four categories namely “Otokoç 2nd Hand Vehicle Digital Sales Platform”, “Digital Purchasing and Stock Optimization”, “Dynamic Pricing in Short-term Car Rental” and “Avis at your Side” at the IDC Turkey CIO Summit. Furthermore, we were awarded for 3 cloud solution projects at Cloud Awards, for Avis at your Side project in “DX CEO” category and for Forecast and Monitoring Platform for Service Fleet Customer Loss in Digital Transformers category at the Digital Transformation Summit.

Avis Turkey won the first prize for “Social Media Awards- Data Analytics” and was granted the “Best E-Commerce Experience” award. Avis Turkey won “Best E-Commerce Experience” company award once more at Echo Awards.

Avis Greece also completed 2020 with numerous awards. The company won awards in “Best Lead Generation Campaign”, “Best Video Campaign”(silver) and B2B Performance (bronze) categories at Peak Performance Marketing Awards. Being granted the Social Media Awards (bronze) and the Sports Marketing Awards (gold) awards, Avis Greece also won True Leader Awards (True Leader) and National Customer Service Awards (“Real Life Hero”).

Sustainability and Equality of Opportunity

As Otokoç Otomotiv, we constantly pursue our activities in alignment with our understanding of sustainability. Within the scope of managing activity based wastes, our top priorities are minimizing waste, waste sorting at source, recycling and disposal of wastes that cannot be recycled. Almost 80% of the activity based wastes were recycled in 2020.

MESSAGE FROM THE CEO

5.9%

Being the major licensee and the prominent abroad investment partner of Avis Budget Group (ABG), we achieved an increase of 5.9% in our car rental revenues in Turkey despite the impacts of the pandemic.

Our “We Speak the Same Language” project continued to add value also in 2020. At the beginning of the previous year, hearing impaired individuals received the “Practical First Aid Training in Turkish Sign Language” in cooperation with Koç University and IEEFDER.

We are also working closely with the United Nations Women Unit (UN Women) on gender inequality and on inequality experienced by the hearing impaired citizens.

Pandemics and Social Benefits

Starting from the very beginning, we put numerous social benefit projects into action in order to ease the difficulties arising from the COVID-19 pandemic.

Principally, we adopted an “Open”, “Informative”, “Awareness Raising” and “Supportive” approach for all of our stakeholders. We provided a total of 35,000 face shields for our valuable health professionals who played the most altruistic role during this phase working at Koç University Hospital, American Hospital, and İzmir Provincial Health Directorate, for Istanbul Metropolitan Municipality, for Foreign Economic Relations Board of Turkey (DEİK) - Hungary Business Council and for our colleagues and distributors.

We allocated 420 vehicles to our health professionals and 100 vehicles to health professionals of American Hospital and Koç University Hospital free of charge for 3 months through our Avis and Budget brands for safe commuting.

A discount of 50% was defined for health professionals on Avis and Budget car rentals. A campaign of “workmanship is on us” was put into action in periodic servicing at Otokoç and Birmot services for health professionals. At Otokoç and Birmot, for our health professional customers and customers over 65 years of age, the vehicles were picked up at their homes and dropped back at their homes after servicing activities in order to facilitate the process.

The veteran managers retired from Otokoç were contacted by our senior management and they will be contacted and followed up until the end of the pandemic. The employees with chronic illnesses and those who are or of whom the spouses are pregnant are being contacted regularly by our senior management.

Avis and Budget distributors are regularly informed on the developments in the sector, on commercial advices and on the measures that can be taken. Vehicles were allocated for 1 month to employees who have children of 0-2 years old

With the contribution of our investments in 8 foreign countries, the share of our international operations in the combined EBITDA was realized as 34%.

and who do not own a car, so that they can attend health appointments without having to use public transportation or taxis.

For the earthquake in İzmir, donation was made to “İzmir rises with Unity” campaign to help one family to become a homeowner again.

We played role in relieving the aftermath of the forest fire in Hatay and 1,928 saplings were donated in reference to our year of establishment.

We keep on building the future today with our innovational approach focusing on customer experience. As Avis Turkey and Avis Greece, we displayed superior performance in the Customer Referral Index covering the Avis Budget Group countries in the EMEA Region with our customer oriented activities during the pandemic.

People Oriented Innovation and Digital Transformation

Technology and Strategy Directorate was established to increase the impact of digital transformation on corporate strategies while managing the strategies to carry the company to the future in alignment with Otokoç Otomotiv’s vision. The directorate encompasses information technologies, digital transformation, innovation, quality and strategic planning together with the Project Office which

created the templates for 22 projects realized within 2020. During the year, a total amount of business added value of TL 47 million was generated by finalizing 30 projects and 432 demands.

We commercialized and put into action the projects of our colleagues reaching us through the Ideas Cube, which is an innovation platform for developing in-house initiatives. An additional revenue of TL 14.2 million was generated in 2020 through 5 commercialized projects and we gained approximately 2500 new customers. “Avis at your Side”, “Budget Wherever You Want”, Avis Caravan” and “Lastick” are among the most current examples on this area.

We launched the “Zero Based Budgeting” project, in which the budget items are re-assessed for effectiveness and efficiency and targeting drastic change and a new culture.

Digital Transformation Management was performed as planned in 2020 and the annual cumulated financial impact of the 9 finalized Digital transformation projects was TL 18.9 million.

Within the scope of Digital Transformation Program, 42 separate workshops yielding 35 different projects were organized with the participation of headquarters and field business units.

MESSAGE FROM THE CEO

efficient

We carried out activities on Zero Based Budgeting, effective and efficient use of budgets.

Among the following projects that were submitted to Digital Transformation Committee and accepted unanimously, 4 are in progress while the remaining 4 are planned to be launched in the second quarter of 2021.

- Shipping and Logistics Project
- Rental Center Sales (CRM) Project
- Digital Training Platform Project
- Digitizing of the Second-hand Sales Processes Project
- ERP Transformation Project
- New Vehicle Web Site Online Sales Project
- Forecast, Optimization and Reporting of Customer Profitability Project
- Forecast of Second-hand and New Vehicles Arrival to Service Project

6 Digital Transformation projects that were among the chosen and launched ones in 2019, are also finalized. The finalized projects were rewarded at 3 different summits of technology.

- Otokoç Parts Digital Purchasing Project
- 2nd Hand Digital Sales Platform
- Service Fleet Customer Loss Forecast and Monitor Platform
- Online Showroom
- Vehicle Life Cycle
- Data and Analytic Competencies Analysis of Maturity (Dacama)

We are where mobility is needed

As Otokoç Otomotiv, we continued to take important steps in 2020 with our vision of “being an innovative, global travel companion that offers mobility solutions”. Among these steps are;

- Connected Car Project with Zipcar on car sharing,
- Caravan renting in car rentals, pick up wherever you want and artificial intelligence applications,
- Individual and corporate bids in second-hand, end to end online second-hand vehicle sales, contactless pick up and cash acceptance,
- My Avis, with digital offering and ordering processes in operational rentals,
- Mobile service offering on-site repair and maintenance services in automotive retailing and
- Operating abroad in Azerbaijan, Kazakhstan and Northern Iraq with Budget and Payless brands alongside Avis brand.

As Otokoç Otomotiv, we have been moving towards the future with strong steps for 93 years, regardless of the conditions.

Moving on with Strong Steps...

In 2020, we had two more motivators bearing importance for us and which will carry us to the future. We carried out activities on Zero Based Budgeting, effective and efficient use of budgets; we made the transition to Koç Dialogue, the new system for goal setting, performance evaluation and personal development implemented in the Koç Group. We are glad to be integrated in these systems that contributed and will continue contributing to personal development of all of my teammates and to our operational activities.

As Otokoç Otomotiv operating in a total of 9 countries, our objectives are to lead the sector with new business models and mobility in our growth plans, to be the first brand that comes to mind in second-hand and to be the market leader in all the countries we operate.

Within the framework of our objective for offering the best customer experience in the sector; in the retail area, we will apply customer experience mapping and index assessment activities which we have already been applying in car rental for two years. Furthermore, "Super App" project, offering all of the mobility services, will be launched within 2021.

We pursue our activities on Connected Car and shared mobility solutions for the upcoming term. We will continue to take the leading role with Avis Caravan service, in promoting caravan tourism in Turkey and in establishing the necessary ecosystem.

As Otokoç Otomotiv, we have been moving towards the future with strong steps for 93 years, regardless of the conditions. I wish the forthcoming term brings health to all humanity and I would like to thank our esteemed stake holders and all my colleagues who made it possible for us to walk forward and to succeed through their contributions.

Sincerely and respectfully,



İnan Ekici
CEO

BOARD OF DIRECTORS



İsmail Cenk Çimen
Chairman

He graduated from İstanbul Technical University in Industrial Engineering and completed Executive Development Programs at Stanford University (USA) and the University of California at Los Angeles (USA). He joined the Koç Group in 1991 as Management Trainee at Nasoto. He assumed Sales Coordinator, Regional Manager and Import Manager responsibilities at Otosan Pazarlama between 1993 and 1996. He served as Fleet Sales Manager at Ford Otosan between 1996 and 1998 and became the General Manager of Otokoç Ankara in 1998. In 2001, he was appointed as the General Manager of the companies merged under Otokoç. In 2005 his responsibility was extended to include the General Manager role for Birmot A.Ş., also assuming responsibility for Avis car rental. He has been serving as the President of Automotive Group at Koç Holding since June 2009.



Levent Çakıroğlu
Member

Levent Çakıroğlu graduated from Ankara University Faculty of Political Sciences, Business Administration Department and received his master's degree from University of Illinois. He started his career as an Assistant Auditor at the Ministry of Finance in 1988, where he worked as a Senior Auditor between 1991 and 1997. He was appointed as Assistant Manager of Financial Crimes Investigation Board between 1997 and 1998, meanwhile he taught as a Part Time Instructor at Bilkent University. Çakıroğlu, joined Koç Group in 1998 as Koç Holding Financial Group Coordinator. He was the General Manager of Koçtaş between 2002 and 2007 and the CEO of Migros between 2007 and 2008. He was assigned as the CEO of Arçelik in 2008 and also became President of the Durable Goods Group of Koç Holding in April 2010. Çakıroğlu has been appointed as the CEO of Koç Holding in April 2015. He currently serves as the CEO and has also been Member of the Board of Directors of Koç Holding since April 2016. Levent Çakıroğlu is also Chairman of the Board of Directors of Arçelik-LG and TürkTraktör as well as the Vice Chairman of Otokar and Member of the Board of Directors at various Koç Holding companies.



Görgün Özdemir
Member

Görgün Özdemir, who retired after working in Koç Group for more than 30 years, graduated from İstanbul University, Faculty of Business Administration in 1985. He received his master's degree at the same faculty at Boğaziçi University. Özdemir, who started his business career at Koç Holding, worked as the Assistant General Manager Responsible for Financial Affairs for 8 years and served as the CEO of Otokoç Otomotiv for 10 years. Görgün Özdemir is still a member of the Company's Board of Directors. Previously he served in the Board of Directors of OYDER (the Authorized Automotive Dealers Association). Özdemir is a founding member of the Turkish Photography Foundation. He is currently a member of the Assembly Council of İstanbul Chamber of Commerce (ICOC) and the Board of Trustees of the ICOC Information Commercialization Center, and the President of Turkish Quality Association (KalDer). Özdemir continues his doctorate on Accounting and Finance at Marmara University, and also teaches Corporate Finance at Haliç University.



Özgür Burak Akkol Member

After receiving his Bachelor's degree in Industrial Engineering from İstanbul Technical University, Akkol completed the Executive MBA program and received a Master's degree from Koç University in 2011. As he continued his professional career, he successfully graduated from Harvard Business School and Columbia University completing the "Executive Development" and "Leadership Education" programs, Columbia Business School and London Business School Global Executive MBA. Akkol started his career in 2001 in the USA, as a Production and Productivity Specialist at Nautilus Foods. After working abroad, Akkol returned to Turkey and started working for Koç Holding in 2003, as a Human Resources Assistant Specialist. He worked as a Human Resources Specialist between 2004 and 2005, and as an Audit Specialist and Senior Audit Specialist between 2005 and 2009. Akkol then worked as a System Development and Human Resources Manager between 2009 and 2010, and as a System Development and Human Resources Coordinator between 2010 and 2014. Since April 2014, he has been working as Koç Holding Human Resources Director. Akkol is the Chairman of Board of Koç Pension & Assistance Foundation, Koç Group Sports Association, Turkish Confederation of Employer Associations (TİSK), Turkish Employers Association of Metal Industries (MESS) and MESS Education Foundation.

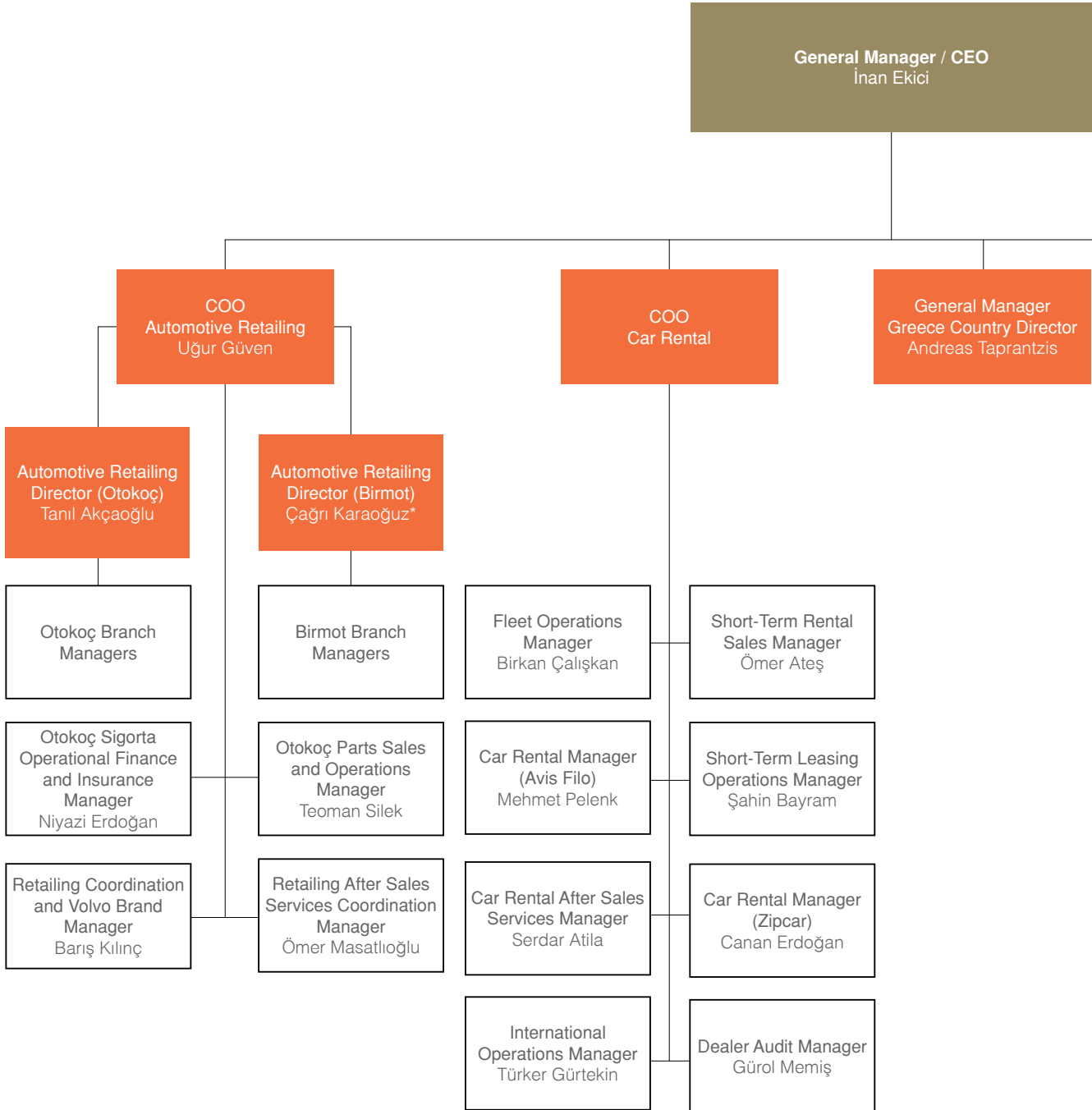


İnan Ekici Member (CEO)

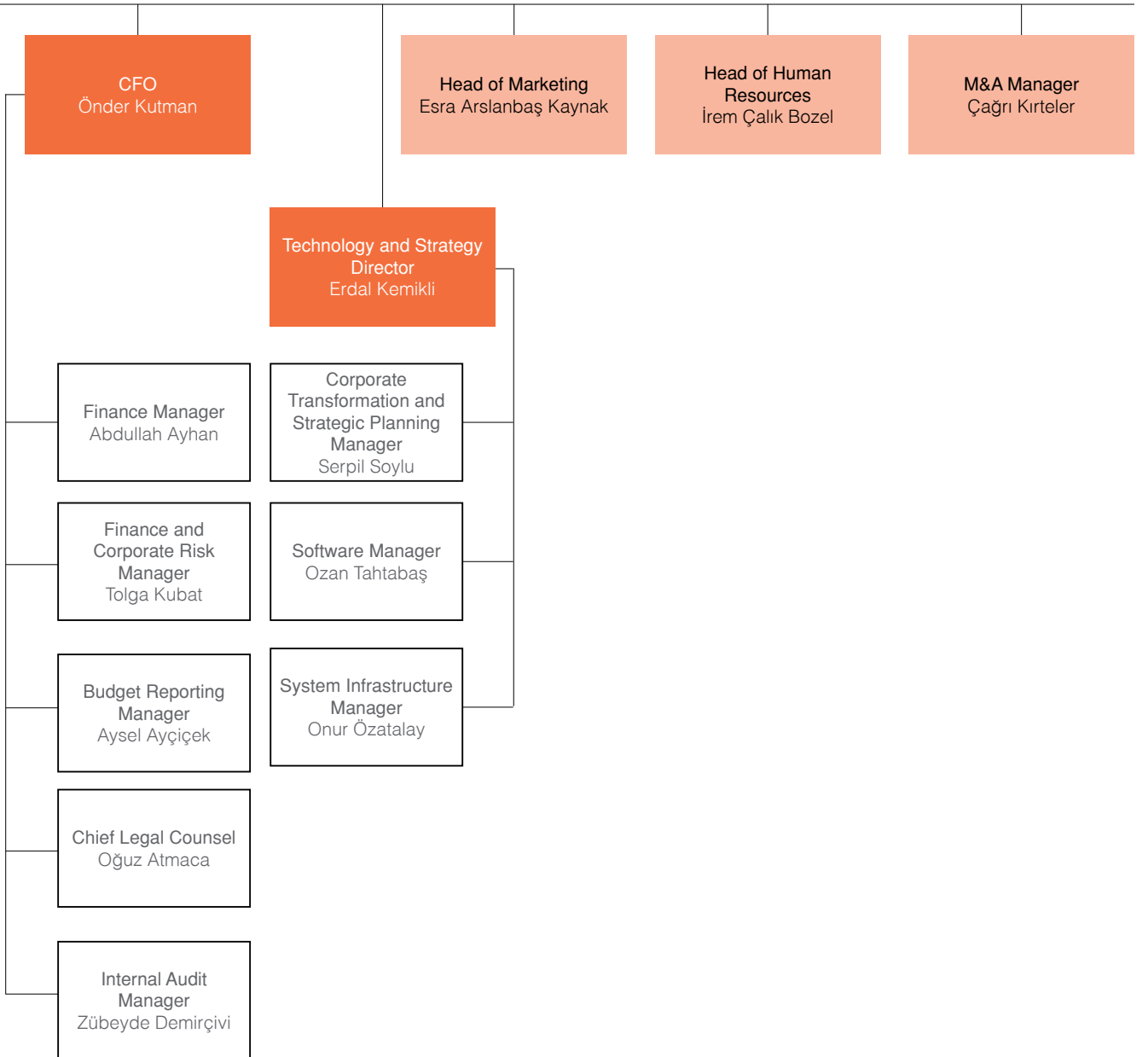
İnan Ekici received his BA in Public Administration from Ankara University in 1992. He joined Otokoç Otomotiv in 2001, serving first as Adana Branch Manager and later as Ankara Branch Manager. He assumed the position of Assistant General Manager responsible for Avis, Avis Fleet, Budget and Zipcar car rental operations in 2006. Responsible for nine countries including Turkey, Greece, Hungary, Ukraine, Azerbaijan, Kazakhstan, Georgia, Northern Cyprus and Northern Iraq, as well as after-sales business units, Ekici was then appointed as the General Manager and member of the Board of Directors of Otokoç Otomotiv effective 1 July 2019. He has been the Chairman of the Board of TOKKDER (Turkish Short and Long Term Automotive Rental Association) since March 2018.

Mr. Ekici is also Vice Chairman and Board Member of Turkey-Hungary Business Councils of DEİK (Foreign Economic Relations Board of Turkey), and member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Automotive Assembly.

ORGANIZATION CHART



* Çağrı Karaoğuz resigned as of 1 January 2021. Mert Atılğan was appointed to replace him as of the same date.



SENIOR MANAGEMENT



İnan Ekici
CEO

İnan Ekici received his BA in Public Administration from Ankara University in 1992. He joined Otokoç Otomotiv in 2001, serving first as Adana Branch Manager and later as Ankara Branch Manager. He assumed the position of Assistant General Manager responsible for Avis, Avis Fleet, Budget and Zipcar car rental operations in 2006. Responsible for nine countries including Turkey, Greece, Hungary, Ukraine, Azerbaijan, Kazakhstan, Georgia, Northern Cyprus and Northern Iraq, as well as after-sales business units, Ekici was then appointed as the General Manager and member of the Board of Directors of Otokoç Otomotiv effective 1 July 2019. He has been the Chairman of the Board of TOKKDER (Turkish Short and Long Term Automotive Rental Association) since March 2018.

Mr. Ekici is also Vice Chairman and Board Member of Turkey-Hungary Business Councils of DEİK (Foreign Economic Relations Board of Turkey), and member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Automotive Assembly.



Dr. Mehmet Önder Kutman
CFO

Dr. Mehmet Önder Kutman received his B.A. in Economics from İstanbul University in 1993, his MBA from Koç University in 1995 and his Ph.D. from İstanbul Technical University in 1999. Before joining Otokoç Otomotiv, he held various positions in the Audit and Finance Division of Koç Holding from 1995 until 2009. Since then he has been serving as the CFO of Otokoç Otomotiv. In tandem, Kutman functions as General Manager of Otokoç Sigorta Aracılık Hizmetleri A.Ş. and he is also an Assembly Member of Bursa Chamber of Commerce.



