

Tofaş Türk Otomobil Fabrikası A.Ş.

**Convenience translation into English of
condensed consolidated financial statements
for the interim period 1 January - 31 March 2020**

(Originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.
Interim condensed consolidated financial statements
for the interim period 1 January - 31 March 2020

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(Convenience translation of consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated balance sheets

at 31 March 2020 and 31 December 2019

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	31 March 2020	31 December 2019
ASSETS			
Current assets:			
Cash and cash equivalents	3	2.796.130	2.825.487
Financial assets	4	568	568
Trade receivables			
- Related parties	20	1.340.697	1.255.067
- Third parties	6	766.856	888.755
Receivables from finance sector operations	7	1.042.554	1.087.894
Other receivables		3.215	506
Inventories	8	1.275.220	749.130
Prepaid expenses	13	66.780	70.686
Current tax assets		4.901	2.701
Other current assets	13	148.775	88.891
Total current assets		7.445.696	6.969.685
Non-current assets:			
Receivables from finance sector operations	7	909.444	928.535
Other receivables		219	209
Investment properties	9	66.000	66.000
Property, plant and equipment	10	2.035.668	2.112.220
Right of use assets		9.425	10.639
Intangible assets	11	1.706.378	1.658.775
Prepaid expenses	13	97.536	73.770
Deferred tax assets	18	1.020.885	989.454
Total non-current assets		5.845.555	5.839.602
Total assets		13.291.251	12.809.287

These interim condensed consolidated financial statements for the period ended 1 January - 31 March 2020 have been approved for issue by the Board of Directors on 29 April 2020.

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

(Convenience translation of consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated balance sheets

at 31 March 2020 and 31 December 2019

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	31 March 2020	31 December 2019
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	50.000	25.000
Short-term portion of long-term financial liabilities	5	2.225.730	1.821.507
Trade payables			
- Related parties	20	1.647.021	1.913.079
- Third parties	6	1.926.912	1.971.755
Employee benefit liabilities		96.916	130.113
Other payables		106.438	28.021
Contract liabilities		28.403	27.415
Government incentives and grants		6.241	6.241
Deferred income	13	32.208	33.100
Short-term provisions	12	164.164	165.659
Other current liabilities		6.589	4.587
Total current liabilities		6.290.622	6.126.477
Non-current liabilities:			
Long-term financial liabilities	5	3.362.786	2.104.213
Derivative instruments		22.652	21.448
Government incentives and grants		7.881	9.441
Long-term provisions			
- Provisions for employment termination benefits		219.858	218.499
Total non-current liabilities		3.613.177	2.353.601
Total liabilities		9.903.799	8.480.078
Equity:			
Paid-in share capital		500.000	500.000
Adjustment to share capital		348.382	348.382
Other comprehensive losses			
not to be reclassified under profit or losses			
- Actuarial loss on employment termination benefit obligation		(60.965)	(67.845)
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		(1.119.567)	(1.024.755)
Restricted reserves		369.326	366.881
Retained earnings		3.004.101	2.724.907
Net profit for the year		346.175	1.481.639
Total equity		3.387.452	4.329.209
Total liabilities and equity		13.291.251	12.809.287

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

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of profit and loss
for the interim periods ended 31 March 2020 and 2019**

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

		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	1 January - 31 March 2020	1 January - 31 March 2019
Revenue	14	4.447.343	3.981.450
Cost of sales (-)	14	(3.879.065)	(3.436.632)
Gross profit from operations		568.278	544.818
Revenue from finance sector operations		101.645	126.634
Expenses from finance sector operations (-)		(78.360)	(89.195)
Gross profit from finance sector operations		23.285	37.439
Gross profit		591.563	582.257
Marketing expenses (-)	15	(90.623)	(79.305)
General administrative expenses (-)	15	(93.972)	(88.500)
Research and development expenses (-)		(15.857)	(22.376)
Other income from main operations	16	280.962	231.554
Other expense from main operations (-)	16	(356.211)	(257.006)
Operating profit before financial income		315.862	366.624
Income from investing activities		810	602
Operating profit before financial income		316.672	367.226
Financial income	17	390.683	196.011
Financial expense (-)	17	(361.362)	(242.462)
Profit before tax		345.993	320.775
Tax income for the period		182	3.966
- Taxes on income	18	(6.288)	(8.777)
- Deferred tax income	18	6.470	12.743
Net profit for the period		346.175	324.741
Attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		346.175	324.741
Earnings per share (Kr)	19	0,69	0,65

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

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of other comprehensive income
for the interim periods ended 31 March 2020 and 2019**

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

	<i>Unaudited</i>	<i>Unaudited</i>
	1 January - 31 March 2020	1 January - 31 March 2019
Net profit for the year	346.175	324.741
Other comprehensive income:		
Other comprehensive income not to be reclassified under profit and loss		
- Actuarial gain /(loss) on employment termination benefit obligation	8.661	1.200
Taxes relating to other comprehensive income not to be reclassified under profit and loss		
Actuarial gain / (loss) on post employment termination benefit obligation. tax effect	(1.781)	(251)
Other comprehensive income to be reclassified under profit and loss		
-Losses on hedging	(121.554)	(31.425)
Taxes relating to other comprehensive income to be reclassified under profit and loss		
-Losses on hedging. tax effect	26.742	6.914
Other comprehensive (loss)	(87.932)	(23.562)
Total comprehensive income	258.243	301.179
Total comprehensive income attributable to:		
Non-controlling interests	-	-
Parent company interests	258.243	301.179

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

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of changes in equity
for the interim periods ended 31 March 2020 and 2019
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss	Retained earnings					
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation	Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit for the period	Equity holders of the parent	Non- controlling interests	Total equity
Balances at 1 January 2019	500.000	348.382	(37.990)	(1.075.625)	387.363	2.254.002	1.330.423	3.706.555	-	3.706.555
Transfers	-	-	-	-	75.865	1.254.558	(1.330.423)	-	-	-
Total comprehensive income	-	-	949	(24.511)	-	-	324.741	301.179	-	301.179
Dividends paid	-	-	-	-	(96.347)	(783.653)	-	(880.000)	-	(880.000)
Balances at 31 March 