Uğur Güven **COO (Car Retailing)**

Mr. Uğur Güven received his B.Sc. in Geophysical Engineering from İstanbul University in 1986. He studied Marketing at Boğaziçi University under the Special Student Program between 1986 and 1988. After assuming various positions at Standart Belde A.Ş., Toyota Gökkuşluğu Otomotiv, Ford Bozkurt Motorlu Araçlar A.Ş., Motor Ticaret A.Ş., and Standart Motor A.Ş., he joined Otokoç Otomotiv in 2001 as a Branch Manager. He has been serving as Assistant General Manager of Automotive Retailing since 2004. He is also a member of the Board of Directors of OYDER (Authorized Automotive Dealers Association) since 2017. He is also Vice Chairman of the Board of OYDER, member of TOBB (The Union of Chambers and Commodity Exchanges of Turkey) Automotive Assembly and member of the Chamber of Geophysical Engineers of Turkey.



Sabri Çimen **COO (Car Rental)**

Sabri Çimen received his B.Sc. in Mechanical Engineering from İstanbul Technical University in 1995, a master's degree in Contemporary Management Techniques from Marmara University and in Manufacturing Engineering from İstanbul Technical University in 1997, and an MBA degree from Koç University in 2008. After working as Plant Manager (2013-2017) and Project Coordination Director (2017-2018) at Ford Otosan, he was appointed to Otokoç Otomotiv as Car Rental Director in 2018. He has been serving as Assistant General Manager of Car Rental since 2019. He is also an Assembly Member of İstanbul Chamber of Commerce.

SENIOR MANAGEMENT



Dr. Andreas Taprantzis
CEO
Greece Country Director

Andreas Taprantzis holds a Ph.D. in chemical engineering, and has an MBA and AMP from INSEAD. Having 20 years of managerial experience in various sectors, Taprantzis was the CEO of ELTA, the designated postal operator in Greece, between 2005 and 2009. He was elected the Chairman of Postal Operations Council (POC) affiliated to the Universal Postal Union, a diplomatic agency within the United Nations, for the 2008-2012 period during the 24th International Postal Congress held in 2008. Having started to work as the COO and Retail Banking Managing Director at Hellenic Postbank, one of the major banks in Greece, as of January 2010, Taprantzis assumed the position of Deputy CEO at T Bank, an affiliate of Hellenic Postbank in December 2010. He was a Board Member of Hellenic Postbank between 2006-2009 and 2011-2012. Taprantzis is the CEO of Avis Hellas, the leading car rental company in Greece. Prior to that position, he was an Executive Director of Hellenic Republic Asset Development Fund responsible for real estate assets.



Çağrı Karaoğuz *
Director
Birmot Car Retailing
(Fiat, Alfa, Jeep and Maserati Brands)

Çağrı Karaoğuz received a B.A. in Public Administration from Gazi University in 1994. He joined Otokoç Otomotiv as a Sales Consultant in 1995 where he later worked as Sales Manager, and Branch Manager in different cities. He was appointed as Assistant General Manager of Birmot in 2014. Responsible for Birmot brand within the Automotive Retailing organization between 2014 and 2018, Karaoğuz has been serving as Birmot-Automotive Retailing Director since 2018. In addition, he is the Head of Professional Committee at İzmir Chamber of Commerce since 2018.

* Çağrı Karaoğuz resigned as of 1 January 2021. Mert Atılğan was appointed to replace him as of the same date.



Tanıl Akçaoğlu
Director
Otokoç Car Retailing
(Ford, Ford Trucks and Volvo Brands)

Tanıl Akçaoğlu received a B.Sc. in Industrial Engineering from Dokuz Eylül University in 1998. Having worked as Regional Sales Executive at Renault Mais A.Ş., he was appointed to Otokoç Otomotiv as Sales Manager in 2004. Having held the position of Branch Manager in different cities between 2008 and 2017, Akçaoğlu has been serving as Retail Director at Otokoç Otomotiv since 2018. He is a member of Ankara Chamber of Commerce.



Dr. Erdal Kemikli
Director
Technology and Strategy

Erdal Kemikli received his B.Sc. in Computer Engineering from Boğaziçi University in 1989, his M.Sc. in the same discipline from Ege University in 1991 and his Ph.D. from İstanbul Technical University in 2004. Having held different positions at Koç Sistem A.Ş. between 1996 and 1999, he was appointed as Otokoç Otomotiv Information Technology Manager in 2001. Later, he functioned as Information Technology and Process Manager, and Information Technology and Innovation Manager. He has been serving as Technology and Strategy Director since 2019. He is a member of the Quality Association of Turkey.

AWARDS

Best Workplace in Turkey Award

“Best Workplace in Turkey Award” granted to Otokoç Otomotiv by Kincentric Türkiye

Customer Experience Index Leadership

The degree won by Avis Turkey on the evaluation of tangible and emotional differences made in 10 distinct areas through customer’s point of view



Reputation Awards

“One of the Most Reputable Business Partners” award to Avis Fleet at B2B Excellence Awards

“Most Reputable Car Rental Brand in Turkey” award to Avis Turkey at The One Awards

Social Media & E-Commerce Awards

First prize on “Data Analytics” to Avis Turkey at Social Media Awards

“Best in E-Commerce” award to Avis Turkey at Echo Awards for the second time in a row



Social Responsibility Award with the “We Speak the Same Language” Project

The Platinum award to Avis Turkey on the category of “Reducing Inequalities” at the 12th Corporate Social Responsibility Summit, with the “We Speak the Same Language” project which has been carried out for four years in cooperation with the Association of Training Activities for the Hearing Impaired (IEEFDER)

Uzak Rota Global Travel Awards

Avis brand having the first and the Budget brand having the second prize in the category of “World’s Leading Car Rental Company” at Uzak Rota Global Travel Awards First prize



Avis Greece Awards

“Best Lead Generation Campaign” award, “Best Video Campaign” silver award, “B2B Performance” bronze award in the category of “Travel and Tourism” at Peak Performance Marketing Awards

“Bronze Prize” at Social Media Awards

“Golden Prize” at Sports Marketing Awards

“True Leader” award at True Leader Awards

“Real Life Hero” award at National Customer Service Awards

Distributor Awards

Ford and Volvo Presidential Awards to Otokoç branches

Provincial first prize sales and service performance awards to Birmot branches

Digital Transformation and Innovation Awards

“Forecast and Monitoring Platform for Service Fleet Customer Loss” award in the Digital Transformers category and in the “DX CEO category with “Avis at your Side” at IDC Turkey CIO Summit

At IDC CIO Summit, award in “Change Management” category with “2nd Hand Digital Sales Platform”, award in “Customer Experience” category with Otokoç Spares “Digital Purchasing and Stock Optimization” project, award in “Automation- Future of Work” category with “Dynamic Pricing in Short-term Car Rental” project and award in “Future of Work - Reskilling” category with “Avis at your Side” project

Award at IDC Cloud Awards with “End User Cloud Solutions”, “Cloud Center” and “Pandemic Cloud Solutions” projects

Awards at Tigers of Technology Summit, in categories of “2nd hand Digital Sales Platform” and “Operational Competency”

Award with “Lastick” project in “Best In House Entrepreneurship Project” category at Corporate & Startup Day 2020 Conference

At Kworks Covid-19 Express Platform, among the leading companies on the focus areas of clean technologies, sustainability of circular economy/ employment and remote working technologies and among the companies communicating the most with ventures

“One of the 50 Most Innovative Companies in Turkey” award by Fast Company with the Avis at Your Side and Budget Wherever You Want projects



THE TURKISH AUTOMOTIVE MARKET AND OTOKOÇ OTOMOTİV

In 2020, Otokoç Otomotiv got 9.7% market share, up by 1 point.

Market Composition

In 2020, total sales in the domestic automotive market grew by 62.3% and were registered as 791 thousand units.

AUTOMOTIVE DOMESTIC MARKET SALES IN 2020

(thousand units)	2016	2017	2018	2019	2020
Passenger Cars	757	723	486	387	610
Light Commercial Vehicles	121	126	66	49	96
Medium Commercial Vehicles	106	107	68	43	66
Heavy-Duty Commercial Vehicles	19	21	14	9	19
Total Industry	1.003	977	635	488	791

+62.3%

VEHICLE SALES IN THE INDUSTRY ROSE BY 62.3% IN TERMS OF UNITS IN 2020.

+57.5%

PASSENGER CAR SALES INCREASED BY 57.5%.

+116.1%

HEAVY-DUTY COMMERCIAL VEHICLES SUSTAINED THE HIGHEST GROWTH WITH 116.1% ON THE BASIS OF SEGMENTS.

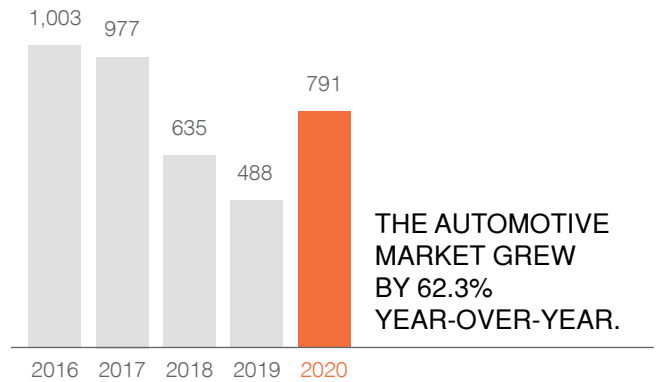


With respect to vehicle segments, the market grew by 57.5% in passenger cars, 97.9% in light commercial vehicles, 53.9% in medium commercial vehicles, and 116.1% in heavy-duty commercial vehicles year-over-year.

(thousand units)	2018	2019	2018-2019 (% change)	2019	2020	2019-2020 (% change)
Passenger Cars	486	387	-20.4	387	610	57.5
Light Commercial Vehicles	66	49	-26.8	49	96	97.9
Medium Commercial Vehicles	68	43	-36.7	43	66	53.9
Heavy-Duty Commercial Vehicles	14	9	-36.7	9	19	116.1
Total Industry	635	488	-23.1	488	791	62.3



TOTAL INDUSTRY (THOUSAND UNITS)



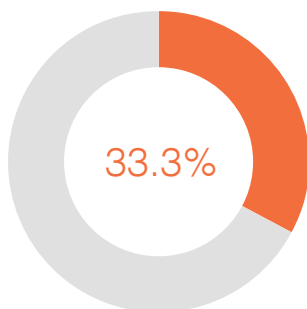
THE TURKISH AUTOMOTIVE MARKET AND OTOKOÇ OTOMOTİV

Birmot was responsible for 33.3% of Tofaş sales in the passenger car market and got 5.3% share in the Turkish passenger car market in 2020.

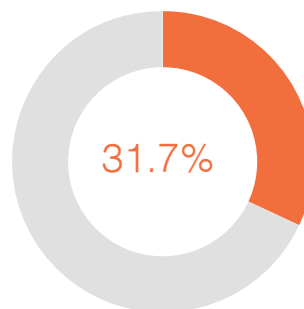
Birmot was responsible for 33.3% of Tofaş sales in the passenger car market and got 5.3% share in the Turkish passenger car market in 2020. Realizing 31.7% and 37.9% of Tofaş sales in the light and medium commercial vehicles markets, respectively, the Company got 13.3% and 2.5% share from the overall market in these two segments. With a total of 46,832 units, the Company had 33.0% share out of Tofaş sales.

BİRMOT AND TOFAŞ SALES

(thousand units)	2019			2020		
	Birmot Sales	Tofaş Sales	Penetration (%)	Birmot Sales	Tofaş Sales	Penetration (%)
Passenger Cars	20.2	59.6	33.9	32.3	97.0	33.3
Light Commercial Vehicles	5.0	17.3	28.8	12.8	40.5	31.7
Medium Commercial Vehicles	0.6	1.8	31.0	1.7	4.5	37.9
Total	25.8	78.7	32.7	46.8	142.0	33.0

PENETRATION RATE IN TOFAŞ PASSENGER CAR SALES (%)

IN 2020, BİRMOT SOLD 32.3 THOUSAND TOFAŞ PASSENGER CARS.

PENETRATION RATE IN TOFAŞ LIGHT COMMERCIAL VEHICLES (%)

IN 2020, BİRMOT SOLD 12.8 THOUSAND TOFAŞ LIGHT COMMERCIAL VEHICLES.



5.3%

BİRMOT GOT 5.3% SHARE IN THE PASSENGER CAR MARKET.

13.3%

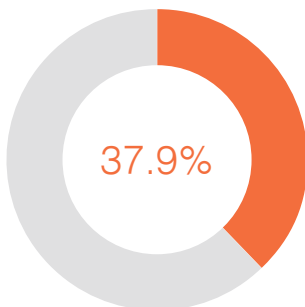
THE SHARE IN LIGHT COMMERCIAL VEHICLE MARKET IN 2020 WAS 13.3%.

2.5%

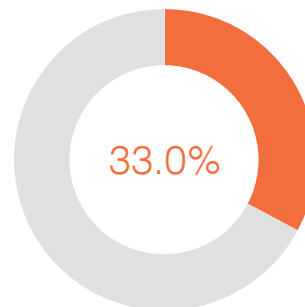
MARKET SHARE IN MEDIUM COMMERCIAL VEHICLES WAS 2.5%.

PENETRATION RATE IN TOFAŞ MEDIUM COMMERCIAL VEHICLE SALES (%)

PENETRATION RATE IN OVERALL TOFAŞ SALES (%)



IN 2020, BİRMOT SOLD 1.7 THOUSAND TOFAŞ MEDIUM COMMERCIAL VEHICLES.



IN 2020, BİRMOT SOLD 46.8 THOUSAND TOFAŞ VEHICLES IN TOTAL.

THE TURKISH AUTOMOTIVE MARKET AND OTOKOÇ OTOMOTİV

Otokoç was responsible for 42.3% of Ford sales in the passenger cars market and got 1.9% share in this segment in 2020.

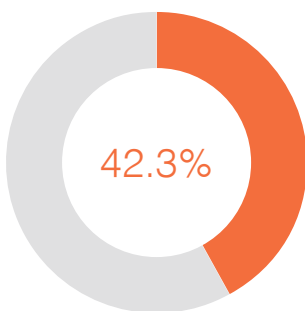
Realizing 16.9% of Ford sales in the light commercial vehicles market, the Company got 5.6% share of the total market in this segment.

With 28.1% share of Ford sales in the medium commercial vehicles market, the Company got 13.9% of the total market in this segment. In the heavy-duty commercial vehicles market, the Company realized 28.2% of Ford sales and got 8.1% share of the total market in this segment. With 27,835 units in total, the Company's share in Ford sales was 28.5%.

OTOKOÇ VE FORD SATIŞLARI

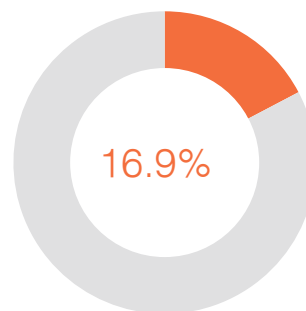
(thousand units)	2019			2020		
	Otokoç Sales	Ford Sales	Penetration (%)	Otokoç Sales	Ford Sales	Penetration (%)
Passenger Cars	6.8	15.7	43.3	11.7	27.6	42.3
Light Commercial Vehicles	2.4	13.9	17.3	5.4	31.9	16.9
Medium Commercial Vehicles	5.1	17.5	29.2	9.3	33.0	28.1
Heavy-Duty Commercial Vehicles	0.9	2.3	41.5	1.5	5.3	28.2
Total	15.3	49.4	30.9	27.8	97.8	28.5

PENETRATION RATE IN FORD PASSENGER CAR SALES (%)



IN 2020, OTOKOÇ SOLD 11.7 THOUSAND FORD PASSENGER CARS.

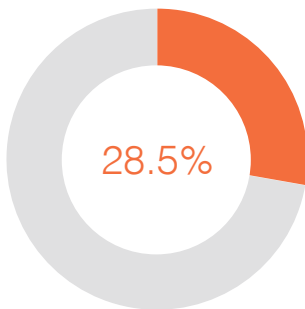
PENETRATION RATE IN FORD LIGHT COMMERCIAL VEHICLES (%)



IN 2020, OTOKOÇ SOLD 5.4 THOUSAND FORD LIGHT COMMERCIAL VEHICLES.

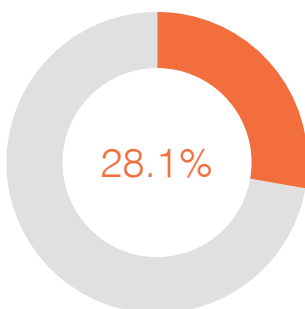


PENETRATION RATE IN TOTAL FORD SALES (%)



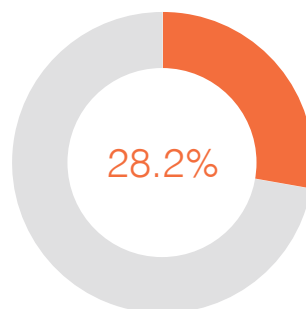
IN 2020, OTOKOÇ SOLD 27.8 THOUSAND FORD VEHICLES IN TOTAL.

PENETRATION RATE IN FORD MEDIUM COMMERCIAL VEHICLES SALES (%)



IN 2020, OTOKOÇ SOLD 9.3 THOUSAND FORD MEDIUM COMMERCIAL VEHICLES.

PENETRATION RATE IN FORD HEAVY-DUTY COMMERCIAL VEHICLES SALES (%)



IN 2020, OTOKOÇ SOLD 1.5 THOUSAND FORD HEAVY-DUTY COMMERCIAL SALES.

1.9%

OTOKOÇ GOT 1.9% SHARE IN THE PASSENGER CARS MARKET.

5.6%

THE COMPANY GOT 5.6% SHARE OF THE LIGHT COMMERCIAL VEHICLES MARKET IN 2020.

13.9%

SHARE IN THE MEDIUM COMMERCIAL VEHICLES MARKET WAS REGISTERED AS 13.9%.

8.1%

THE SHARE IN THE HEAVY-DUTY COMMERCIAL VEHICLES MARKET WAS 8.1%.

THE TURKISH AUTOMOTIVE MARKET AND OTOKOÇ OTOMOTIV

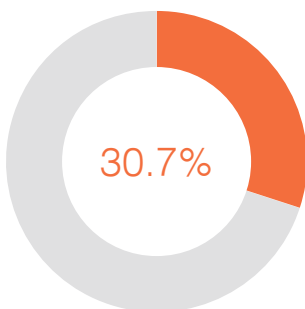


VOLVO SALES

(thousand units)	Otokoç Sales	2019		2020		
		Volvo Sales	Penetration (%)	Otokoç Sales	Volvo Sales	Penetration (%)
Passenger Cars	1,232.0	4,155.0	29.7	2,516	8,200.0	30.7

The Company sold 2,516 cars and reached a penetration rate of 30.7% in Volvo passenger car sales in 2020.

PENETRATION RATE IN VOLVO PASSENGER CARS SALES (%)



IN 2020, OTOKOÇ SOLD 2.5 THOUSAND VOLVO PASSENGER CARS.

RENTAL CAR PARK

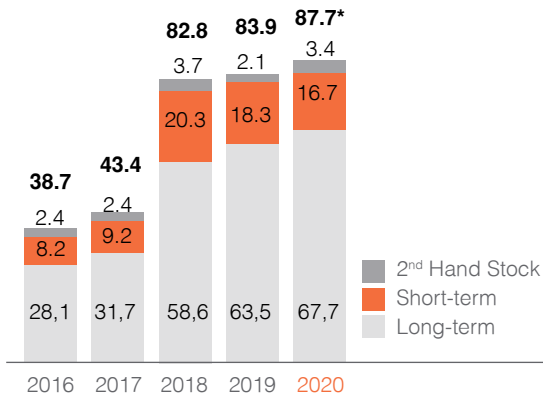
There were 87.7 thousand vehicles in the Company's total car park at year-end 2020.

The car park for Otokoç's rental operations is shown in the table below as at year-end.

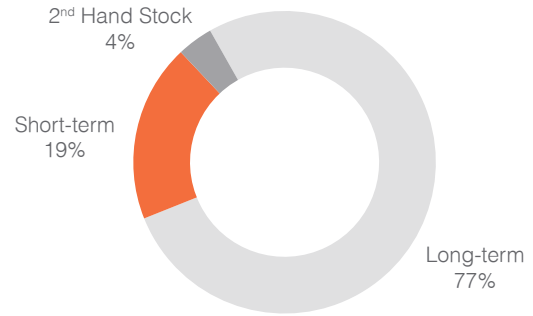
CAR PARK

(thousand units)	2016	2017	2018	2019	2020
Short-term	28.1	31.7	58.6	63.5	67.7
Long-term	8.2	9.4	20.4	18.3	16.7
2 nd Hand Stock	2.4	2.4	3.7	2.1	3.4
Total Car Park	38.7	43.4	82.8	83.9	87.7

CAR PARK (THOUSAND UNITS)



BREAKDOWN OF CAR PARK (%)

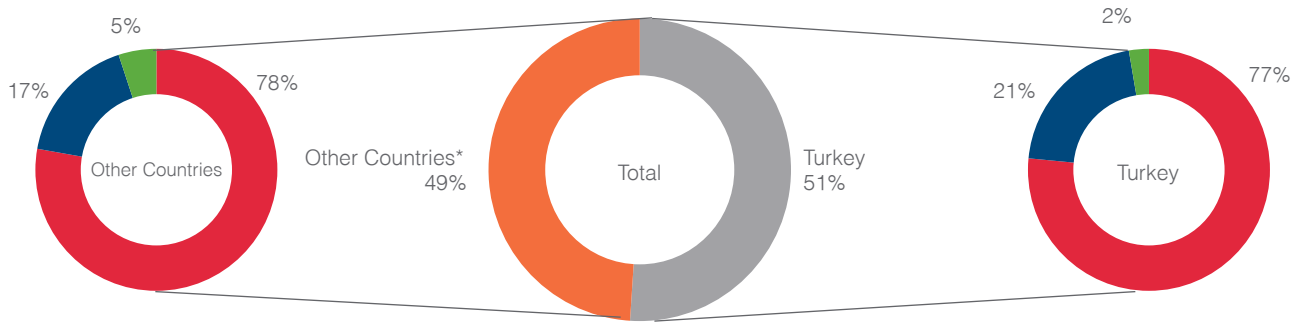


* With the addition of Ukraine, Georgia and Kazakhstan operations, the total car park figure reaches 90 thousand units.



THE TURKISH AUTOMOTIVE MARKET AND OTOKOÇ OTOMOTİV

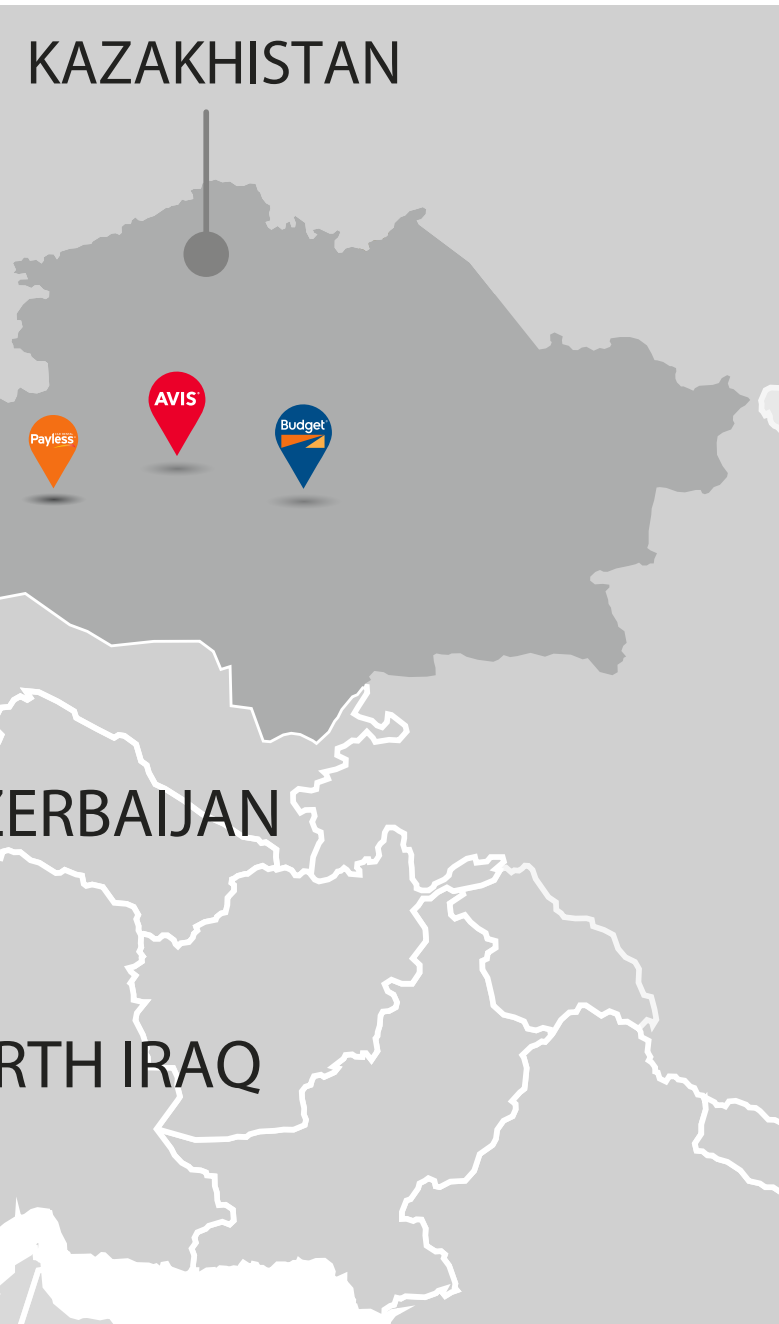
BREAKDOWN OF CAR PARK (%)



*Greece, Hungary, Azerbaijan

■ Long-term ■ Short-term ■ 2nd Hand Stock





ACTIVE IN TURKEY, GREECE, KAZAKHISTAN, AZERBAIJAN, NORTHERN IRAQ, HUNGARY, GEORGIA, NORTHERN CYPRUS AND UKRAINE, THE COMPANY PURSUES OPERATIONS AT 306 LOCATIONS, 84 OF WHICH ARE ABROAD, IN 9 COUNTRIES IN TOTAL.

DIGITAL TRANSFORMATION AND INNOVATION

Otokoç Otomotiv's successful activities in digital transformation and innovation generated financial value alongside numerous awards.

Digital Transformation

In 2020, Digital Transformation Governance was carried out as planned. Within the context of communication activities, three separate Technology Days were organized throughout the year supported by Gartner, Samsung, KoçDigital, KoçSistem and BCG with the themes being "Global Impact of Digital Transformation", "Technology Trends" and "Digital Transformation Strategies". In the meantime, the cumulated financial impact of the 9 finalized digital transformation projects amounted to TL 18.9 million in 2020.

Through the Digital Transformation Program, headquarters and field business units participated in 42 different workshops resulting in 35 different project ideas in 2020. The projects were evaluated according to various criteria and submitted to the Digital Transformation Committee in which the senior management of Otokoç Otomotiv also takes part. The below mentioned 8 Digital Transformation projects were accepted unanimously following the committee evaluations. Among the projects, 4 are in progress while the remaining 4 are planned to be launched in the second quarter of 2021.

- Shipping and Logistics Project
- Rental Center Sales (CRM) Project
- Digital Training Platform Project
- Digitizing of the Second-hand Sales Processes Project
- ERP Transformation Project
- New Vehicle Web Site Online Sales Project
- Forecast, Optimization and Reporting of Customer Profitability Project
- Forecast of Second-hand and New Vehicles Arrival to Service Project



Awards won on digital transformation in 2020

The completed digital transformation projects were granted awards at 3 different technology summits.

- At IDC Digital Transformation Summit
 - o “Avis at your Side” in “DX CEO” category,
 - o “Service Fleet Customer Loss Forecast and Monitor Platform” in “Digital Transformers” category,
- At IDC CIO Summit
 - o “2nd Hand Digital Sales Platform” in “Change Management” category
 - o Otokoç Spares “Digital Purchasing and Stock Optimization” project in “Customer Experience” category,
 - o “Dynamic Pricing in Short-term Car Rental” project in “Future of Work-Automation” category
 - o “Avis at your Side” project in “Future of Work – Reskilling” category
- At Technology Tigers summit,
 - o “2nd Hand Digital Sales Platform” in “Operational Competency” category.



TL 18.9 million

THE CUMULATED FINANCIAL IMPACT OF THE 9 FINALIZED DIGITAL TRANSFORMATION PROJECTS AMOUNTED TO TL 18.9 MILLION IN 2020.

6 projects

6 DIGITAL TRANSFORMATION PROJECTS WERE FINALIZED IN 2020.

DIGITAL TRANSFORMATION AND INNOVATION

5 projects

AS OF 2020, FIVE PROJECTS IN THE “FIKIR KÜPÜ (BAG OF IDEAS) INNOVATION PROGRAM WERE COMMERCIALIZED.

TL 14.2 million

AN ADDITIONAL REVENUE OF TL 14.2 MILLION WAS GENERATED IN 2020 THROUGH 5 COMMERCIALIZED PROJECTS.

6 Digital Transformation projects that were among the chosen and launched ones in 2019, are also finalized.

- Otokoç Parts Digital Purchasing Project
- 2nd Hand Digital Sales Platform
- Service Fleet Customer Loss Forecast and Monitor Platform
- Online Showroom
- Vehicle Life Cycle
- Data and Analytic Competencies Analysis of Maturity (Dacama)

The project “Service Fleet Customer Loss Forecast and Monitor Platform” is the first digital transformation project finalized by the Otokoç analytics team and adds value to corporate strategy and vision. The objective of this project is, through monitoring service customers having 3 to 100 vehicles and identifying them with artificial intelligence algorithm, to inform the related services and to take the necessary actions for keeping the customers. With the finalization of the project, 779 near miss customers were identified dated 2 months ago and 10% were recovered by determining the root cause. An additional revenue of TL 1.1 million was generated as a result.

Awards won on innovation transformation in 2020

- Otokoç Otomotiv sponsored the “Corporate & Startup Day 2020” conference organized by Innovation 4.0 Platform, GKTR and Fast Company. The company was granted the second prize with “Lastick” (tire) project in “Best Project in Internal Entrepreneurship” category at the organization in which awards are given, such as “Best Internal Entrepreneurship”, “Most Efficient Corporate Entrepreneurship Cooperation” and “Startup Friend” for the company cooperating most with initiatives.
- The company applied to the Kworks COVID-19 Express Platform and had meetings with advanced initiatives in the platform.
- Otokoç Otomotiv took its place among the leading companies on the focus areas of clean technologies, sustainability of circular economy/employment and remote working technologies and among the companies communicating the most with ventures.
- At the IDC CIO Summit, organized for the 11th time this year, the company was granted an award in the “Future of Work – Reskilling” category for the “Avis at Your Side” project that is a follow up of the “Budget Wherever You Want” project originating from the Innovation Program.
- With the “Budget Wherever You Want” project, the company took its place among “One of the 50 Most Innovative Companies in Turkey” through Fast Company Magazine’s evaluation on “Most Innovative Companies” realized since 2008.



Innovation

A total number of 1,068 ideas have been collected in 7 cycles with the “Fikir Küpü (bag of ideas) Innovation Program”, which began in 2015 in Otokoç Otomotiv. Among these ideas, 37 business model ideas were carried out with lean venture methodology and 24 ideas entered the pilot phase with internal entrepreneurs. An additional revenue of TL 14.2 million was generated in 2020 through 5 commercialized projects and approximately 2500 new customers were acquired.

Cooperation was realized with 3 start-ups on the area of Open innovation and a project was launched for developing car-sharing and fleet management software.

Activities for the Pandemic in 2020

Innovative business model ideas were gathered covering the pandemic focused themes on “Quick Fixes”, “New Rental and mobility Solutions” and “Innovation for Sale and After-Sale services” under the Innovation and Internal Entrepreneurship Program during the pandemic period which is a mile stone in everyone’s life and which was experienced densely as of March 2020. Along with these ideas, the 7th acceleration of the program was finalized.



DIGITAL TRANSFORMATION AND INNOVATION

Established in 2020, the Project Office has a structure covering the product and project management processes.

Project Office

The Project Office established under the Technology and Strategy Directorate, has a hybrid structure covering the product and project management processes. The process begins with demand management, gets transferred to product management with the completion of the projects and maintains all of the generated added value throughout its life cycle.

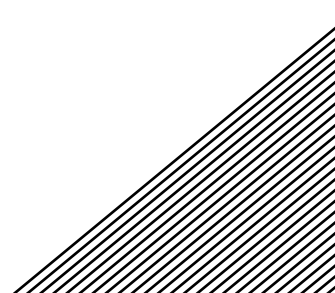
In 2020 Waterfall and Agile methodologies were reviewed and demand management system based on value basis prioritization was developed in line with corporate strategy and vision. Within this context, approval processes were optimized by designing a demand entry system that takes work value as reference. Thus, the quality of demands were increased and SLA based continuous measurement system was developed.

The demand entries are differentiated as “product development” or “project” in line with the determined criteria. Product development processes proceed with scrum teams in accordance with the Agile method while project processes are graded in

accordance with financial contribution, cost, risk, difficulty, technological impact and strategic alignment criteria. Project Evaluation Board (PDK) in which Otokoç Otomotiv senior management takes part, evaluates the project demands bi-monthly and prioritizes them in line with KPI's.

The projects approved by PDK are closed after they go through the planning, executing and monitoring phases as per the management framework designed by the Project Office and are finalized by being transferred to the operation or product team. The products, on the other hand, are continuously improved with communication activities in line with the strategic road maps.

In 2020, Monthly project status reports, sprint bulletins, jaguar bulletins, project closing notices and quarter product reports began to be published with the Project Office templates. During the same period of time, 22 projects were run with Project Office methods and 8 of the launched projects were granted awards at IDC CIO, Technology Tigers and IDC Digital Transformation Summits.



R&D

Activities aimed at creating added value on the back of R&D-centered digital transformation and innovation initiatives continued at Otokoç Otomotiv in 2020.

In order to be able to create added value on the back of R&D-based digital transformation and innovation activities, Otokoç Otomotiv converted its Information Technology Department into Technology and Strategy Division, a move that not only aligned its processes to R&D activities but also built on employees' competencies through training programs.

In the Project Gezzie, focus was placed on research and development activities employing the industry-university cooperation model. On the other hand, the project DACAMA was completed in order to produce data based advance analytical projects (optimization, forecasting, etc.), to clarify the road map in data management and to determine the organizational scheme for sustainable data management. The award

winning project of Otokoç, "Service Fleet Customer loss Forecast" was completed the same year.

Likewise, "Zipcar Round Trip" was put into action which is a project developing value added services and new business models by providing telematics control unit and vehicle-cloud connection.

When considering the project requests received, Otokoç Otomotiv adopted an R&D perspective and obtained highly-innovative results. The Company participated in a number of events and conferences in order to follow up technology-related practices and novelties in the industry and in the world.

Otokoç Otomotiv continues to work on new models to carry out sustainable R&D activities.



MANAGEMENT OF THE PANDEMIC PERIOD AT OTOKOÇ OTOMOTİV

Otokoç Otomotiv put numerous precautions and support into action promptly on behalf of employees, customers, distributors and society in order to manage the pandemic in the best possible manner.

Employees and Work Organization

- Remote working possibility was offered to anyone who does not need to be physically present due to nature of work.
- Otokoç Otomotiv Pandemic Committee provided for the calibration of alternating in house working percentages by observing the course of the pandemic and the directive and notices of the Ministry of Health together with the guidance of the Koç Holding Crisis Center.
- During the pandemic, an alternating order of office working was established at 15-25% at Headquarters and 50% in functions such as accounting and insurance at automotive retail branches. No changes were made in the work organizations of the rental offices apart from the periodical lockdowns and short time working periods.
- Face-to-face meetings were discontinued and online meetings began.
- Daily Individual Pandemic Survey was put into effect for early diagnosis of possible COVID-19 symptoms and for taking the necessary precautions.
- Precautions were taken such as desk separator, gel filter for air-conditioning and disinfection boards to provide social distancing and isolation at the workplace. Surface contacts were reduced by automation.
- Mess Safe application was put into effect, monitoring safe distancing and interaction between the employees and warning in case the distance is exceeded.
- All of the employees were subjected to COVID-19 PCR tests.
- HES code implementation was started.
- Arrangements such as car rental, shuttle route-capacity planning and fuel support were made for employees who have to work on-site.
- On-site doctors were assigned to all of the company locations regardless of the requirements of the legislation concerning the necessity of assignment of an on-site doctor. Likewise in addition to doctors, nurses were assigned to the branches due to the high employee density.
- As well as raising employees' awareness on the pandemic and providing the necessary personal protective equipment, health status of employees were monitored closely with the support of on-site doctors and nurses serving at the Company locations throughout Turkey.
- Weekly live broadcasts were made with the title "CEO İnan Ekici Meets his Teammates" since the beginning of the pandemic. During these broadcasts the Company CEO addressed his teammates on various topics such as updates of the agenda, namely the pandemic, reminders, warnings, greetings and commemorations and he responded to their question and suggestions. Furthermore, numerous online activities were organized on special occasions and weekends in which employees could participate with their families.
- The veteran managers retired from Otokoç Otomotiv were contacted on a regular basis by our senior management.
- Vehicles were allocated for 1 month to employees who have children of 0-2 years old and who do not own a car, so that they can attend health appointments without having to use public transportation or taxis.



Social Support

- A total of 35,000 face shields were provided for health professionals working at Koç University Hospital, American Hospital, Istanbul Provincial Health Directorate and İzmir Provincial Health Directorate, for Istanbul Metropolitan Municipality, for Foreign Economic Relations Board of Turkey (DEİK)- Hungary Business Council and for our employees and distributors.
- We allocated 420 vehicles to our corporate health professionals and 100 vehicles to health professionals of American Hospital and Koç University Hospital free of charge for 3 months through our Avis and Budget brands for safe commuting.
- A discount of 50% was defined for health professionals on Avis and Budget car rental services.
- “Workmanship is on us” campaign was put into action for health professionals, in periodic servicing at Otokoç and Birmot services.
- At Otokoç and Birmot, the vehicles of health professional customers and customers over 65 years of age were picked up at their homes and dropped back at their homes after servicing activities in order to facilitate the process.
- Avis and Budget distributors were regularly informed on the developments in the sector, on commercial advices and on the measures that can be taken.

Customers

- WhatsApp based appointment setting is put into effect in Otokoç and Birmot branches in order to maintain social distancing.
- Contactless delivery was realized at Avis, Budget, Otokoç 2nd Hand and Otokoç Tender. Activities are in progress for the system to be effective in Otokoç and Birmot.
- Commercial advantages were provided for corporate car rental customers and Avis & Budget distributors.
- In line with the increased sensitivity for hygiene, special vehicle disinfection became the standard in all of the new and 2nd hand sales in the automotive retail business unit and in all of the hourly (car share), short term and long term rentals in the car rental business unit.

New Products and Services

- Within the context of developing and expanding contactless services, the following services are put into effect and business volume started to be generated from contactless delivery to address by staff dressed specially.
 - **Avis at your Side** and **Budget Wherever You Want** that make it possible to deliver vehicles to the customers wherever they choose with no-office rentals in the car rental business unit,

MANAGEMENT OF THE PANDEMIC PERIOD AT OTOKOÇ OTOMOTİV

Within the framework of digitalization accelerating and expanding with the pandemic, online sales channels and e-commerce applications were improved in units they already exist in and were rapidly launched in the others where they did not.

- o **Pick up at your place drop at your place** provided for retail customers in after-sales services in Otokoç and Birmot services,
- o **On-site mobile services** providing on-site repair and maintenance services to customers, particularly to fleets

Further steps were taken in line with the vision of being global and innovative companion offering solutions in transport and Connected Car project was launched with Zipcar in car sharing.

- Within the framework of digitalization accelerating and expanding with the pandemic, online sales channels and e-commerce applications were improved in units they already exist in and were rapidly launched in the others where they did not.
 - o For the first time in the sector, artificial intelligence backed **WhatsApp Chatbot** based online reservation service was put into action in short term rental business unit.
 - o A new digital sales channel was created for the long term car rental business unit which covers the entirely digital offer to order process with the **MyAvis** application.
 - o Digitalization and platforming was accelerated also in the 2nd hand business unit, launching the **otokocikinci** web site and **offering end to end online 2nd hand car sales.**



- o Online car promotion, offer and pricing, finance and insurance services were included and the cars were delivered on-site to the customers after the customer's on-site signature and proxy.
- o Both B2B and B2C car sales are realized through tenders with the online tender portal **otokocihale**, put into effect for 2nd Hand vehicles.
- In addition to the online car promotion in new car sales, online insurance multi brand sales platform and partsinstock wholesale spare parts platform were launched within the context of platforming in the Insurance Finance and Wholesale Spare Parts business units, initially for the insurance and fleet companies.
- Caravan rental service **Avis Caravan** was put into action in line with the changing trend of mobility in the post-pandemic "new normal".
- Another new product that turns the increasing individual mobility trend into opportunity is **Avis Flex**, a membership model designed for offering flexible benefits in car rental such as car change and family use to customers through 4 privilege packages that is tailor made.

CUSTOMER EXPERIENCE

Avis and Budget were the first two brands to obtain the “Best Customer Experience Index”.

For Otokoç Otomotiv, every year is “Customer Happiness” Year

Setting Customer Happiness as the ultimate target for each one of its processes, Otokoç Otomotiv defines the main goal of its innovation and digitalization strategies as making and keeping its customers happy. The Company conducts various researches and studies to hear what its existing and potential customers say, to learn about their experiences and feedbacks about the products and services offered. The ideal service mix in the eyes of the customers, which is derived as a result of these studies, shows that customers put service quality, reliability and brand perception before all the other elements.

Employing methods to measure how its services make its customers feel and how happy they make them, the brand moves ahead with the motto that “People will never forget how you made them feel”.

The Company administers various monthly/annual or periodic researches on the basis of processes designed to measure and increase internal and external customer satisfaction associated with its brands, employing a variety of research methods including telephone surveys, online surveys and mystery shopper method. The surveys revealing the satisfaction of customers with the service they receive are administered by an independent research company.

Customer relations service for all brands is handled by the Call Center. Accordingly, demands, suggestions and complaints received from customers are entered into records, and improvement areas are thus identified. According to the result of satisfaction researches conducted via the independent research company, the brands offering service under the Otokoç Otomotiv roof outperformed the targets in 2020 on the basis of indicators that are tracked monthly.

Avis and Budget were the first two brands to obtain the “Best Customer Experience Index” conducted in 2020 for the car rental sector. In addition, the desired targets were captured in various indicators revealing the call center performance, such as call response rate, abandoned call rate, call recording performance etc., thus enhancing the quality of the service delivered to customers.

Analysis of all touchpoints enabled by the customer experience map

Customer happiness, brand image, social media and customer experience researches are conducted via an independent research company for Car Rental and Retailing business units.

CUSTOMER EXPERIENCE

Avis claimed the “Best E-Commerce Experience” in car rental category in Turkey for the second year in a row.

Teams consisting of relevant business units were established for the improvement of touch points in accordance with the output from the Car Rental Customer Experience Map which was finalized at the beginning of 2020. These teams project and finalize the experience improvement and development actions stemming from both the complaint reports and the experience map outputs throughout the year. These project teams that are named the Customer Quality Management System, target to eliminate complaints permanently and to provide for the restructuring of the provided service in alignment with customer needs and demands. In 2021, it is planned to finalize the experience maps also for retail, 2nd Hand, Zipcar and Avis Fleet brands and to establish the customer quality management system teams.

Sales channels are expanding with online platforms

Work is being carried out to create and improve online sales capabilities of all brands, for which service is provided, through online sales platforms. Online sales is available for Avis, Budget, Otokoç 2. El (second hand), Otokoç Parça (spares) and Lastick (tire) brands.

Avis claimed the “Best E-Commerce Experience” in car rental category in Turkey at the ECHO Awards 2020. Measuring the performances of e-commerce websites in best shopping experience and customer care and identifying the most successful brands, platforms and sellers, Echo Awards is jointly conducted by Marketing Türkiye and Akademetre. Digital platforms are upgraded each year in line

with user experience, new trends and technology. In 2020, Omnichannel unit was set up and Integrated Management of All Digital Platforms projects were launched, thus taking important steps towards the vision of excellence in customer experience. These two developments and the focus on digitalization made it possible to improve the customers' experience with brands at touch points as per to changes in customer expectations, habits and behaviors, to improve the online platforms in which brands give service, to put new channels in action and to expand the range of product and services provided through current channels.

Customer behaviors are predicted using Advanced Analytics and Big Data

A restructuring was undertaken in customer relationship management with Voice, the CRM project launched by the end of 2016. This customized software allows integrated management of customers. The customer cycle begins with entering the new customers acquired through online and offline channels in the Voice CRM system. The customers' demands and criticisms during their journeys at Otokoç Otomotiv are also managed by the Voice CRM system and they provide input for the data bank. Channeled to the customer pool that is managed by an integrated approach, these inputs play a major part when molding marketing and communication strategies.

Every year, new projects are carried out targeted at employing CRM in all customer experience areas and across all sales channels.

Using big data, common/different data analyses that touch upon all brands and processes based on the shopping lifecycles of customers are tracked and interpreted. This allows the formulation of dynamic and systematic marketing activities according to the emerging new customer segments.

Using Advanced Analytics Predictive Modeling, analytic intelligence is applied to past data in car rental, and the possibility of shopping again in the future by former customers is predicted.

In Advanced Analytics Predictive Modelling, analytic methods based on prior data in car rental are used and predictions are made for determining the possibility of repeat business customers in the future and for determining which customers will probably leave the product or service. Likewise, opportunities for improving the experience the customer has with the brand are provided and activities for preventing customer loss can be put into effect.

With the Descriptive Analytics Project, the relationships of customers with sales and service points are analyzed in automotive retailing, and causal links are established.

Customer experience is managed by AI-based bots

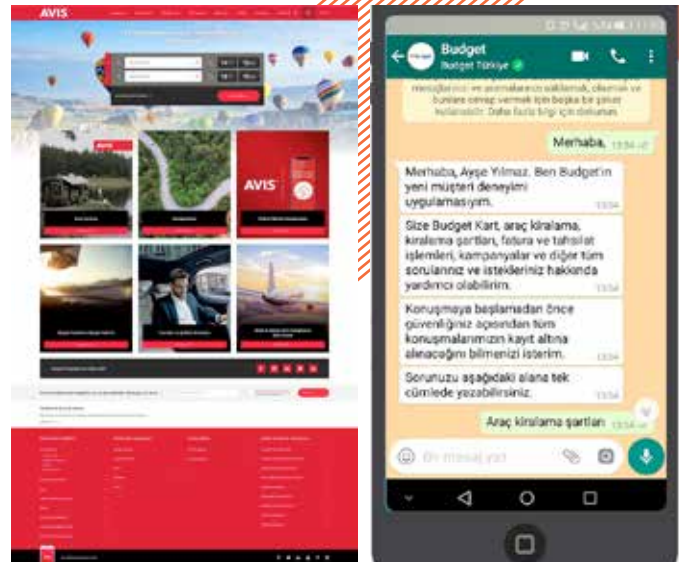
The company pursued its activities for improving chatbots working on the new communication channels Webchat and WhatsApp lines that were established as per to the developing technological implementations. In 2020 within the context of bots structured as a digital assistant, self-service integration, instant reply to customer demands and sales from bot functions were launched. Online reservation setup with WhatsApp line digital assistant was put into service thus being a first in the sector via the Budget brand. Likewise, sales, service and 2nd Hand sales reservations for retail business units can be made via WhatsApp line.

Chatbot and WhatsApp: The 2 channels customers use the most for communication

Of the Webchat and WhatsApp correspondences with customers in 2020, 90% in car rental and 80% in retail business units were finalized through artificial intelligence without the need to be referred to customer agents. This increases the productivity of customer agents, and also makes a difference in the service experience of customers as it allows getting back to them sooner.

My Mind is on the Road

Pursuing a strategy in alignment with the dynamics of the media, YouTube channel My Mind is on the Road was started in a manner to bring together the content audiences seek with the commercial expectations of the Company; bearing rating, interaction, follower and mention value and with the aim to promote an exciting automotive industry that makes people feel free and is full of discovery and fun. Otokoç Otomotiv aims to raise awareness of its target audience and potential customers on its brands and services, to make it easier for the audiences to reach the Company's product and services and to strengthen its connections with the customers through giving information, sharing its expertise, entertaining, guiding and sharing tips via this new channel. The channel was viewed almost 2 million times in 2020 and its rating was above 55,000 hours.



CORPORATE SOCIAL RESPONSIBILITY

The Project “We Speak the Same Language” was awarded for three years in a row by CSS Turkey in the Reducing Inequalities category.

We pursue equality in all aspects: Gender

In 2019, Otokoç Otomotiv owed its signature in Women’s Empowerment Principles (WEPs) in line with Koç Holding becoming a signatory of the principles with the motto of collaboration between enterprises in different roles but working for the same goal. In 2020, the Company allied with UN Women and with the collaboration of İEEFDER, realized various activities for becoming the voice of the voiceless women.

The Company is also a member of “Women In sales” platform that targets the representation and empowerment of women in the sales field.

Hand in hand in all disasters and particularly in the pandemic...

Otokoç Otomotiv adopted an open, informative, awareness raising and supportive approach during the pandemic, especially for all its stakeholders.

Numerous activities were realized during this period for our employees, customers, suppliers and particularly for health professionals who have played the most altruistic role.

Otokoç Otomotiv donated to the “İzmir rises with Unity” campaign to help one family to become a homeowner again.

The Company supported the earthquake victims in the Elazığ earthquake with its donations.

In order to relieve the aftermath of the forest fire in Hatay, a donation of 1,928 saplings were made in reference to our year of establishment.

“We Speak the Same Language”

Via its Avis brand, Otokoç Otomotiv got working with the purpose of serving as a leverage in yet another sensitive topic in 2017. The Project “We Speak the Same Language” was launched in order to enable hearing-impaired individuals to be able to rent cars and make themselves a recognized place in traffic easily by deepening the ongoing cooperation with the

SUSTAINABILITY

Within the context of activity based wastes, the top priority principles for Otokoç Otomotiv are minimizing waste, waste sorting at source, recycling and disposal of wastes that cannot be recycled.

Environmental Management

- It is Otokoç Otomotiv's priority to be in alignment with legal legislations on the management of environmental issues. Environmental risks arising from the activities of the Company are evaluated and the necessary precautions are taken. The processes within this context are managed in alignment with ISO 14000:2015 Environmental Management System.
- The Company supports the commitment made by Koç Holding on "putting an end to using disposable plastics".
- The Company carries out activities for implementing the precautions necessary for COVID-19 pandemic.
- Within the context of activity based wastes, the top priority principles for Otokoç Otomotiv are minimizing waste, waste sorting at source, recycling and disposal of wastes that cannot be recycled. The process of waste management is being monitored in line with the legal requirements. Almost 80% of the activity based wastes in 2020 is recycled.
- Otokoç Otomotiv evaluates risks and opportunities and focuses on energy productivity through the Energy Committee.
- At the Otokoç Antalya Branch, the production potential for solar energy was evaluated and the feasibilities are completed. The required permissions are taken and the project is at investment phase.
- Within the context of effective and efficient use of water sources, photoelectric water fixtures were mounted in Otokoç and Birmot branches.
- The electronic wastes of the Company were donated to TEGV's "Don't throw away, donate!" campaign and thus the education of children was supported while a waste of 1 ton was recycled.
- Olympic, an affiliate of Otokoç Otomotiv, provided a green financing facility of EUR 130 million, the biggest non-bank securitization transaction in Greece. The Company made the commitment to invest in electrical and plug-in hybrid cars of below 75 gr/km CO2 emission and to finance the de carbonization of its fleet with more than Euro 60 million of the fund it will receive. The transaction affirms an important green finance and it is the first securitization obtaining investment grade (BBB+) from two prominent rating agencies (S&P and Fitch) in Greece since 2010.

Olympic, an affiliate of Otokoç Otomotiv, provided a green financing facility of EUR 130 million, the biggest non-bank securitization transaction in Greece.

Quality Management

- Otokoç Otomotiv abides by the international standards in order to maintain standardization in all its processes. As of October 2020 following the audits, the documentations were renewed within the context of Integrated Quality Management System covering ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System and ISO 10002 Customer Satisfaction Management System.
- In 2020, the internal audits were realized effectively, covering the processes at the Headquarters, offices and branches. The Company launched the application that digitalizes the internal audits and enables all of the processes to be audited and reported digitally.
- Lean Six Sigma Projects are run in Otokoç Otomotiv within the framework of quality management activities.

Occupational Health and Safety

It is targeted to create healthy, safe and sustainable working environments at all Otokoç Otomotiv workplaces by achieving compliance with all national and international regulations and other requirements related to occupational health and safety and by assessing all risks stemming from the operations so as to adopt measures proactively. Otokoç Otomotiv is committed to safeguarding its employees from work-related accidents and occupational illnesses.

For detailed information about Otokoç Otomotiv Integrated Management Policies, please visit:

www.otokocotomotiv.com.tr/politikalar
(in Turkish only)

INTERNAL COMMUNICATION

Despite pandemic conditions, internal communication activities pursued effectively through adaptive adjustments.

Inan Ekici, who took over the CEO position at Otokoç Otomotiv in the second half of 2019, started the “Are You Ready Roadshow” together with the senior management team in 2019, pursued the roadshow also during the beginning of 2020, however the roadshow was paused due to pandemic conditions. Still, these visits transformed into online connections and as of March, Inan Ekici started getting together with all of the Otokoç Otomotiv employees on a weekly basis.

Senior management members and doctors occasionally participated in these broadcasts that targeted to be side by side with the employees in this challenging time, to reduce their level of anxiety by opening direct communication channels and to help them establish behavior habits relevant to the pandemic.

- For April 23, National Sovereignty and Children’s Day, all the children and their families got together to watch the recordings they have sent previously.

- For May 19 Commemoration of Atatürk, Youth and Sports Day, a concert was held by the renowned pianist Tuluyhan Uğurlu Birmot at Küçükyalı Showroom, emphasizing the meaning and importance of the day and the concert was watched at YouTube.
- For November 10 Atatürk Memorial Day, one of the prominent guides, Can Günay continued the tradition which has been realized physically for the last 15 years by Otokoç Otomotiv online. The Mausoleum and the historical places in Ankara in which Atatürk connections are the densest were visited.

Frequently repeated pulse surveys were run within the framework of the “employee experience improvement” activities put into action as of 2020 in Otokoç Otomotiv as well as the entire Koç Group, thus the anxiety levels of the employees were monitored during the pandemic and the feedback obtained enabled the rapid actions helping us to get over this period together.



AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF OTOKOÇ OTOMOTİV TİCARET VE SANAYİ ANONİM ŞİRKETİ CONVENED ON 09 MARCH 2021

- 1- Opening and election of the Chairman of the Meeting
- 2- Presentation for discussion and approval of the Company's 2020 Annual Report prepared by the Board of Directors
- 3- Presentation of the Audit Report for 2020 fiscal year
- 4- Presentation for discussion and approval of the Company's Financial Statements for 2020 fiscal year
- 5- Decision regarding the Board of Directors' proposal for 2020 profit/loss,
- 6- Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities for the Company's activities in 2020
- 7- Determination of the number and terms of office of Board of Directors members; election of members according to the number of the seats on the Board of Directors determined
- 8- Approval of the benefits provided to the Board of Directors members and senior executives in 2020 and determination and approval of the annual gross remuneration amount for 2021
- 9- Approval of the Independent Audit Firm designated by the Board of Directors pursuant to the Turkish Commercial Code
- 10- Authorizing the Board of Directors members to carry out transactions with the Company on behalf of others or themselves, to execute a transaction of a commercial business nature that falls under the Company's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs and perform other transactions under Articles 395 and 396 of the Turkish Commercial Code
- 11- Wishes and opinions.

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
 ORIGINALLY ISSUED IN TURKISH



To the General Assembly of Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

1. Opinion

We have audited the annual report of Otokoç Otomotiv Ticaret ve Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 12 February 2021 on the full set consolidated financial statements for the 1 January - 31 December 2020 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
 Serbest Muhasebeci Mali Müşavirlik A.Ş.

Beste Ortaç, SMMM
 Partner

Istanbul, 18 February 2021

LEGAL DISCLOSURES

a. Capital

Paid-in/Issued Capital: TL 136,000,000

b. Shareholding Structure

The Company's shareholding structure is presented in the table below:

SHAREHOLDER	CAPITAL AMOUNT TL	SHARE %
Koç Holding A.Ş.	130,999,041.42	96.32
Temel Ticaret ve Yatırım A.Ş.	4,670,045.20	3.43
Zer Merkezi Hizmetler ve Ticaret A.Ş.	330,550.39	0.24
Koç Yapı Malzemeleri Ticaret A.Ş.	362.73	0.00
İnventram Fikri Mülkiyet Hakları Yönetim Tic. ve Yat. A.Ş.	0.26	0.00
TOTAL	136,000,000.00	100

There are no privileged shares. There are no repurchased own shares by the Company.

c. Information on the extraordinary general assembly meetings held during the reporting period

None.

d. Organizational changes during the reporting period

No organizational changes took place in 2020. Çağrı Karaoğuz, Automotive Retailing Director (Birmot), resigned from his position effective 1 January 2021. Mert Atılğan was appointed as his successor as of the same date.

e. Non-competition

Members of the management body do not carry out any transactions falling under the scope of the prohibition of competition with the Company on behalf of others or themselves.

f. Number of Employees

The Company had 2,583 employees on its payroll as of 31 December 2020. (31 December 2019: 2,525)

g. Subsidiaries

The Company's Subsidiaries and Shareholding Therein: The company names and shareholding ratio in which the Company has equity stakes are presented below.

COMPANY	SHARE (%)
Otokoç Sigorta Aracılık Hizmetleri A.Ş.	50
Otokoç Azerbaycan MMC	100
Otokoç Irak LLC	100
Otokoç Otomotiv Tic. ve San. Kazakistan LLP	100
Otokoc Hungary Rent a Car and Servicing LLC	100
Otokoc Georgia LLC	100
Otokoç Ukraine LLC	100
Otokoç ABG Holland B.V.	60
Cronus Finance DAC ⁽¹⁾	-

⁽¹⁾ Although it is not a subsidiary of Otokoç, the special purpose enterprise established to ensure the securitization process has been included in the scope of consolidation as of 31 December 2020.

2020 ASSOCIATED COMPANY REPORT

2020 Associated Company Report prepared by Otokoç Otomotiv Tic. ve San. A.Ş. Board of Directors pursuant to Article 199 of the Turkish Commercial Code

Conclusion

Pursuant to Article 199 of the Turkish Commercial Code No. 6102 that went into force on 1 July 2012, Otokoç Otomotiv Board of Directors is obliged to prepare, within the first three months of the operating year, a report on the Company's relations with its controlling shareholders and their associated companies for the previous operating year, and to include the conclusion section of this report in the annual report.

Otokoç Otomotiv Ticaret ve San. A.Ş. Board of Directors report of 12 February 2021 reads as follows: "In all transactions conducted in 2020 with Otokoç Otomotiv's controlling shareholder and its associated companies, based on the circumstances and conditions known to us at the time the transaction was conducted, measures were taken or avoided; it was concluded that an appropriate counter-action had been taken in each transaction, and that no measure was taken or avoided that would injure the Company, and accordingly, that no compensatory transactions or measures needed to be taken."

RISK MANAGEMENT AND INTERNAL AUDIT

The primary mission of the Internal Audit Department is to:

- Proactively provide the necessary expertise for developing the internal control system, risk management and corporate governance practices across the entire Otokoç business network and contribute to the achievement of the Company's corporate and economic targets,
- Deliver internal audit activities as an independent and objective audit and consultancy service so as to contribute value to the organization's operations and to build on these operations.

The approach of the Internal Audit Department is as follows:

- Work based on a methodology aligned with the needs and strategies of Otokoç by making use of International Internal Audit Standards,
- Ensure audit efficiency and productivity through identification of priority processes and areas with a proactive, risk-focused approach, and plan the audits in this direction,
- Carry out field initiatives for deriving findings that will rectify the system and processes and ensure permanent effectiveness instead of dealing with exceptions and errors,
- Provide value-added economic and practicable suggestions that are aligned with the principles of digitalization and becoming a global player,
- Ensure accurate, objective, clear, concise, and constructive reporting, which is also in line with the corporate culture.

The duties of the Internal Audit Department are defined as conducting audits, examinations and/or offering consultancy to develop recommendations against internal and/or external risks with the purpose of protecting the Company's rights and interests.

- 1. Process Audit:** Process audit is a type of audit in which all activities with targeted results are evaluated by processes within an input/output flow for the realization of the Company's operations, and where the internal control design within the process, as well as the efficiency and effectiveness of the process steps are evaluated. This audit type is intended to strengthen process development and internal control, and the audit universe created assesses all process steps across Otokoç business network.
- 2. Operations Audit:** Operations audit is a type of audit where business lines with field operations, such as Retailing, After-Sales, Rental and Spares are assessed uniformly within a predetermined audit schedule. This audit type is intended to ensure alignment between the Head Office and the field, deploy standards and internal control steps across the organization, allocate shared working culture, and identify/prevent abuses. Besides policies, procedures and guidelines that make an important part of the internal control system and are incorporated in work flows, an annual internal audit program that also addresses the Company's operations is implemented, and revised at the end of each year.
- 3. Examination/Investigation:** Examination/investigation is a type of audit where abuses, customer complaints and/or ethical violations are assessed. The main goal of these activities is to deploy ethical practices across the entire organization and to support corporate culture. Any reports and complaints about the Company's activities that are received by the Company are considered and examined by the internal audit, and finalized by the Ethics Committee or result in disciplinary processes, if necessary.

RISK MANAGEMENT AND INTERNAL AUDIT

4. Consultancy: This heading covers activities, whose scope and goals are set by the request owner, and whose outcomes are based in an output.

When offering the related services, the following duties are fulfilled with the aim of helping the Company grow, develop and achieve its targets:

- a) Verify the compliance of internal control systems in place at all the business units covered within the Company's Head Office, field organization and all overseas enterprises with internal guidelines and code of ethics, as well as the adequacy and efficiency of risk management practices; prepare audit plans and programs; conduct audits in accordance with the risk-based annual internal audit plan,
- b) Follow up the practices associated with Internal Audit reports, monitor and report whether tasks and transactions are carried out within the frame of the agreements reached, guidelines and instructions provided,
- c) Perform examinations, inquiries and investigations about specific duties delegated by the Senior Management and report the outcomes,
- d) Supervise the implementation of the Company guidelines and directives and ensure that they remain in effect; suggest revisions as and when needed,
- e) Inform the Senior Management about the adequacy of audit activities and internal control system; follow up related requests and suggestions,
- f) Present recommendations to the Senior Management for added-value generation purposes, such as achievement of the Company's goals, increasing share value, improving internal processes and activities, and enhancing service quality and customer satisfaction and so on.

The mission, approach and duties described above have been fulfilled also in 2020, and the activities were brought to completion through concise reports and value-added recommendations for corporate governance, internal control and risk management purposes.

Believing in the importance of turning standard audits into continuous audit processes, the Company shifted to the continuous audit practice and generated reports along this line.

Another highlight of 2020 was the composition of the Audit and Risk Committee, which is targeted to start activities in 2021.

The financial statements resulting from the Company's operations were independently audited by PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

OTHER FINANCIAL DISCLOSURES

The Company's Capital Adequacy:

The Company's existing shareholders' equity was worth TL 2,882 million as of year-end 2020; the Company's capital is maintained and it is not over-indebted.

Achievement of Company Goals and Implementation of the General Assembly Resolutions:

At the General Assembly Meeting convened during 2020, it was resolved not to distribute dividends for the year 2020.

The Company performed in line with the 2020 budget targets presented to the Board of Directors. As stated in the following sections of the report, it will be proposed not to distribute dividends to the General Assembly.

Profit Distribution Policy:

- The Company registered TL 14,257.7 million in total assets based on the consolidated balance sheet drawn up in accordance with TFRS/TAS, whereas the same is TL 6,130 million in the balance sheet drawn up according to legal records;
- The financial reports drawn up in accordance with TFRS/TAS show a net profit for the period in the amount of TL 816.9 million, whereas legal records show a net profit for the current period in the amount of TL 19 million;
- Now therefore, it will be proposed to the General Assembly that the profit descended in the legal records be set off against prior year losses, and therefore, general legal reserves, which are required to be set aside pursuant to Article 519 of the Turkish Commercial Code, not be set aside for 2020, and
- That the parent's net profit for the period in the amount of TL 781.1 million, which is generated according to the financial reports drawn up in accordance with TFRS/TAS, be transferred to prior year profits.

Investments

The Company's investments as of year-end 2020 amounted to TL 3,703.3 million.

Risks and Assessment by the Management Body

The Risk Management Policy: In weekly review meetings and Company coordination meetings, the Company monitors the market, general economic position and the factors with a potential impact on the Company's financial structure; analyzes the deviations in actualizations versus the budget targets, and takes steps for taking necessary measures forthwith.

Forward-Looking Risks:

The potential changes in the fiscal and monetary policies take the top spot among the Company's forward-looking risks. Possible increases in Special Consumption Tax, in particular, are of a nature to directly impact the Company's sales.

Because of its keenness on ensuring and maintaining price stability, the CBRT can tend to increase interest rates. Potential rises in interest rates are considered as a risk element that might push the automotive demand downwards.

OTHER FINANCIAL DISCLOSURES

Other Matters:

No material events took place after the end of the fiscal year, which are of a nature to affect the rights of the shareholders, creditors and other related individuals and establishments.

Financial Rights Provided to the Members of the Management Body and Senior Executives:

The total amount of benefits provided to the Company's Board of Directors members and the senior management as remuneration, attendance fee and bonus is TL 16,500 thousand.

Allowances, travel, accommodation and entertainment expenses, means in kind and in cash, insurance and similar guarantees made available to the Company's Board of Directors members and senior management have not been disclosed as they do not add up to a significant amount.

Charitable Donations and Aids:

The Company's charitable donations during 2020 totaled TL 9.6 million.

Special and Public Audit:

As the Company is subject to independent audit pursuant to the Turkish Commercial Code no. 6102 and applicable legislation, it has been independently audited by PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in the context of the Turkish Accounting Standards and Turkish Auditing Standards. A positive opinion has been given in the resulting independent audit report by the partner of the independent audit firm PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and thus confirmed that the Company's financial statements conform to the standards published by the Capital Markets Board of Turkey and the Turkish Accounting Standards.

Lawsuits Initiated Against the Company and Possible Outcomes:

There is litigation initiated against the Company. The Company did not deem it necessary to set aside provisions.

Acts Contradicting with Regulatory Provisions and Outcomes:

No administrative or judicial sanctions were imposed against the Company or the members of its management body on account of acts contradicting with regulatory provisions.

Additional Information

No changes occurred in the shareholding ratio in the Company's subsidiaries, namely Otokoç Sigorta Aracılık Hizmetleri A.Ş., Otokoç ABG Holland BV, Otokoç Otomotiv Tic. ve San. Kazakistan LLP, Otokoç Irak LLC, Otokoç Hungary Rent a Car and Servicing Limited Liability Company, Otokoç Georgia LLC, Otokoç Azerbaycan LLC and Otokoç Ukraine LLC.

None of Otokoç Sigorta Aracılık Hizmetleri A.Ş., Otokoç Azerbaycan LLC, Otokoç Otomotiv Tic. ve San. Kazakistan LLP, Otokoç Irak LLC, Otokoç Hungary Rent a Car and Servicing Limited Liability Company, Otokoç Georgia, Otokoç Ukraine LLC and Otokoç ABG Holland BV has stake in the capital of Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

Although Otokoç does not have any subsidiaries, Cronus Finance DAC, the special purpose entity that was incorporated for the execution of the securitization deal, was included in the consolidation as of 31 December 2020.

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE CMB COMMUNIQUÉ SERIAL II-14.1. ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

BOARD OF DIRECTORS' RESOLUTION DATE AND NO. REGARDING THE APPROVAL OF FINANCIAL STATEMENTS

RESOLUTION DATE: 12 February 2021

RESOLUTION NUMBER: 2021/4

We hereby present for your information that, in line with the Capital Markets Board of Turkey (CMB) Regulations, and within the framework of the information available to us in connection with our roles and responsibilities in the Company, the consolidated financial statements, income statement, comprehensive income statement, statement of cash flow, statement of changes in equity and their footnotes for the period 01 January 2020 – 31 December 2020, which have been drawn up by our Company in accordance with the Turkish Financial Reporting Standards (TFRS) and with the formats determined by the CMB pursuant to the CMB Communiqué Serial: II-14-1 on Principles of Financial Reporting in Capital Markets, and which have been independently audited by the independent auditor PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.;

- have been reviewed by us;
- do not contain any inaccuracies in all material respects and are free of omissions that may be misleading as of the issue date;
- the financial statements prepared pursuant to the Communiqué present a true and fair view of the assets, liabilities, financial position and profit/loss of the Company as well as of consolidated subsidiaries.

We hereby acknowledge and represent that we are responsible for the statement made.
Sincerely,

İnan Ekici
CEO and the Member of
the Board of Directors
responsible for Financial
Reporting

Mehmet Önder Kutman
CFO

Aysel Ayçiçek
Budget Reporting Manager

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED PURSUANT TO ARTICLE 9 OF THE CMB COMMUNIQUE SERIAL II-14.1. ON THE PRINCIPLES OF FINANCIAL REPORTING IN THE CAPITAL MARKETS

THE BOARD OF DIRECTORS' RESOLUTION DATE AND NO. REGARDING THE APPROVAL OF THE ANNUAL REPORT

RESOLUTION DATE: 18 February 2021

RESOLUTION NUMBER: 2021/8

Our 2020 annual report prepared by the Company in accordance with the Turkish Commercial Code and the Capital Markets Board of Turkey (CMB) Communiqué Serial: II-14.1 on Principles of Financial Reporting in Capital Markets (the Communiqué) and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. is presented in attachment.

We hereby present for your information that, in accordance with the CMB regulations and within the frame of the information available to us in connection with our duties and responsibilities in the Company, the Annual Report prepared by our Company,

- has been reviewed by us,
- does not contain any inaccuracies in all material respects and is free of omissions that might be misleading as of the issue date,
- fairly represents the progress and performance of the business, the financial position of the Company together with that of consolidated subsidiaries, as well as material risks and volatilities faced with,

We hereby acknowledge and represent that we are responsible for the statement made.

Sincerely,

İnan Ekici

CEO and the Member of
the Board of Directors
responsible for Financial
Reporting

Mehmet Önder Kutman

CFO

Aysel Ayçiçek

Budget Reporting Manager

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

General Information

Management Structure

Otokoç Otomotiv in 2020

General Assembly Information

Corporate Governance

Financial Reports

INDEPENDENT AUDITOR'S REPORT



To the General Assembly of Otokoç Otomotiv Ticaret ve Sanayi A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Otokoç Otomotiv Ticaret ve Sanayi A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of 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 comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards of Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the consolidated financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. 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. Key audit matters were addressed in the context of our independent 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.

INDEPENDENT AUDITOR'S REPORT

Key audit matters	How our audit addressed the Key Audit Matters
Residual value calculation (Notes 2, 7, and 9)	
<p>The residual value of assets used in operational lease is the amount of assets of the Group in operational lease less its cost of sales which is determined as the expected market value at the end of the leasing period.</p> <p>Group determines the residual value based on the past sales and market prices by taking into consideration the experience of sales personnel.</p> <p>Residual value calculation is determined to be a key audit matter since it is material to the financial statements and involves management estimations.</p>	<ul style="list-style-type: none"> - The estimation regarding the calculation of the residual value of assets used in operational lease and the related processes are inquired with the process owners and the parameters used in such estimations are understood. - Residual values of assets used in operational lease at the end of the lease period were compared to actual sales at the end of the lease period to test whether the estimated residual value is consistent with actual sales. - The residual values of the vehicles selected by sampling are compared with the market prices of the vehicles of similar brands, models and kilometers and appropriateness of the residual values is assessed considering the current economic circumstances.

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

The Group 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.

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 consolidated 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 independent 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.,

INDEPENDENT AUDITOR'S REPORT

- 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Beste Ortaç, SMMM
Partner
İstanbul, 12 February 2021

CONTENTS

	PAGE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	76
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS	78
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME	79
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	80
CONSOLIDATED STATEMENTS OF CASH FLOWS	82
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	83-124
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS	83
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	83
NOTE 3 CASH AND CASH EQUIVALENTS	96
NOTE 4 FINANCIAL LIABILITIES	97
NOTE 5 TRADE RECEIVABLES AND PAYABLES	100
NOTE 6 INVENTORIES	100
NOTE 7 PROPERTY, PLANT AND EQUIPMENT	101
NOTE 8 INTANGIBLE ASSETS	103
NOTE 9 OTHER CURRENT ASSETS	104
NOTE 10 PREPAID EXPENSES	104
NOTE 11 EMPLOYEE BENEFITS OBLIGATIONS	104
NOTE 12 DEFERRED INCOME	104
NOTE 13 OTHER RECEIVABLES AND OTHER PAYABLES	105
NOTE 14 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	105
NOTE 15 SHORT AND LONG TERM PROVISIONS	107
NOTE 16 EQUITY	109
NOTE 17 REVENUE	110
NOTE 18 EXPENSES BY NATURE	111
NOTE 19 OTHER OPERATING INCOME/EXPENSES	112
NOTE 20 INCOME FROM INVESTMENT ACTIVITIES	112
NOTE 21 FINANCIAL INCOME AND EXPENSE	113
NOTE 22 TAX ASSETS AND LIABILITIES	113
NOTE 23 RELATED PARTY TRANSACTIONS	115
NOTE 24 NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS	117
NOTE 25 FINANCIAL INSTRUMENTS (FAIR VALUE FINANCIAL AND RISK MANAGEMENT DISCLOSURES)	123
NOTE 26 SUBSEQUENT EVENTS	124

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	<i>Audited</i> 31 December 2020	<i>Audited</i> 31 December 2019
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,005,031	1,539,891
Trade receivables		2,356,241	1,424,456
- Due from related parties	5	34,148	20,628
- Due from third parties	5	2,322,093	1,403,828
Other receivables		74,864	37,770
- Due from related parties	23	67,107	31,364
- Due from third parties	13	7,757	6,406
Inventories	6	1,337,196	453,909
Derivative instruments	25	12,151	65,878
Prepaid expenses	10	138,422	122,943
Current period tax assets	22	3,206	7,102
Other current assets	9	1,677,833	1,191,689
Total current assets		6,604,944	4,843,638
Non - current assets			
Trade receivables		244,232	256,517
- Due from third parties	5	244,232	256,517
Other receivables		57,018	45,802
- Due from related parties	23	47,740	45,802
- Due from third parties		9,278	-
Financial investments	25	3,580	3,580
Derivative instruments	25	3,804	12,427
Property, plant and equipment	7	7,224,467	4,995,768
Intangible assets	8	117,931	92,351
Other non-current assets		1,676	8,309
Total non - current assets		7,652,708	5,414,754
TOTAL ASSETS		14,257,652	10,258,392

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2020	Audited 31 December 2019
LIABILITIES			
Current liabilities			
Short term financial liabilities	4	1,230,482	2,201,097
Short-term portion of long-term financial liabilities	4	630,796	656,842
Trade payables	5	3,376,196	1,536,988
- Due to related parties	23	2,260,397	866,131
- Due to third parties	5	1,115,799	670,857
Employee benefit obligations	11	40,662	29,133
Other payables	13	271,583	209,961
- Other payables to third parties	13	271,583	209,961
Deferred income	12	14,522	4,670
Current income tax liabilities	22	6,665	373
Short term provisions		87,842	63,375
- Short-term provisions for employee benefit	15	46,424	35,798
- Other short-term provisions	15	41,418	27,577
Total current liabilities		5,658,748	4,702,439
Non - current liabilities			
Long term financial liabilities	4	5,147,168	3,460,354
Long term provisions		65,951	53,029
- Long-term provisions for employee benefit	15	65,951	53,029
Deferred tax liability	22	503,698	301,360
Total non - current liabilities		5,716,817	3,814,743
Total liabilities		11,375,565	8,517,182
Equity			
Paid-in share capital	16	136,000	136,000
Effect of transactions under common control		(1,606)	(1,606)
Inflation adjustment to share capital		38,373	38,373
Other comprehensive income/(expense) not to be reclassified to profit or loss		(21,388)	(18,999)
- Actuarial gain/(loss)		(21,388)	(18,999)
Other comprehensive income/(expense) to be reclassified to profit or loss		295,559	105,074
- Currency translation differences		399,326	157,630
- Gains/losses on hedge of net investment in foreign operations		(103,767)	(52,556)
Retained earnings		1,070,858	853,142
Net profit for the year		781,060	217,716
Equity holders of the parent		2,298,856	1,329,700
Non-controlling interest		583,231	411,510
Total equity		2,882,087	1,741,210
TOTAL LIABILITIES AND EQUITY		14,257,652	10,258,392

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	<i>Audited</i> 1 January - 31 December 2020	<i>Audited</i> 1 January - 31 December 2019
Revenue	17	14,259,793	8,662,994
Cost of sales (-)	18	(11,878,118)	(6,891,250)
Gross profit		2,381,675	1,771,744
Marketing expenses (-)	18	(420,609)	(449,754)
General and administrative expenses (-)	18	(375,797)	(291,885)
Other operating income	19	19,223	30,293
Other operating expense (-)	19	(39,892)	(32,047)
Operating profit		1,564,600	1,028,351
Income from investment activities	20	10,233	9,573
Other expenses from investment activities (-)		(80)	(14,290)
Operating income before financial income/(expense)		1,574,753	1,023,634
Financial income	21	119,506	152,383
Financial expenses (-)	21	(678,570)	(816,167)
Profit from continuing operations before tax		1,015,689	359,850
Tax expense from continuing operations		(198,797)	(82,765)
- Current tax expense (-)	22	(17,489)	(32,944)
- Deferred tax expense	22	(181,308)	(49,821)
Net profit for the period		816,892	277,085
Net profit for the period attributable to			
Non-controlling interest		35,832	59,369
Equity holders of the parent		781,060	217,716

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	<i>Audited</i> 1 January - 31 December 2020	<i>Audited</i> 1 January - 31 December 2019
Net profit for the period		816,892	277,085
Other comprehensive income:			
Items not to be reclassified to profit or loss			
- Actuarial gain/(loss) arising from employee benefits		(2,987)	(7,606)
Items not to be reclassified to profit or loss taxes relating to other comprehensive income			
- Deferred tax effect of actuarial gain arising from employee benefits		598	1,521
Items to be reclassified to profit or loss			
- Currency translation differences		377,585	101,006
- Gains/Losses on hedge of net investment in foreign operations		(64,014)	(20,126)
Items to be reclassified to profit or loss taxes relating to other comprehensive income			
- Gains/losses on hedge of net investment in foreign operations		12,803	4,428
Other comprehensive income		323,985	79,223
Total comprehensive income		1,140,877	356,308
Attributable to			
Non-controlling interest		171,721	110,352
Equity holders of the parent		969,156	245,956

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Paid-in share capital	Inflation adjustment to share capital	Other comprehensive income/(expense) not to be reclassified to sprofit or loss	
			Effect of transactions under common control	Actuarial gain (loss)
1 January 2019	136,000	38,373	(1,606)	(12,914)
Transfers	-	-	-	-
Dividends paid	-	-	-	-
Total comprehensive income	-	-	-	(6,085)
31 December 2019	136,000	38,373	(1,606)	(18,999)
1 January 2020	136,000	38,373	(1,606)	(18,999)
Transfers	-	-	-	-
Total comprehensive income	-	-	-	(2,389)
31 December 2020	136,000	38,373	(1,606)	(21,388)

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

	Other comprehensive income/(expense) to be reclassified to profit or loss		Retained earnings		Equity holders of the parent	Non controlling interest	Total equity
	Hedging losses	Currency translation differences	Retained earnings	Net profit for the period			
	(36,858)	107,607	505,227	347,915	1,083,744	325,021	1,408,765
	-	-	347,915	(347,915)	-	-	-
	-	-	-	-	-	(23,863)	(23,863)
	(15,698)	50,023	-	217,716	245,956	110,352	356,308
	(52,556)	157,630	853,142	217,716	1,329,700	411,510	1,741,210
	(52,556)	157,630	853,142	217,716	1,329,700	411,510	1,741,210
	-	-	217,716	(217,716)	-	-	-
	(51,211)	241,696	-	781,060	969,156	171,721	1,140,877
	(103,767)	399,326	1,070,858	781,060	2,298,856	583,231	2,882,087

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
A. Cash flows from operating activities		2,515,145	1,405,320
Net profit for the period		816,892	277,085
Adjustments related to net profit reconciliation		1,691,543	1,326,843
Adjustments for depreciation and amortisation expense	7,8	689,455	546,741
Adjustments for impairment			
- Adjustment for impairment of trade receivable	5	15,638	35,265
- Adjustment for employment termination benefits		133,462	91,911
- Adjustment for other provisions		13,841	1,245
Adjustments for interest expense		518,483	601,614
Adjustments for interest income		(58,829)	(20,832)
Adjustments related to unrealized foreign currency translation differences		189,494	(3,410)
Adjustments for losses (gains) on sales of property plant and equipment, net		(8,798)	(8,456)
Adjustments related to tax expenses		198,797	82,765
Changes in working capital		143,462	(81,947)
Adjustments for decrease (increase) in trade receivables			
- (Increase)/decrease in due from related parties		(13,520)	701
- (Increase)/decrease in third parties		(1,023,327)	(472,129)
Adjustments for decrease/(increase) in other receivables related to operations			
- Decrease/(increase) in other receivables related to operations from related parties		(37,681)	(8,440)
- Decrease/(increase) in other operating-related receivables from third parties		(10,629)	46,274
Adjustments for decrease/(increase) in derivative assets		62,350	81,890
Adjustments for decrease/(increase) in inventories		(883,287)	238,217
Adjustments for decrease/(increase) in prepaid expenses		(15,479)	(32,246)
Adjustments for increase/(decrease) in trade payables			
- Increase/(decrease) in due to related parties		1,394,266	(152,143)
- Increase/(decrease) in third parties		444,942	154,519
Increase/(decrease) in payables related to employee benefits		11,529	3,541
Adjustments related to increase (decrease) in other payables related to operations			
- Increase/(decrease) in third parties		61,622	18,685
Changes in deferred income		9,852	(436)
Adjustments for other increase/(decrease) in working capital		142,824	39,620
Cash flows from operations		2,651,897	1,521,981
- Changes in payables to employee benefits		(117,049)	(79,911)
- Tax payments		(19,703)	(36,750)
B. Cash flows from investing activities		(2,486,033)	(1,321,338)
Purchase of property, plant and equipment and intangible assets	7	1,232,573	1,344,173
Proceeds from sales of property, plant and equipment and intangible assets	7,8	(3,718,606)	(2,665,511)
C. Cash flows from financing activities		(628,439)	985,337
Proceeds from borrowings	4	3,877,914	4,573,834
Repayments of borrowings		(4,014,459)	(2,954,071)
Interest paid		(474,485)	(580,401)
Interest income		58,829	20,832
Dividend paid		-	(23,863)
Cash outflows related to debt payments arising from lease agreements		(76,238)	(50,994)
Net increase in cash and cash equivalents before effects of foreign currency conversion adjustments		(599,327)	1,069,319
D. Effects of foreign currency conversion adjustments on cash and cash equivalents		29,345	50,023
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)		(569,982)	1,119,342
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,539,891	420,549
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)		969,909	1,539,891

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Otokoç Otomotiv Ticaret ve Sanayi A.Ş. ("Otokoç" or "Company") was established in Turkey on 22 June 2001. The Company's business activities are to provide the brokerage service to sale of all kinds of motor vehicles and its spare parts and to lease all kinds of road and transport vehicles. Commercial operations of motor vehicle and services of car rental are performed by Otokoç, Birmot and Avis, Budget Zipcar and Payless brands respectively.

The Company has 34 branches in Turkey (17 Otokoç, 17 Birmot) and 188 offices (89 Avis, 62 Budget and 37 Zipcar points) and 84 rental offices worldwide.

Registered address of Otokoç is Aydınevler Mah. Saygı Cad. No: 60 Küçükyalı, Maltepe, İstanbul.

The consolidated subsidiaries of the Company as of 31 December 2020 and 2019 are as follows::

Company name	Field of activity	Final rate	
		31 December 2020	31 December 2019
Otokoç ABG Holland B.V. ("Otokoç Hollanda")	Investment	60%	60%
Olympic Commercial and Tourist Enterprises S.A. ("Olympic")	Car rental and trade	60%	60%
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta")	Insurance intermediary service	50%	50%
Otokoç Azerbaycan MMC	Lease	100%	100%
Otokoç Hungary KFT	Lease	100%	100%
Cronus Finance DAC ⁽¹⁾	Special purpose business	-	-

⁽¹⁾ Although it is not a subsidiary of Otokoç, the special purpose enterprise established to ensure the securitization process has been included in the scope of consolidation as of 31 December 2020.

Otokoç and its consolidated subsidiaries will be referred to as the "Group" in the condensed consolidated financial statements.

The Company's main shareholder is Koç Holding A.Ş. Additionally; the ultimate parent of the Company is Koç family.

The number of employees of the Group as of 31 December 2020 is 2,583 (31 December 2019: 2,525).

The consolidated financial statements of the Group as of and for the year ended 31 December 2020 has been approved for issue by the top management of the Group on behalf of Board of Directors on 12 February 2021. The General Assembly and various regulatory bodies have the right to amend the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The main accounting policies applied in the preparation of the consolidated financial statements are as follows:

2.1 Basis of presentation

2.1.1 Accounting policies

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

Consolidated financial statements have been presented in accordance with the formats announced by the CMB on April 15, 2019 ("TAS Taxonomy Announcement") and in the Financial Statement Samples and Usage Guidelines issued by the CMB.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TRY, which is the functional currency of the company and the presentation currency of the Group.

In order to prepare the accompanying consolidated financial statements and disclosures, monetary balance sheet accounts of the foreign subsidiaries in financial statements were converted to Turkish Lira using year end exchange rate as required by TAS 21 while non-monetary balance sheet, profit and loss and cash flow items were translated to Turkish Lira using the transaction date exchange rate.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.1 Basis of Presentation (Continued)

Financial statements, prepared in Manat, which is the functional currency, has been converted to TRY, which is the presentation currency of consolidated financial statements, as follows;

- As of 31 December 2020 asset and liability accounts has been converted to TRY as 1 Manat (AZN) = 4.32 TRY which is buying rate of T.C. Central Bank on 31 December 2020. (31 December 2019: 1 Manat(AZN) = 3.50 TRY).
- The income statement accounts has been converted to TRY using the average rate of years.

Financial statements of Otokoç Hungary KFT prepared in Hungarian Forint, which is the functional currency, has been converted to TRY, which is the presentation currency of consolidated financial statements, as follows;

- As of 31 December 2020 asset and liability accounts has been converted to TRY as 1 Hungarian Forint (HUF) = 0.24 TRY which is buying rate of T.C. Central Bank on 31 December 2020. (31 December 2019: 1 Hungarian Forint=0.20 TRY).
- The income statement accounts has been converted to TRY using the average rate of years.

Financial statements of Otokoç Hollanda prepared in Euro, which is the functional currency, has been converted to TRY, which is the presentation currency of consolidated financial statements, as follows;

- As of 31 December 2019 asset and liability accounts has been converted to TRY as 1 Euro (EUR) = 9,0079 TRY which is buying rate of T.C. Central Bank on 31 December 2020 (31 December 2019: 1 Euro=6,6506 TRY).
- The income statement accounts has been converted to TRY using the average rate of years.

Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are included in the "currency translation difference" under the shareholders' equity.

Based on the CMB's decision dated 17 March 2005 and numbered 11/367, unrealized objective conditions that require the application of the restatement in the financial statements and the absence of the indications of realization of these conditions in the future, the latest financial statements for the year ended 31 December 2004 Turkish Accounting Standards ("TAS 29") (Financial Reporting in Hyperinflationary Economies) were subject to restatement. Therefore, non-monetary items in the financial statements as at 31 December 2020 and 31 December 2019, additions until 31 December 2004 has been restated to 31 December 2004 and additions after 31 December 2004 have been measured at their nominal value.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

(a) The new standards, amendments and interpretations which are effective as at 31 December 2020 are as follows:

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.1 Basis of Presentation (Continued)

(b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- **TFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The amendments will not have an impact on the financial position or performance of the Company.
- **Amendments to TAS 1, "Presentation of financial statements' on classification of liabilities"**; effective from 1 January 2022. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability.
- **A number of narrow - scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16**; effective from Annual periods beginning on or after 1 January 2022.
- **Amendments to TFRS 3**, "Business combinations" update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to TAS 16**, "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to TAS 37**, "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.

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

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

- **Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2**; effective from Annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The effects of these changes on the financial position and performance of the Company are evaluated.
- **Amendments to TFRS 17 and TFRS 4, 'Insurance contracts', deferral of TFRS 9**; effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial Instrument until 1 January 2023.

2.2 Change in accounting policies

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. There has been no change in accounting policies for the period 1 January - 31 December 2020.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.3 Accounting policies, changes in accounting estimates and assumptions

Judgments that have a significant effect to the financial statements and assumptions that are made by taking into consideration of events which are existential as of the reporting date or possible to occur in foreseeable future are as follows:

- The Group management has important assumptions about the experience of the technical team in determining the second hand vehicle sales values at the end of the lease period of the vehicles in the tangible fixed assets that are leased by the operational leasing. The difference between the cost values of these vehicles and the second-hand sales values is amortized over the lease contracts. Accordingly, the management periodically reviews the value estimates to ensure that the estimated amounts are appropriate. The vehicle value estimated at the end of the rental period is residual value. The residual value at the end of the lease term may be different from the market value and is considered to be a market risk. Residual value is influenced by external factors. The effect of exchange rate changes on vehicles used and shaped, consumer preferences, instruments traded in foreign currencies, and general economic conditions affect market prices and are managed to a point. In determining the residual value, the Group uses the prices generated in the market database and the values realized in its own vehicle sales. Residual value is estimated by monitoring and analyzing sales profits to manage value risk of residual value (Note 7).
- The retirement pay liability is determined using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 15).
- Group management makes provision for litigation in accordance with assessment of Group's lawyers to for the probability of losing cases for legal cases issues which have been brought against the Group and still going on (Note 15).
- The Group has significant assumptions about the experience of the past year and the experience of the technical team for the estimated repair price and the selling price of damaged vehicles. The Group accounts provision for the difference between the net book value of the impaired vehicles and the loss exposures and estimated sales figures of the Group's damaged vehicles based on past experience (Note 15).
- Provision for doubtful receivables represents the amounts that the management believes will compensate future losses on receivables that are present but have a risk of not being collected within the current economic conditions as of the balance sheet date. Provision for doubtful receivables is allocated for each customer and not for the whole portfolio (Note 5).
- The Group has presented the vehicles subject to operational lease with the lease term in the inventory account group with the plan to sell the related vehicles on the second hand vehicle market without subjecting them to a new lease contract (Note 6).

2.4 Summary of significant accounting policies

The significant accounting policies applied are consistent with the prior period in the preparation of the consolidated financial statements are summarized below:

2.4.1 Basis of consolidation

Consolidated financial statements, which are prepared in accordance to accounting principles that are stated below, include the accounts of the Company, Otokoç, and its subsidiary, Otokoç Insurance, Otokoç Azerbaijan MMC, Otokoç Hungary KFT, Olympic, Cronus Finance DAC and Otokoç Netherlands (named "Group") as of 31 December 2020. During the preparation of the entities' financial statements with in the scope of consolidation, necessary adjustments and reclassifications were made in accordance with Financial Reporting Standarts issued by POA and accounting policies and presentation formats applied by the Group.

Subsidiaries are companies over which the Otokoç controls the financial and operating policies for the benefit of the Otokoç, either through the power to exercise more than 50% of the voting rights relating ta shares in the Companies owned directly and indirectly by itself; or although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies.

The non-controlling shareholders' share in the net assets and results of Subsidiaries for the period are separately classified as non-controlling interest in the consolidated balance sheets and statements of income. Minority rights from consolidated participations in the net assets of the consolidated subsidiary are listed as a separate item in the equity of the Company. The noncontrolling interests consist of shares from the initial business combinations and the non-controlling shares from the changes in equity after the business combinations date.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.1 Basis of consolidation (Continued)

As of 31 December 2020 and 2019, direct and indirect voting rights and proportion of effective interest (%) owned by the Group are indicated below:

Subsidiaries	31 December 2020		31 December 2019	
	Direct and indirect shares (%)	Percentage of effective interest (%)	Direct and indirect shares (%)	Percentage of effective interest (%)
Otokoç Hollanda	60	60	60	60
Olympic	60	60	60	60
Otokoç Sigorta ⁽¹⁾	50	50	50	50
Otokoç Azerbaijan MMC.	100	100	100	100
Otokoç Hungary Kft.	100	100	100	100
Otokoç Iraq LLC ⁽²⁾	100	100	100	100
Otokoç Kazakistan LLP ⁽²⁾	100	100	100	100
Otokoç Georgia LLC ⁽²⁾	100	100	100	100
Otokoç Ukraine LLC ⁽²⁾	100	100	100	100
Cronus Finance DAC ⁽³⁾	-	-	-	-

⁽¹⁾ Otokoç has the authorization and power of controlling the financial and management policies in favor of its own benefits through using its actual control effect on the financial and management policies of Otokoç Sigorta although it does not have the authority to use more than 50% of voting rights. Therefore, it is subject to full consolidation.

⁽²⁾ Otokoç - Iraq LLC, Otokoç - Kazakistan LLP, Otokoç - Georgia LLC and Otokoç - Ukraine LLC have not been included in the scope of consolidation and are classified as financial investments since they are not material to consolidated financial statements (Note 25).

⁽³⁾ Although it is not a subsidiary of Otokoç, the special purpose enterprise established to ensure the securitization transaction has been included in the scope of consolidation as of 31 December 2020.

2.4.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and bank deposits, credit card receivables, and short-term, highly liquid investments that are readily convertible to definite amounts of cash with maturities equal or less than 3 months (Note 3). Cash and cash equivalents in cash flow statement comprise of cash and cash equivalents with maturities less than 3 months except for accrued interest income

2.4.3 Trade receivables and provision for impairment

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 5).

A doubtful receivable provision for trade receivables is accounted if there is objective evidence that the Group will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

The Group measures the allowance for trade receivables at an amount equal to the "expected life-time credit losses" (except for realized impairment losses) where the trade receivables are not impaired for some reason. Expected credit losses are a weighted estimate of the likelihood of credit losses over the expected life of a financial instrument. In the calculation of expected credit losses, the Group takes into account future credit loss experience as well as forecasts for the future.

The Group uses a provisioning matrix to measure the expected credit losses on trade receivables. Depending on the number of days the maturities of trade receivables are exceeded, certain maturity ratios are calculated and these ratios are reviewed at each reporting period and revised where necessary. Expected credit losses are accounted for under "other income/expense from operating activities" in the income statement.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.4 Inventories

Inventories consist of second hand vehicles, brand new vehicles and spare parts. Inventories are valued at the lower of cost or net realizable value. The cost of inventories is based on moving weighted average cost and borrowing costs are not included. Vehicles subject to operational lease contracts whose contract period has been completed are transferred to the inventory account from assets used in operational lease with net book values by the end of contract termination date. The related vehicles classified under inventories are shown as second-hand vehicles in Note 6. Net realizable value is the estimated selling price in the ordinary course of business, reducing the cost of completion and the sales costs required to realize the sale.

2.4.5 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Buildings	50 years
Machinery and equipment	2-15 years
Furniture and fixtures	2-20 years
Vehicles	5 years
Leasehold improvements	2-25 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in income/expense from investment activities.

Subsequent costs, such as repairs and maintenance or part replacement of tangible assets, are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Group. All other costs are charged to the statements of profit or loss during the financial year in which they are incurred.

2.4.6 Assets subject to operational lease

Assets subject to operational lease include motor vehicles of the Group, utilized in rent a car services. The Group classifies its assets used in operational lease as long-term for those which have lease contracts longer than one year and as short-term which have lease contracts shorter than one year. The difference between the cost and the estimated second-hand sales price of the related assets is depreciated on a straight-line basis over the length of the lease contracts. Vehicles whose lease periods are completed are transferred to inventory accounts on net book values under the name of second hand vehicles.

2.4.7 Intangible assets

Intangible assets include acquired use rights, information systems and other identifiable rights. Intangible assets are amortized on a straight-line basis over their estimated useful lives between 5 and 15 years.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.8 Impairment of assets

The Group reviews the carrying values of assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is the greater of net selling price and value in use. The value in use is the present value of estimated future cash flows from the continuing use of an asset or its disposal at the end of its useful life, the net sale price is the amount obtainable from the sale of an asset less the costs of disposal. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Reversal of impairment losses recognized in statement of profit or loss.

A loss on impairment of an asset is reversed if the subsequent increase in the recoverable amount of the asset can be attributed to an event that arises in subsequent periods after the impairment was recognized in the records.

2.4.9 Financial liabilities and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of profit or loss over the period. Borrowing costs are charged to the statement of profit or loss when they are incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which requires substantial period of time to get ready for its intended use or sale shall be capitalized over the cost of the asset. Other borrowing costs shall be recognized as an expense in the period it incurs.

2.4.10 Trade payables

Trade payables are comprised of payments required related to provide the goods and services from the supplier in in the ordinary activities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.4.11 Recognition and derecognition of financial assets and liabilities

The Group recognizes a financial asset or financial liability in its consolidated statement of financial position when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset are portion of financial asset and when risk and benefit related ta property. The Group derecognizes a financial liability when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All the normal sales or purchase transactions of financial assets are recorded at the transaction date that the Group guaranteed to purchase or sell the financial asset. These transactions generally require the transfer of financial asset in the period specified by the general conditions and the procedures in the market.

Classification and measurement

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

(a) Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.11 Recognition and derecognition of financial assets and liabilities (Continued)

(b) Financial assets carried at fair value

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. Group carried these assets at their fair values. The fair value gains and losses are recognized in other comprehensive income after the deduction of impairment losses and foreign exchange income and expenses. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

The Group designates its foreign currency borrowings as hedging instrument in fair value hedge of the exposures to changes in foreign exchange rates of its unrecognized firm commitments. Unrecognized firm commitment to lease the fleet in return for leasing revenues and sell the specific second hand vehicles to the specific buyers at specific dates for vehicle sales revenue are designated as hedged items in this fair value hedge. In the fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value for the foreign currency component of its carrying amount measured is recognized in the income statement and the change in the fair value of the hedged item is accounted under "fair value of unrecognized firm commitment" in consolidated statement of financial position and in consolidated statements of profit or loss.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking, various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

2.4.12 Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in Otokoç Netherlands are recognized in equity. The gain or loss on the hedging instruments that has been recognized directly in equity is transferred statements of profit or loss on the disposal of the foreign operation.

2.4.13 Employee benefits

Defined benefit plans

The Group is obliged to pay termination indemnity to a certain number of employees who have completed at least one year of working period and who have left work due to retirement or who are terminated due to reasons other than resignation or misconduct.

The Group has adopted the "Projection Method", which requires the retirement pay liability to be recorded at the reduced net amount, based on estimated inflation rates and employee disqualification or termination, based on information raised by the Group's own experience and using the government bond interest rates valid at the balance sheet date and reflect the financial statements. All actuarial gains and losses calculated are reflected in the other comprehensive income statement.

Defined contribution plans

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Vacation pay liability

Vacation pay liability in the financial statements is the sum of unused vacation employee entitlement and probable liabilities in the future as of the reporting date.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.14 Tax

Tax expense (income) is the aggregate amount included in the determination of the statement of comprehensive income for the period in respect of current and deferred tax.

Current tax

Current tax liabilities (assets) are calculated in accordance with the applicable tax law and if not related with other comprehensive income or equity, expense (income) is recorded for the related period. In current tax calculations, tax laws and rates that are applicable or that will become applicable are used.

Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred tax is recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at consolidated statement of financial position date

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.4.15 Revenue recognition

The company accounts the revenue in its consolidated financial statements under the five-stage model:

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

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

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

Sales of goods and services

Income includes invoiced values of sales of goods and services. Revenue arising from sale of goods and services is recognized when the risks and rewards of ownership is transferred, the amount of revenue can be reliably measured and the economic benefits associated with the transaction will flow to the Group are highly probable. Significant risks and rewards in domestic vehicle and spare part sales are transferred to the buyer when invoice is issued.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.15 Revenue recognition (Continued)

Net sales are the sales of invoiced goods, excluding sales receipts. When there is an important financing element in the sales, the fair value is determined by deducting the future collections with the hidden interest rate included in the financing element. The difference between the nominal value and the fair value of the sales price is recorded in the relevant periods as the financing income on an accrual basis.

Revenues from operational leases

Income from operational leasing transactions is recorded as income in the related period on an accrual basis. According to management's opinion, when income becomes doubtful, it is temporarily waited.

Sales income of assets held for rent

Cash obtained from the sale of held-for-sale assets is recognized as income after the legal process is completed and significant risks and rewards of the assets are transferred to the buyer.

Interest income is recognized on a time proportion basis and the income accrued is determined taking into account the effective interest rate and the effective interest rate over the remaining period of time.

2.4.16 Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/expenses in the consolidated statements of profit or loss.

2.4.17 Related parties

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

Related party transactions are transactions in which resources, services and liabilities are transferred between related parties, regardless of whether they are a cost consideration.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.18 Provisions, contingent assets and liabilities

Provisions

Provisions are recognized when an entity has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When in the course of time the value loss of the money gains significance, the reserves are reflected in terms of the reduced value of the expenses likely to occur on the date of consolidated statement of financial position. When reduced value is used, increases to occur in the reserves as time goes by are recorded as interest expenses.

i) Damage provisions

In the event that the Group incurs an accident within the lease period for the vehicles subject to operational lease, the Group compares the net sales value of those vehicles with the past years' experience and the sales prices based on the experience of the technical crew. If the net book value is higher than the wholesale price, provision is made in the consolidated financial statements for the related amounts. It also allocates provision for past years' experience and technical crew experience for vehicles which have undergone an accident and whose damage repair controls have not yet been finalized (Note 15).

Contingent assets and liabilities

Provision is made in the financial statements if there is an existing obligation arising from past events, it is probable that the obligation will be met, and the amount of the obligation can be reliably estimated. Adjustment of the liability as of the balance sheet date, taking into account the amount set aside as a contingency and the risks and uncertainties regarding the liability. The most reliable estimate of the expenditure to be made. If the provision is measured using the estimated cash flows required to meet the present obligation, the carrying amount of the provision is equal to the present value of the related cash flows. If some or all of the economic benefit required to settle the obligation is expected to be met by a third party, the amount to be recovered is recognized as an asset if the collection of the obligation is virtually certain and reliably measured.

2.4.19 Dividends

Dividends payable are recognized as an appropriation of profit in the period in which they are declared in the consolidated financial statements.

2.4.20 Subsequent events

Post period-end events that provide additional information about the Group's position at the consolidated statement of financial position date (adjusting events), are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

2.4.21 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously/

2.4.22 Business combinations

Business combinations are accounted for by using the purchase method in the scope of TFRS 3 "Business combinations". Any excess of the cost of acquisition over the acquirer's interest in the (i) net fair value of the acquiree's identifiable assets and contingent liabilities as of the acquisition date, (ii) amount of any non-controlling interest in the acquired entity and (iii) fair value of any equity interest previously held by acquirer is accounted for as goodwill. If those amounts are less than fair value of the net identifiable assets of the business acquired, the difference is recognised directly in "Gains from investment activities" as a gain from bargain purchase.

Under this method, the cost of an acquisition is measured over the fair value of cash and other assets given as of the acquisition date, equity instruments issued or liabilities incurred.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.22 Business combinations (Continued)

If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after the acquisition date; in case the adjustment is measurable and more probable than not, than the cost of business combination at acquisition date is adjusted.

Identifiable assets, liabilities and contingent liabilities of the business acquired are measured initially at their fair values at the acquisition date in the scope of TFRS 3.

2.4.23 Leases

Group as a lessee

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

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

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

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

Right of use asset

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

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

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

- a) Less any accumulated depreciation and any accumulated impairment losses and
- b) Adjusted for any remeasurement of the lease liability.

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

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

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.4 Summary of significant accounting policies (Continued)

2.4.23 Leases (Continued)

Lease Liability

At the date when the lease actually begins, the Company measures its lease obligation at the present value of the lease payments not realized at that date. Lease payments, if the implicit interest rate in the lease can be determined easily, by using this rate; If the implied interest rate cannot be determined easily, the tenant is discounted using the alternative borrowing interest rate.

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

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Extension and early termination options

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

Variable lease payments

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

Practical expedient

The group has applied a single discount rate to a rental portfolio with similar characteristics. While measuring the existence right of use at the first application date, initial direct costs were not included. If the contract includes options to extend and terminate the contract, the rental period is determined and management evaluations are used.

Company - as Lessor

The Company has no significant activity as a lessor.

2.5 Comparative information and classification of prior period financial statements

The consolidated financial statements of the Group have been prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.6 Significant changes in current period

Due to the COVID-19 epidemic that affects the whole world, in parallel with the developments in the sector in which the Group is involved and in the general economic activities, the countries in which the Group operates and in the sector and countries where the majority of sales are made, slowdown in economic activities, disruptions in supply and sales processes has been experienced.

The necessary actions have been taken by the Group management to minimize the possible effects of COVID-19 on the Group's activities and financial status. In the meantime, there were no delays in both payments made to suppliers and collections of receivables.

The Group's dealer network continues to serve by taking all necessary precautions during the pandemic, and there has been a contraction in showroom visits and service entrances compared to the pre-pandemic. There has been a decrease in short-term rentals due to the slowdown in tourism activities in Greece.

With the reduction of restrictions to prevent the spread of the epidemic, all sales and service activities continue uninterrupted as of the balance sheet date.

Since the possible overall impacts and duration of Covid 19 pandemic on the world and Turkey is still unknown as of the reporting date, it will only be possible to do mid and long term assessments once the impacts become more clear. In preparation of the consolidated financial statements as of 31 December 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the consolidated financial statements and reviewed the critical estimates and assumptions. Within this scope, the Group has tested the financial assets, inventories and tangible assets a possible impairment and no impairments were identified.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on hand	319	299
Bank	883,262	1,444,018
- Time deposits in banks	6,200	1,375,356
- Demand deposits in banks	877,062	68,662
Credit card and direct debiting system receivables	121,450	95,574
	1,005,031	1,539,891

As of 31 December 2020, the time deposits of the Group is denominated in TRY and EUR with a maturity of 1 to 103 days (31 December 2019: 1 to 103 days) depending on the Group's urgent cash need and the interest rate of EUR denominated time deposits is between 1.00%-1.50%(31 December 2019 : 0.15%-0.50%). The interest rate of TRY time deposits is between 4.5%-17.00% (31 December 2019: 7.5%-10.25%). As of 31 December 2020, the Group has blocked deposits of TRY 35,122 (31 December 2019: None).

Cash and cash equivalents shown in the consolidated cash flow statements as of 31 December 2020 and 2019 are shown below:

	31 December 2020	31 December 2019
Cash and cash equivalents	1,005,031	1,539,891
Blocked deposits (-)	(35,122)	-
	969,909	1,539,891

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 4 - FINANCIAL LIABILITIES

a) Short - term financial liabilities

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a.(%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Borrowings in TRY	322,500	322,500	18.75-20.25	1,273,401	1,273,401	9.50-38.40
Borrowings in EUR	34,899	314,368	2.25	95,669	636,255	2.50-4.10
Borrowings in USD	-	-	-	5,416	32,174	5.00-5.50
Interest-free borrowings in TRY	12,868	12,868	-	-	-	-
		649,736			1,941,830	

b) Short - term bond payables

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a.(%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Bond payables in TRY (*)	510,556	510,556	17.35-20.70	198,000	198,000	15.22-21.90
		510,556			198,000	

(*) The TRY bonds issued by the Group are payable with one coupon every 6 months, and the principal of the bonds will be paid at the end of the maturity..

c) Short - term lease liabilities

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a.(%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Lease liabilities in EUR	6,947	62,578	5.75-7.00	4,692	31,205	5.75-7.00
Lease liabilities in TRY	7,399	7,399	14.00-25.00	30,062	30,062	25.00
Lease liabilities in USD	29	213	5.75-7.00	-	-	-
		70,190			61,267	

d) Short - term portions of long - term liabilities

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a.(%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Lease liabilities in TRY	478,631	478,631	9.50-18.50	468,351	468,351	14.10-37.30
Lease liabilities in EUR	16,892	152,165	2.50-5.50	28,342	188,491	2.90-8.30
		630,796			656,842	

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 4 - FINANCIAL LIABILITIES (Continued)

e) Long - term liabilities

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a.(%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Lease liabilities in EUR	242,863	2,187,682	2.90-3.70	39,992	265,968	2.90-4.80
Lease liabilities in TRY	1,695,742	1,695,742	9.50-18.50	2,530,797	2,530,797	12.40-14.30
Lease liabilities in USD	-	-	-	2,539	15,080	5.46
		3,883,424			2,811,845	

f) Long-term private sector bond payables

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a. (%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Bond payables in EUR	128,228	1,155,065	2.25	-	-	-
Bond payables in TRY (*)	-	-	-	500,000	500,000	17.35-20.70
		1,155,065			500,000	

(*) The TRY bonds issued by the Group are payable with one coupon every 6 months, and the principal of the bonds will be paid at the end of the maturity.

g) Long - term lease liabilities

	31 December 2020			31 December 2019		
	Original currency	TRY equivalent	Interest rate p.a.(%)	Original currency	TRY equivalent	Interest rate p.a. (%)
Lease liabilities in EUR	8,523	76,774	5.75-7.00	9,102	60,534	5.75-7.00
Lease liabilities in TRY	31,009	31,009	14.00-25.00	87,975	87,975	25.00-29.00
Lease liabilities in USD	122	896	5.75-7.00	-	-	-
		108,679			148,509	

The payment schedule for long term loans as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Between 1 - 2 years	1,693,283	1,835,072
Between 2 -3 years	536,347	290,551
Between 3 -4 years	298,453	283,935
4 years and over	2,619,085	1,050,796
	5,147,168	3,460,354

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 4 - FINANCIAL LIABILITIES (Continued)

Movements of financial liabilities are as of 31 December 2020 and 31 December 2019 as follows:

	2020	2019
Beginning of period - 1 January	6,318,293	4,531,204
Effect of TFRS 16	-	143,216
Additions - financial liabilities	3,877,914	4,287,920
Additions - lease liabilities	10,440	142,698
Payment of borrowings	(4,014,459)	(2,954,071)
Cash outflows from payments of lease liabilities	(76,238)	(50,994)
Changes in exchange rates	818,464	222,441
Change in interest accrual	43,998	21,213
Currency translation differences	30,034	(25,334)
End of period - 31 December	7,008,446	6,318,293

The fair values of long - term financial liabilities were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk. The carrying amounts and fair values of the Group's long-term borrowings as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
EUR	3,419,521	3,436,619	326,502	328,134
TRY	1,726,751	1,735,385	3,118,772	3,134,365
USD	896	900	15,080	15,155
	5,147,168	5,172,904	3,460,354	3,477,654

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 5 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 December 2020	31 December 2019
Trade receivables	2,707,434	1,686,712
Due from related parties	34,148	20,628
	2,741,582	1,707,340
Less: Provision for doubtful receivables	(385,341)	(282,884)
Total short term trade receivables	2,356,241	1,424,456
Long term trade receivables	244,232	256,517
Total trade receivables	2,600,473	1,680,973

As of 31 December 2020 average maturity days of trade receivables is 30 days (31 December 2019: 30 days).

The movements of provision for doubtful receivables are as follows:

	2020	2019
1 January	282,884	248,112
Additions	15,638	35,265
Currency translation differences	101,709	14,321
Collection (-)	(803)	(1,467)
Deleted from records (-)	(14,087)	(13,347)
31 December	385,341	282,884

b) Trade payables

	31 December 2020	31 December 2019
Trade payables	1,115,799	670,857
Due to related parties	2,260,397	866,131
	3,376,196	1,536,988

NOTE 6 - INVENTORIES

	31 December 2020	31 December 2019
Second hand cars	541,140	212,307
Brand new cars	537,927	107,900
Spare parts	258,129	133,702
	1,337,196	453,909

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Movement in the property, plant and equipment and the related accumulated depreciation comprised the following as of 31 December 2020

	Land improvements and buildings	Buildings	Machine and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
1 January 2020								
Cost	27,837	189,253	3,088	5,519,711	124,971	154	139,830	6,004,844
Accumulated depreciation	-	(39,847)	(819)	(828,213)	(62,683)	-	(77,514)	(1,009,076)
Net book value	27,837	149,406	2,269	4,691,498	62,288	154	62,316	4,995,768
Additions	-	9,989	1,531	2,551,827	45,748	9,926	8,530	2,627,551
Transfers	-	-	-	(568,057)	-	-	-	(568,057)
Foreign currency translation differences	8,006	34,525	813	796,935	3,898	-	4,667	848,844
Disposals	-	-	-	(103,108)	(789)	-	(20)	(103,917)
Depreciation	-	(36,978)	(667)	(502,796)	(20,441)	-	(14,840)	(575,722)
Net book value at the end of the period	35,843	156,942	3,946	6,866,299	90,704	10,080	60,653	7,224,467
31 December 2020								
Cost	35,843	233,767	5,432	8,197,308	173,828	10,080	153,007	8,809,265
Accumulated depreciation	-	(76,825)	(1,486)	(1,331,009)	(83,124)	-	(92,354)	(1,584,798)
31 December, net book value	35,843	156,942	3,946	6,866,299	90,704	10,080	60,653	7,224,467

As of 31 December 2020, there are no pledges or collaterals on property, plant and equipment.

⁽¹⁾ Net book value of the right-of-use assets classified under property, plant and equipment is TRY 212,606 thousand as of 31 December 2020. For the period ended 31 December 2020, additions to the right-of-use assets amounted to TRY 42,308 thousand and depreciation expenses amounted to TRY 54,290 thousand.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT(Continued)

Movement in the property, plant and equipment and the related accumulated depreciation comprised the following as of 31 December 2019:

	Land improvements and buildings	Buildings	Machine and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
1 January 2019								
Cost	13,694	47,227	2,853	4,239,208	97,869	47	133,801	4,534,699
Accumulated depreciation	-	(2,571)	(363)	(467,681)	(48,234)	-	(62,349)	(581,198)
Net book value	13,694	44,656	2,490	3,771,527	49,635	47	71,452	3,953,501
Initial recognition of right-of-use Assets within the scope of TFRS 16 ⁽¹⁾	23,989	97,041	-	22,186	-	-	-	143,216
Additions	589	61,908	-	1,802,241	27,028	107	5,663	1,897,536
Transfers	(12,926)	(22,452)	-	(575,974)	(88)	-	(50)	(611,490)
Foreign currency translation differences	2,491	5,529	235	160,568	821	-	1,835	171,479
Disposals	-	-	-	(128,518)	(659)	-	(1,419)	(130,596)
Depreciation	-	(37,276)	(456)	(360,532)	(14,449)	-	(15,165)	(427,878)
Net book value at the end of the period	27,837	149,406	2,269	4,691,498	62,288	154	62,316	4,995,768
31 December 2019								
Cost	27,837	189,253	3,088	5,519,711	124,971	154	139,830	6,004,844
Accumulated depreciation	-	(39,847)	(819)	(828,213)	(62,683)	-	(77,514)	(1,009,076)
31 December, net book value	27,837	149,406	2,269	4,691,498	62,288	154	62,316	4,995,768

As of 31 December 2019, there are no pledges or collaterals on property, plant and equipment.

⁽¹⁾ Net book value of the right-of-use assets classified under property, plant and equipment is TRY 246,905 thousand as of 31 December 2019. For the period ended 31 December 2019, additions to the right-of-use assets amounted to TRY 170,270 thousand and depreciation expenses amounted to TRY 73,738 thousand.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 December 2020, vehicles which are subject to short-term operational leasing amount to TRY 8,298,885 (31 December 2019: TRY 5,691,100) and vehicles subject to long-term operational leasing amount to TRY 1,649,509 (31 December 2019: TRY 1,175,462) adding to a total amount of TRY 6,649,376 (31 December 2019: TRY 4,515,638) are classified under current assets and tangible assets respectively.

The movements of vehicles leased to third parties under operational lease by the Group are as follows

	2020	2019
Net book value at the beginning of the period	5,691,100	4,966,867
Additions	3,464,232	2,250,771
Disposals	(83,008)	(120,596)
Transfers	(1,046,927)	(1,161,750)
Foreign currency translation differences	851,978	183,660
Current year depreciation	(578,490)	(427,852)
Net book value at the end of the period	8,298,885	5,691,100

NOTE 8 - INTANGIBLE ASSETS

The movement of intangible assets for the years ended on 31 December 2020 and 2019 are as follows:

	2020	2019
1 January		
Cost	119,563	103,647
Accumulated amortization	(27,212)	(16,465)
Net book value	92,351	87,182
Opening net book value	92,351	87,182
Additions	11,916	7,793
Foreign currency translation differences	28,419	8,123
Current period amortization	(14,755)	(10,747)
Net book value at the end of the period	117,931	92,351
31 December		
Cost	159,898	119,563
Accumulated amortization	(41,967)	(27,212)
Net book value	117,931	92,351

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 9 - OTHER CURRENT ASSETS

Other current assets	31 December 2020	31 December 2019
Assets used in operational lease	1,649,509	1,175,462
SCT receivables	2,608	192
Other	25,716	16,035
	1,677,833	1,191,689

NOTE 10 - PREPAID EXPENSES

Short - term prepaid expenses	31 December 2020	31 December 2019
Prepaid expenses ⁽¹⁾	138,422	122,943
	138,422	122,943

⁽¹⁾ The balance consist of prepaid traffic insurance expenses, prepaid traffic insurance expenses and one year portion of prepaid rent expense for which the Group pays in advance.

NOTE 11 - EMPLOYEE BENEFITS OBLIGATIONS

Employee benefits obligations	31 December 2020	31 December 2019
Withholding taxes and duties	23,092	14,797
Social security premiums payable	17,570	14,336
	40,662	29,133

NOTE 12 - DEFERRED INCOME

Short - term deferred income	31 December 2020	31 December 2019
Deferred revenue	14,522	4,670
	14,522	4,670

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 13 - OTHER RECEIVABLES AND OTHER PAYABLES

a) Other receivables	31 December 2020	31 December 2019
Other receivables from related parties (Note 23)	67,107	31,364
Receivables from insurance company ⁽¹⁾	5,388	5,628
Other	2,369	778
	74,864	37,770

As of 31 December 2020, other long-term receivables from related parties amounting to TRY 47,740 (31 December 2019: TRY 45,802).

⁽¹⁾ Receivables from insurance companies consist of claims related to damaged car reimbursements.

b) Other payables	31 December 2020	31 December 2019
Deposits and guarantees given	185,383	123,321
VAT payable	83,799	84,180
Special consumption tax payable	31	44
Other	2,370	2,416
	271,583	209,961

NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given	31 December 2020	31 December 2019
Letters of guarantee	156,155	132,688
Bill of guarantees	336,696	401,129
	492,851	533,817

b) Guarantees received	31 December 2020	31 December 2019
Letters of guarantee	533,001	206,162
Direct debiting system guarantees	350,907	273,698
Bails	5,498	2,548
Notes of guarantees	1,808	3,789
Other	11,662	11,453
	902,876	497,650

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

Collaterals, pledges, mortgages/bill of guarantees ("CPMB") given by the Group as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
a. CPMBs given for companies in the name of its own legal personality	156,155	132,688
b. CPMBs given on behalf of the fully consolidated companies	336,696	401,129
c. CPMBs given for continuation of its economic activities on behalf of third parties	-	-
d. Total amount of other CPMBs		
i. Total amount of CPMBs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMBs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMBs given on behalf of third parties which are not in scope of C	-	-
	492,851	533,817

The details of CPMB's in terms of currencies are as follows:

	31 December 2020		31 December 2019	
	Original currency	TRY equivalent	Original currency	TRY equivalent
TRY	225,524	225,524	182,200	182,200
USD	22,781	167,224	18,916	112,365
EUR	11,113	100,103	35,974	239,252
		492,851		533,817

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 15 - SHORT AND LONG TERM PROVISIONS

	31 December 2020	31 December 2019
a) Short - term provisions for employee benefits		
Personnel bonus accruals	46,424	35,798
	46,424	35,798

The movements of provision for personnel bonus accruals for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Beginning of the year - 1 January	35,798	29,388
Charge for the period	123,002	88,525
Payments during the period	(112,376)	(82,115)
End of the year - 31 December	46,424	35,798

	31 December 2020	31 December 2019
b) Other short - term provisions		
Penalty provision	34,050	25,249
Provision for modification cost	6,381	542
Other cost provisions	987	1,786
	41,418	27,577

As of 31 December 2020, total legal cases filed against the Group amount to TRY 21,282. In accordance with the legal counselor's opinion, the Group has not provided for in its consolidated financial statements for which the cash outflow is highly probable (31 December 2019: TRY 17,660)

	31 December 2020	31 December 2019
c) Long term liabilities		
Provision for employment termination benefits	52,021	39,595
Provision for unused vacation	13,930	13,434
	65,951	53,029

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 15 - SHORT AND LONG TERM PROVISIONS (Continued)

Provision for employment termination benefits

There are no pension plan agreements other than the legal requirement as explained below.

Under the Labor Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 7,117.17 as of 31 December 2020 (31 December 2019: TRY 6,379.86) for each period of service.

The provision for employee termination benefits 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 entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2020	2019
Discount rate (%)	4.63	4.67
Turnover rate to estimate the probability of retirement (%)	95	95

The principal assumption is that maximum liability of employment termination benefits 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. As the maximum liability is revised semi-annually, the maximum amount of TRY 7,638.96 which is effective as at 1 January 2021, has been taken into consideration in calculating the provision for employment termination benefits of the Group (1 January 2020 : TRY 6,730.15).

The movements of provision for employment termination benefits for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Beginning of the year - 1 January	39,595	29,074
Actuarial gain/(loss)	2,987	7,606
Interest expense	4,539	3,347
Service cost	3,661	3,267
Foreign currency translation differences	4,148	2,252
Payments during the period (-)	(2,909)	(5,951)
End of the year- 31 December	52,021	39,595

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 15 - SHORT AND LONG TERM PROVISIONS (Continued)

The movements of provision for unused vacation liability for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Beginning of the year - 1 January	13,434	11,436
Charge for the period	2,260	2,857
Payments and usage during the period	(1,764)	(859)
End of the year- 31 December	13,930	13,434

The movements of other cost provisions for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Beginning of the year - 1 January	1,786	3,124
Charge for the period	6,627	5,556
Payments	(7,426)	(6,894)
End of the year - 31 December	987	1,786

The movements of provision for modification cost for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Beginning of the year - 1 January	542	331
Charge for the period	102,019	101,306
Payments	(96,180)	(101,095)
End of the year - 31 December	6,381	542

NOTE 16 - EQUITY

The Company's shareholders and their shareholding percentages are as follows:

Shareholders	31 December 2020		31 December 2019	
	Amount	Share (%)	Amount	Share (%)
Koç Holding A.Ş.	130,999	96.32	130,999	96.32
Temel Ticaret ve Yatırım A.Ş.	4,670	3.43	4,670	3.43
Zer Merkezi Hizmetleri ve Tic. A.Ş.	331	0.24	331	0.24
Koç Yapı Malzemeleri Tic. A.Ş.	-	0.01	-	0.01
Inventram Fikri Mülkiyet Hakları Yön Tic. ve A.Ş.	-	0.01	-	0.01
Total paid-in capital	136,000	100	136,000	100

Adjustment to share capital represents the inflation adjusted amount of the cash and cash equivalents of paid-in capital and the difference before the inflation adjustment.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 16 - EQUITY (Continued)

As at 31 December 2020, the paid-in capital of the Group comprises of 13,600,000,000 shares issued (31 December 2019: 13,600,000,000 shares) of Kr 1 each.

No deductions from dividends paid to non-resident corporations that earn income through a business office or permanent representative in Turkey and dividends paid to resident corporations in Turkey. Dividend payments made to persons and institutions other than these are subject to 15% stoppage. Adding profit to the capital does not count as profit distribution.

Restricted reserves

The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Company's paid-in share capital. The legal reserves can only be used to offset loss, maintain existing of the Company under negative circumstances, avoid unemployment and are not available for any other usage unless the reserve exceeds 50% of paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions will be made to shareholders after first legal reserve at the rate of 5% deducted. In addition, 75% of these earnings should be kept in a fund account in liability and should be not withdrawn for 5 years to benefit income from sales of real estate and participation share exemption.

Retained earnings

Accumulated profits other than net profit for the period are reported in this account. Extraordinary reserves which are not restricted and accordingly considered as accumulated profit is accounted in this account.

Dividend Distribution

Partnerships shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The partnerships pay dividends as determined in their articles of incorporation or profit distribution policies. Furthermore, dividends may be paid in installments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

NOTE 17 - REVENUE

	1 January- 31 December 2020	1 January - 31 December 2019
Brand new car sales	8,249,653	3,240,809
Lease sales	2,525,856	2,382,632
Second hand car sales	2,370,612	2,096,627
Other sales	1,153,869	972,079
Gross sales	14,299,990	8,692,147
Sales returns (-)	(33,296)	(20,695)
Sales discounts (-)	(6,901)	(8,458)
Net sales	14,259,793	8,662,994

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 18 - EXPENSES BY NATURE

Expenses by nature consist of cost of sales, marketing selling and distribution expenses, and general administrative expenses.

	1 January- 31 December 2020	1 January- 31 December 2019
Cost of trade goods sold	(10,562,427)	(5,705,971)
Depreciation and amortization charges	(689,455)	(546,741)
Personnel expenses	(440,753)	(407,358)
Maintenance and repair expenses	(230,162)	(212,310)
Insurance expenses	(133,411)	(116,074)
Taxes, duties and charges	(127,021)	(118,858)
Royalties	(58,011)	(80,382)
Advertisement and promotion expenses	(39,749)	(45,748)
Information systems and communication expenses	(24,296)	(18,788)
Energy and utility expenses	(22,733)	(21,605)
Rent expenses	(17,060)	(34,869)
Travel expenses	(16,021)	(15,859)
Grants and donations	(9,574)	(1,926)
Other	(303,851)	(306,400)
	(12,674,524)	(7,632,889)
Functional breakdown of expenses by nature		
Cost of sales	(11,878,118)	(6,891,250)
Marketing, selling and distribution expenses	(420,609)	(449,754)
General administrative expenses	(375,797)	(291,885)
	(12,674,524)	(7,632,889)
Functional breakdown of personnel expenses		
Marketing, selling and distribution expenses	(168,593)	(175,191)
General administrative expenses	(166,820)	(131,260)
Cost of sales	(105,340)	(100,907)
	(440,753)	(407,358)
Functional breakdown of depreciation and amortization charges		
Cost of sales	(597,598)	(464,046)
General administrative expenses	(52,947)	(45,445)
Marketing, selling and distribution expenses	(38,910)	(37,250)
	(689,455)	(546,741)

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 19 - OTHER OPERATING INCOME/EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
a) Other operating income		
Insurance claim income	7,181	17,958
Due date charge on receivables	5,289	1,574
Commission income	2,027	2,264
Provisions no longer required	803	1,467
Foreign exchange gains on operations ^(*)	199	117
Other	3,724	6,913
	19,223	30,293
b) Other operating expense		
Provision expenses	(25,942)	(19,843)
Interest expenses	(7,511)	-
Foreign exchange gains on operations ^(*)	(416)	(249)
Other	(6,023)	(11,955)
	(39,892)	(32,047)

^(*) Foreign exchange gain/loss classified under other operating income and expenses result from the Group's commercial transactions.

NOTE 20 - INCOME FROM INVESTMENT ACTIVITIES

	1 January- 31 December 2020	1 January- 31 December 2019
Income from investment activities		
Income from sales of property, plant and equipment	8,798	8,456
Rent income	1,435	1,117
	10,233	9,573

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 21 - FINANCIAL INCOME AND EXPENSE

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange gains from borrowings	60,677	131,551
Interest income	58,829	20,832
Total financial income	119,506	152,383
Interest expense on borrowings	(518,483)	(601,614)
Rediscount expense	(82,105)	(64,542)
Foreign exchange loss from derivative instruments	(62,371)	(131,206)
Other	(15,611)	(18,805)
Total financial expense	(678,570)	(816,167)

NOTE 22 - TAX ASSETS AND LIABILITIES

a) General

The Group is subject to the tax legislation and practices in force in Turkey.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2018, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities are recognized in the financial statements as of 31 December 2020 at a rate of 22% for the portion of temporary differences that will have tax effect in the years 2018, 2019 and 2020 and 20% for temporary differences and 2021% 20 ratio.

As of 31 December 2020, the corporate tax rate is 24% in Greece, where the Company operates as a subsidiary of Olympic.

Tax legislation in Turkey does not permit a parent company and its subsidiaries consolidated tax return to fill out. Therefore, the tax liability reflected in the financial statements is calculated on a company basis.

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.

	31 December 2020	31 December 2019
Current year tax charge	17,489	32,944
Less: prepaid corporation taxes	(19,703)	(36,750)
Foreign currency translation differences	5,673	(2,923)
Current year tax liability/asset (net)	3,459	(6,729)

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

Income tax expense for the years ended 31 December 2020 and 2019 are summarized as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Deferred tax expense	181,308	49,821
Current period tax expense	17,489	32,944
	198,797	82,765

Tax reconciliation calculated on profit before tax in consolidated financial statements is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Profit before taxation	1,015,689	359,850
Tax expense calculated using 22% local tax rate	(225,883)	(79,167)
Effect of tax rate change	45,189	(5,380)
Non deductible expense	(17,543)	(2,700)
Deductions and exemptions	287	4,862
Other	(847)	(380)
Taxation on expense	(198,797)	(82,765)

b) Deferred tax assets and liabilities

As at 31 December 2020 and 31 December 2019, the breakdown of deferred tax liabilities calculated using the effective tax rates as of the balance sheet date and the temporary differences related to deferred tax are summarized as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Tangible and intangible assets	2,693,901	1,532,318	564,385	358,992
Unrecognised tax lossess	88,071	132,729	(17,614)	(29,200)
Provision for doubtful receivables	129,128	98,048	(30,991)	(26,473)
Effect of hedge accounting	15,955	78,305	3,191	17,227
Employment termination benefits provision	57,210	41,650	(12,334)	(8,605)
Adjustments related to inventories	29,420	15,727	(7,061)	(3,460)
Provision for unused vacation liability	13,930	13,434	(2,786)	(2,687)
Other	22,345	40,360	6,908	(4,434)
Deferred tax asset/(liability), net			503,698	301,360

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax liabilities is as follows:

	2020	2019
1 January	301,360	250,342
Recognized under consolidated statement of profit or loss	181,308	49,821
Foreign currency translation differences	34,431	7,146
Recognized under consolidated other comprehensive income	(13,401)	(5,949)
31 December	503,698	301,360

NOTE 23 - RELATED PARTY TRANSACTIONS

Cash and cash equivalents from related parties	31 December 2020	31 December 2019
Koç Group Companies ⁽¹⁾	73,447	99,519
	73,447	99,519
Trade receivables from related parties	31 December 2020	31 December 2019
Koç Group Companies ⁽¹⁾	34,148	20,628
	34,148	20,628
Other receivables from related parties	31 December 2020	31 December 2019
Koç Group Companies ⁽¹⁾	114,847	77,166
	114,847	77,166
Financial liabilities to related parties	31 December 2020	31 December 2019
Koç Group Companies ⁽¹⁾	83,809	16,051
	83,809	16,051
Trade and other payables to related parties	31 December 2020	31 December 2019
Koç Group Companies ⁽¹⁾	2,257,582	851,269
Shareholders	2,815	14,862
	2,260,397	866,131

⁽¹⁾ Koç Holding has the majority and ownership to control the companies or it is the ultimate parent for aforementioned companies.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 23 - RELATED PARTY TRANSACTIONS (Continued)

Goods purchases from related parties	1 January- 31 December 2020	1 January- 31 December 2019
Koç Group Companies ⁽¹⁾	9,359,486	4,050,648
Shareholders	22,407	16,001
	9,381,893	4,066,649

⁽¹⁾ Koç Holding has the majority and ownership to control the companies or it is the ultimate parent for aforementioned companies. Almost all of the purchases of goods are vehicle and spare parts purchases within the scope of our commercial activity.

Sales of goods and services to related parties	1 January- 31 December 2020	1 January- 31 December 2019
Koç Group Companies ⁽¹⁾	925,356	700,360
Shareholders	13,087	6,750
	938,443	707,110

⁽¹⁾ Koç Holding has the majority and ownership to control the companies or it is the ultimate parent for aforementioned companies.

Service purchases from related parties	1 January- 31 December 2020	1 January- 31 December 2019
Shareholders	29,215	18,852
	29,215	18,852

Benefits provided to senior management:

Total compensation provided to members of the Board of Directors, General Manager, Assistant General Managers and Directors by the Company during the year ended 31 December 2020 amounts to TRY 16,500 (31 December 2019: TRY 26,016). Compensation includes only short-term benefits.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS

Risk management objectives and principles

The Group's most important financial instruments are cash and cash equivalents and financial liabilities. The most important purpose of these financial instruments is to provide a source of financing for Group operations. The Group also has a variety of financial instruments, such as trade payables and trade receivables. The Group's most important risks arising from its financial instruments are interest rate risk, liquidity risk, exchange risk and credit risk. Group management reviews each of the risks outlined below and develops the following policies.

Credit risk

Credit risk is the risk of financial collapse of the other party that fails to meet its obligations with respect to a financial intermediary. The Group tries to manage the credit risk by limiting transactions with certain parties and by constantly evaluating the reliability of the parties to which it relates. All customers who want to work with credits according to group procedures are passed through loan review stages and necessary guarantees are taken. In addition, the receivables are constantly reviewed and the suspicious loan/receivable risk of the Group is minimized. Trade receivables are assessed by considering their past experience and current economic condition in the Group's management and are shown net on the balance sheet after the provision for doubtful receivables is appropriated (Note 5).

The values carried on the balance reflect the Group's maximum credit risk.

Types of credit exposed by types of financial instruments;

31 December 2020	Trade receivables		Other receivables		Deposits at the bank		Other
	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	
Maximum exposed credit risk as of reporting date (A+B+C+D+E) ⁽¹⁾	34,148	2,566,325	114,847	17,035	17,971	859,091	-
- Secured portion of the maximum credit risk by guarantees, etc ⁽²⁾	-	461,073	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	34,148	2,254,089	114,847	17,035	17,971	859,091	-
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	310,521	-	-	-	-	-
- Secured portion by guarantees, etc.	-	333,844	-	-	-	-	-
D. Net book value of the impaired assets	-	1,715	-	-	-	-	-
- Undue (gross book value)	-	387,056	-	-	-	-	-
- Impairment (-)	-	(385,341)	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Trade receivables		Other receivables		Deposits at the bank		Other
	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	
Maximum exposed credit risk as of reporting date (A+B+C+D+E) ⁽¹⁾	20,628	1,660,345	77,166	6,406	25,842	42,820	-
- Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	235,189	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	20,628	1,535,044	77,166	6,406	25,842	42,820	-
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	125,301	-	-	-	-	-
- Secured portion by guarantees, etc.	-	165,801	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-	-
- Past due(gross book value)	-	282,884	-	-	-	-	-
- Impairment (-)	-	(282,884)	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
E. Off balance sheet items with credit risk	-	-	-	-	-	-	-

⁽¹⁾ Amounts showing the maximum credit risk exposed as of reporting date by excluding guarantees in hand and other factors that increase the credit quality.

⁽²⁾ Major part of guarantees is composed of mortgages and trade receivable insurances.

As of 31 December 2020, secured portion by guarantees of the trade receivables either not due or not impaired amount to TRY 461,073 (31 December 2019: TRY 235,189).

As of 31 December 2020, secured portion by guarantees of the overdue but not impaired trade receivables amount to TRY 333,844 (31 December 2019: TRY 165,801).

As of 31 December 2020, secured portion by guarantees of impaired trade receivables amount to zero (31 December 2019: None).

Assets and liabilities denominated in foreign currencies together with the purchase and sale commitments cause the Group to be exposed to currency risk. The Group's policy is to compare possible future purchases and sales for each currency type.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2020	Foreign exchange position table TRY equivalent (functional currency)	USD	EUR
1. Trade receivables	-	-	-
2. Monetary financial assets (including cash, bank accounts)	120,333	12,664	3,039
3. Other	-	-	-
4. Current assets (1+2+3)	120,333	12,664	3,039
5. Trade payables	-	-	-
6. Financial liabilities	144,147	6,557	10,659
7. Other short-term liabilities	-	-	-
8. Short-term liabilities (5+6+7)	144,147	6,557	10,659
9. Trade payables	-	-	-
10. Financial liabilities	289,294	5,450	27,674
11. Long-term liabilities (9+10)	289,294	5,450	27,674
12. Total liabilities (8+11)	433,441	12,007	38,334
13. Net foreign currency asset liability position (4-12)	(313,108)	657	(35,295)
14. Monetary items net foreign currency asset/liability position (4-12)	(313,108)	657	(35,295)
15. The net position of derivative instruments	101,525	1,857	9,758
16. Foreign currency net position (14+15)	(211,583)	2,514	(25,537)
17. Loans defined as hedging instruments (*)	248,429	-	27,579
18. Net foreign currency position after hedging instruments (16+17)	36,846	2,514	2,042

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019	Foreign exchange position table TRY equivalent (functional currency)	USD	EUR
1. Trade receivables	-	-	-
2. Monetary financial assets (including cash, bank accounts)	1,271,952	-	191,254
3. Other	74,608	7,391	4,616
4. Current assets (1+2+3)	1,346,560	7,391	195,870
5. Trade payables	-	-	-
6. Financial liabilities	283,936	5,429	37,844
7. Other short-term liabilities	-	-	-
8. Short-term liabilities (5+6+7)	283,936	5,429	37,844
9. Trade payables	-	-	-
10. Financial liabilities	304,435	6,129	40,301
11. Long-term liabilities (9+10)	304,435	6,129	40,301
12. Total liabilities (8+11)	588,371	11,558	78,145
13. Net foreign currency asset liability position (4-12)	758,189	(4,167)	117,725
14. Monetary items net foreign currency asset/liability position (4-12)	758,189	(4,167)	117,725
15. The net position of derivative instruments	(996,723)	3,194	(152,722)
16. Foreign currency net position (14+15)	(238,534)	(973)	(34,997)
17. Loans defined as hedging instruments ⁽¹⁾	241,403	-	36,298
18. Net foreign currency position after hedging instruments (16+17)	2,869	(973)	1,301

⁽¹⁾ The balance includes the loan amounting to EUR 27,579 used for the Olympic company purchased under business combinations (31 December 2019: 36,298). Exchange gains/losses related to the loans are accounted in earnings/losses on hedge of investment in a foreign operation under shareholders equity to be offset from foreign exchange differences arising from translation of net assets into Turkish Lira.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

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

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

A sensitivity analysis of 20% change in the US Dollar, Euro and other foreign currency liabilities (excluding foreign currency denominated inventory and tangible asset advances) is as follows when the other variables of the Company's pre-tax profit are fixed as of 31 December 2020 and 31 December 2019:

	Exchange rate sensitivity analysis table			
	31 December 2020		31 December 2019	
	Gain/(loss)		Gain/(loss)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 20% appreciation of US Dollar against TRY: (31 December 20%)</i>				
1- USD net asset liabilities	965	(965)	(4,951)	4,951
2- Amount hedged for US Dollar risk (-)	2,726	(2,726)	3,794	(3,794)
3- USD net effect (1+2)	3,691	(3,691)	(1,157)	1,157
<i>In case 20% appreciation of EUR against TRY: (31 December 20%)</i>				
4- EUR net asset liabilities	(63,587)	63,587	156,588	(156,588)
5- Amount hedged for EUR risk (-)	67,265	(67,265)	(154,858)	154,858
6- EUR net effect (4+5)	3,678	(3,678)	1,730	(1,730)
Total (3+6)	7,369	(7,369)	573	(573)

As of 31 December 2020, the future minimum TRY equivalent of the undiscounted US Dollar, Euro, Manat and TRY operational lease receivables are TRY 17,121, TRY 88,231, TRY 77,395 and TRY 1,549,275, respectively (31 December 2019: TRY 19,555, TRY 256,334, TRY 68,374 and TRY 1,058,659).

Otokoç Holland, a subsidiary of the Group, defined its loans amounting to EUR 25,739 as hedging instrument in order to hedge its foreign currency risk arising from the translation of its net investments in subsidiaries operating in Europe into Turkish Lira. Exchange gains/losses of aforementioned loans are recognized in gains/losses on hedge of net investment in foreign operations in equity to be offset against foreign exchange differences amounting to TRY 131,394 resulting from the translation of net assets into foreign currency.

Interest rate risk

As of 31 December 2020, the Group has no financial liabilities with variable interest rate.

At 31 December 2020, if interest rates of EUR denominated borrowings with variable interest rates have strengthened/weakened by 100 base points with all other variables held constant, income before taxes would not change.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
 (Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate position table is as follows:

Financial instruments with fixed interest rate	31 December 2020	31 December 2019
Financial assets	-	-
Cash and cash equivalents	6,200	1,375,356
Financial liabilities		
Borrowings	6,829,577	6,108,517
Other borrowings	-	-
Financial instruments with floating interest rate		
Financial liabilities		
Borrowings	-	-

Liquidity risk

Liquidity risk is the risk that a company can not meet its funding needs. Liquidity risk is reduced by balancing cash inflows and outflows with the support of credits given by reliable Lenders.

The breakdown of the financial assets and liabilities according to their maturities is indicated taking into account the period from the balance sheet date to the maturity date. Financial assets and liabilities that do not have a specific hyperinflation are classified as one year to long term.

31 December 2020

Maturities under contract	Book value	Cash outflows under contract total (=I+II+III+IV)	Up to 3 months (I)	3 months- 1 year(II)	1 - 5 years (III)	5 years and over (IV)
Financial liabilities						
Financial payables	7,008,446	7,008,446	812,847	1,048,431	3,976,132	1,171,036
Trade payables	1,115,799	1,115,799	1,115,799	-	-	-
Trade payables to related parties	2,260,397	2,260,397	2,260,397	-	-	-
	10,384,642	10,384,642	4,189,043	1,048,431	3,976,132	1,171,036

31 December 2019

Maturities under contract	Book value	Cash outflows under contract total (=I+II+III+IV)	Up to 3 months (I)	3 months- 1 year(II)	1 - 5 years (III)	5 years and over (IV)
Financial liabilities						
Financial payables	6,318,293	6,318,293	1,476,187	1,381,752	2,462,764	997,590
Trade payables	670,857	670,857	670,857	-	-	-
Trade payables to related parties	866,131	866,131	866,131	-	-	-
	7,855,281	7,855,281	3,013,175	1,381,752	2,462,764	997,590

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 24 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Capital management policy

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net financial debt/total equity ratio.

The consolidated net financial debt/total equity ratios as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Total financial liabilities	7,008,446	6,318,293
Cash and cash equivalent	(969,909)	(1,539,891)
Net financial liabilities	6,038,537	4,778,402
Total equity	2,882,087	1,741,210
Liabilities/equity ratio	2.10%	2.74%

NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE FINANCIAL AND RISK MANAGEMENT DISCLOSURES)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial asset

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values. Foreign currency denominated assets are translated into Turkish Lira at the exchange rates prevailing at the end of the period.

OTOKOÇ OTOMOTİV TİCARET VE SANAYİ A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2020

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

NOTE 25 - FINANCIAL INSTRUMENTS (FAIR VALUE FINANCIAL AND RISK MANAGEMENT DISCLOSURES) (Continued)

Financial Liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term financial liabilities and other financial liabilities are estimated to be their fair values since they keep denominated in foreign currencies.

Foreign currency denominated liabilities are translated into Turkish Lira at the exchange rates prevailing at the end of the period.

Derivative financial instruments

The Group is hedged from currency risk sourcing from foreign currency operational leasing receivables firm commitment through making financial borrowing in the same foreign currency. In this framework, the Group implements hedge accounting.

The total amount of foreign currency differences of operational leasing receivables since beginning hedge accounting is TRY 520,693 (31 December 2019: TRY 474,217), and the amortization amount resulting from the periodic renewal of hedge accounting is TRY 504,752 (31 December 2019: TRY 395,912). Net income generated amounted to TRY 78,305 (31 December 2019: TRY 158,786). The total amount of exchange differences of financial borrowings defined as hedging instruments since the beginning of hedge accounting is TRY 568,210 (expense) (31 December 2019: TRY 508,937 (expense)). The Group periodically updates its items subject to hedge accounting and its hedging instruments portfolio and measures hedging effectiveness with respect to the related periods.

a) Derivative financial assets held for cash flow hedges

	31 December 2020	31 December 2019
Short-term hedging derivative instruments	12,151	65,878
Long term hedging derivative instruments	3,804	12,427
	15,955	78,305

b) Financial investments

	Share rate (%)	31 December 2020	31 December 2019
Otokoç - Ukraine LLC	100	2,762	2,762
Otokoç - Kazakistan LLP	100	526	526
Otokoç - Georgia LLC	100	290	290
Otokoç - Iraq LLC	100	2	2
		3,580	3,580

As of 31 December 2020, the Group's financial assets not included within the scope of consolidation due to the fact that their financial statements are not material for consolidation purposes they are Otokoç - Ukraine LLC, Otokoç - Kazakistan LLP, Otokoç - Iraq LLC, Otokoç - Georgia LLC. Since their fair value can not be determined reliably and not traded in an organized market, they are valued by decreasing the impairment loss from the acquisition cost.

NOTE 26 - SUBSEQUENT EVENTS

At the Board of Directors meeting dated 20 January 2021, it was decided to terminate the operations of Otokoç - Iraq LLC, one of the financial investments of the Group, due to the transfer of Iraq car rental operations to licensee firm.

CONTACT INFORMATION

The head office of the Company is at Aydınevler Mah. Saygı Cad. No: 60 Maltepe / İstanbul.

The Company is registered at the İstanbul Trade Registry Office (Nr. 459231).

The contact information of the head office of the Company and its branches are as follows:

HEAD OFFICE		ADDRESS	TELEPHONE
		Aydınevler Mah. Saygı Cad. No: 60 34854 Maltepe/İstanbul	(+90 216) 5879800

OTOKOÇ	BRANCH	ADDRESS	TELEPHONE
	İstinye	İstinye Mah. Sarıyer Cad. No: 70/C Sarıyer/İstanbul	(+90 212) 2299555
	Sultanbeyli	Akşemsettin Mah. Atatürk Cad. No: 328 Sultanbeyli/İstanbul	(+90 216) 4875327
	Taşdelen	Taşdelen Mah. Sırrı Çelik Bulv. No: 9/A Çekmeköy/İstanbul	(+90 216) 4301200
	Ataşehir	Küçükbakkalköy Mah. Kayışdağı Cad. Flora Plaza No: 3 Ataşehir/İstanbul	(+90 216) 2509500
	Ankara	Erler Mah. Dumlupınar Bulv. No: 350 Etimesgut/Ankara	(+90 312) 2074700
	İzmir	Kazım Dirik Mah. 296 Sok. No: 1 35100 Bornova/İzmir	(+90 232) 4989000
	Adana	Sarıhamzalı Mah T.Cemal Beriker Bulv. No 531 Adana	(+90 322) 4411717
	Tarsus	Yunus Emre Mah. Sait Polat Bulv. No: 60 Tarsus/Mersin	(+90 322) 6146060
	Konya	İstanbul Yolu Üzeri Sancak Mah. Büyükkırmak Sok. No.1 Selçuklu/Konya	(+90 332) 2554233
	Söğütözü	Söğütözü Mah. Söğütözü Cad. No: 2 Koç Kuleleri C Blok 8-9 Çankaya/Ankara	(+90 312) 2205500
	Samsun	Şabanoğlu Mah. Atatürk Bulv. No: 302 Kutlukent/Samsun	(+90 362) 2666112
	Eskişehir	Şirintepe Mah. İsmet İnönü 2.Cad No: 64 Eskişehir	(+90 222) 3351010
	Kütahya	Merkez İnköy Mah. Kütahya Eskişehir Yolu Bulvar No: 29 Kütahya	(+90 274) 2250350
	Bursa	İzmir Yolu Cad. 29 Ekin Mah. No: 380 Nilüfer/Bursa	(+90 224) 2703925
	Antalya	Altınova Sinan Serik Cad. No: 253 Kepez/Antalya	(+90 242) 3402685
	Alanya	İbrahim Bilgen Cad. No: 1 Tosmur Alanya/Antalya	(+90 242) 5151380
İnönü	Yenice Mah. Otokoç Küme Evler No: 1 İnönü/Eskişehir	(+90 222) 5913676	

BİRMOT	BRANCH	ADDRESS	TELEPHONE
	Zincirlikuyu	Esentepe Mah. Büyükdere Cad. No: 145 80300 Zincirlikuyu Şişli/İstanbul	(+90 212) 3703333
	Küçükyalı	Aydınevler Mah. Siteler Yolu Sok. No: 12 34854 Maltepe/İstanbul	(+90 216) 5879870
	Ataşehir	Vedat Günayol Cad. Dereyolu Sok. No: 3 Küçükbakkalköy/İstanbul	(+90 216) 5752930
	Suadiye	Bağdat Cad. Türel Apt. No: 444 A/İç Kapı 1 Suadiye/İstanbul	(+90 216) 4165100
	Beylikdüzü	Barış Mah. Karadeniz Cad. No: 1 Beylikdüzü/İstanbul	(+90 212) 8662400
	İstinye	İstinye Mah. Sarıyer Cad. No: 70/A Sarıyer/İstanbul	(+90 212) 2292700
	Ankara	Macun Mah. Bağdat Cad. No: 97 Yenimahalle/Ankara	(+90 312) 5918600
	İzmir	Çınarlı Mah. Ankara Asfaltı Cad. No: 30 Konak/İzmir	(+90 232) 4989100
	Bursa	Alaşarköy Mah. Yeni Yalova Yolu Cad. No: 628 Osmangazi/Bursa	(+90 224) 2703939
	Söğütözü	Söğütözü Mah. Söğütözü Cad. No: 2 Koç Kuleleri C Blok 8-9 Çankaya/Ankara	(+90 312) 2867000
	Antalya	Altınova Sinan Mah. Serik Cad. No: 85 Kepez/Antalya	(+90 242) 3402200
	Adana	Sarıhamzalı Mah. Turhan Cemal Beriker Bulv.No: 521/A Seyhan/Adana	(+90 322) 4411111
	Samsun	Şabanoğlu Mah. Atatürk Bulv. No: 296 Kutlukent/Samsun	(+90 362) 2668110
	Eskişehir	Şirintepe Mah. İsmet İnönü 2. Cad. No: 68 Tepebaşı/Eskişehir	(+90 222) 3352430
	Kütahya	Merkez İnköy Mah. Kütahya Eskişehir Yolu Bulvar No: 29 Kütahya	(+90 274) 2251099
	Nilüfer	Ertuğrul Mah. İzmir Yolu Cad. No: 378a Nilüfer/Bursa	(+90 224) 4139400

CONTACT INFORMATION

	BRANCH	ADDRESS	TELEPHONE
AVIS	Taksim	Harbiye Mah. Cumhuriyet Cad. No: 50/A Şişli/İstanbul	(+90 212) 2449350
	Konya Airport	Büyük Kayacık Mah. Vali Ahmet Kayhan Cad. No: 15 Arrival hall Selçuklu/Konya	(+90 332) 3261924
	Konya Şehir	Musalla Bağları Mah. Adnan Menderes Cad. No: 6/A Selçuklu/Konya	(+90 549) 2416933
	Zincirlikuyu	Büyükdere Cad. No: 145 34394 Zincirlikuyu/İstanbul	(+90 212) 2138165
	İstinye	Sarıyer Cad. No: 70/A İstinye-Sarıyer/İstanbul	(+90 212) 2138165
	Kadıköy	Bağdat Cad. Hacer Apt. No: 145/1 - A 34724 Feneryolu-Kadıköy/İstanbul	(+90 216) 3553665
	Sabiha Gökçen Airport Domestic	Sabiha Gökçen International Airport Domestic Terminal Arrivals Kurtköy-Pendik/İstanbul	(+90 216) 5885196
	Kalamış Otopark	Münir Nurettin Selçuk Cad. No: 17/A Kalamış Kadıköy/İstanbul	(+90 216) 4180162
	Bursa	Oduluk Mah. Mihraplı Cad. No: 12/1 Nilüfer/Bursa	(+90 332) 3261924
	Beylikdüzü	Banış Mah. Karadeniz Cad. No: 1 34900 Beylikdüzü/İstanbul	(+90 212) 8530893
	Dalaman Airport International	Dalman Airport Domestic Flights Arrivals Lounge Dalaman/Muğla	(+90 252) 7925118
	Bodrum Airport Domestic	Ekinanbarı Mah. Havaalanı Sok. D.H.M.İ Apt No: 3 Milas/Muğla	(+90 252) 5230201
	Antalya Airport Domestic	Antalya Airport Domestic Terminal Arrivals Lounge Antalya	(+90 242) 3303073
	Antalya Airport International	Antalya Airport International Terminal Arrivals Lounge Antalya	(+90 242) 3303008
	Ankara Avis Filo	Söğütözü Mah. Söğütözü Cad. C Blok No: 2C/1 Ankara	(+90 312) 4672313
	Eskişehir	Yenibaşlar Mah. Eti Cad. No: 39/B Tepebaşı/Eskişehir	(+90 222) 3303060
	Trabzon Airport Domestic	Trabzon Airport Domestic Terminal Arrivals Terminal No: 8 Trabzon	(+90 462) 3255582
	Ankara Kavaklıdere	Söğütözü Mah. Söğütözü Cad. No: 2 Koç Kuleleri C Blok 8-9 Çankaya/Ankara	(+90 312) 4672313
	Ankara Esenboğa Airport	Esenboğa Airport Domestic Flights Arrivals Lounge Çubuk/Ankara	(+90 312) 3980315
	Adana Airport Domestic	Adana Airport Domestic Terminal Şakirpaşa/Adana	(+90 322) 4350476
	Çeşme	İnönü Mah. İzmir Cad. No: 40 Çeşme/İzmir	(+90 549) 7748498
	İzmir	İsmet Kaptan Mah. Gazi Osman Paşa Bulv. Hilton Oteli Apt. No: 7/B02 Konak/İzmir	(+90 232) 4414417
	Koşuyolu	Acıbadem Mah. Fatih Sok. Tepe Nautilus Apt. No: 1/35 Kadıköy/İstanbul	(+90 216) 3504878
	Samsun	Çınarlık Mah. Hava Alanı Kümesi (KÜME EVLER) Havalani Terminal İşyerleri Apt. No: 7/1 Çarşamba/Samsun	
	Ataşehir	Barbaros Mah, Morsümbül Sok, No:8-N Watergarden AVM Ataşehir/İSTANBUL	(+90 216) 2273101
	Yenibosna	Fevzi Çakmak Mah. Yıldırım Beyazid Cad. Koçtaş 34197 Bahçelievler/İstanbul	(+90 212) 9423360
	Sancaktepe	Eyüp Sultan Mah. Yedigöller Sok. A Blok No: 30-38 A/272 Sancaktepe/İstanbul	(+90 216) 5879481
	İstanbul Airport	Tayakadın Mah. Terminal Cad. No: 255 Arnavutköy/İstanbul	(+90 549) 8271110

BUDGET	BRANCH	ADDRESS	TELEPHONE
	Sabiha Gökçen Airport Domestic	Sanayi Mah. Sabiha Gökçen International Airport Airport Domestic Kurtköy Pendik/İstanbul	(+90 216) 5885198
	Taksim	Harbiye Mah. Cumhuriyet Cad. Hiltonoteli Apt. No: 50/H Şişli/İstanbul	(+90 212) 2449354
	Adnan Menderes Airport International	9 Eylül Mah. Akçay Cad. No: 289 Gaziemir-İzmir Adnan Menderes Airport Domestic Gaziemir-İzmir	(+90 232) 2741111
	Dalaman Airport Domestic	Ege Mah. Dalaman Havalimanı Başmüdürlüğü No: 25/148 Domestic Arrivals Passenger Lounge Dalaman/Muğla	(+90 252) 7925150
	Bodrum Airport Domestic	Ekinanbarı Mah. Havaalanı Sok. D.H.M.İ AptNo: 3 Milas/Muğla	(+90 252) 5230271
	İstanbul Airport	Tayakadın Mah. Terminal Cad. No: 255 Arnavutköy/İstanbul	(+90 332) 3261924
	Antalya Airport Domestic	Serik Cad. Yeşilköy Mah. Muratpaşa İlçesi Antalya Airport Domestic Terminal Arrivals Lounge 07230 Antalya	(+90 242) 3303395
	Adana	Emek Mah. Barış Bulv. Havaalanı Sit. No: 12 Seyhan/Adana	(+90 322) 237 23 46
	Bursa	Muradiye Mah. Çekirge Cad. Aktar Apt. No: 37/2 Osmangazi 16050 Bursa	(+90 224) 2245565
	İzmir	İsmet Kaptan Mah. Şair Eşref Bul. Karaahmetoğlu İşhanı No: 22 Konak/İzmir	(+90 232) 2741111
	Esenboğa Airport Domestic	Turgut Özal Bulv. Esenboğa Airport Domestic Arrivals Lounge 06100 Çubuk/Ankara	(+90 312) 3982034
	Konya	Musalla Bağları Mah. Adnan Menderes Cad. No: 6/A Selçuklu/Konya	(+90 332) 3261924
	Konya Airport	Büyükkayacık Mah. Vali Ahmet Kayhan Cad. No: 15 Selçuklu/Konya	(+90 332) 2343146
	Koşuyolu	Acıbadem Mah. Fatih Sok. Tepe Nautilus Apt. No: 1/35 Kadıköy/İstanbul	(+90 216) 2275124
	Ataşehir	Barbaros Mah. Kızılbegonya Sok. No: 10/1 Batı Ataşehir Watergarden Mağaza No: BB: B-72 B Blok Ataşehir/İstanbul	(+90 216) 2273102
	Yenibosna	Fevzi Çakmak Mah. Dumlupınar Cad. No: 50 Bahçelievler/İstanbul	(+90 212) 4650240
Beylikdüzü	Barış Mah. Sakarya Cad. Sit. Apt. No: 2 B/2 Beylikdüzü/İstanbul	(+90 212) 9422669	
Karşıyaka	Nergiz Mah. Girne Bulv. 131/A Karşıyaka/İzmir	(+90 232) 2420894	
Bodrum	Eskiçeşme Mah. Caferpaşa Cad. No: 9 Bodrum/Muğla	(+90 252) 5230271	

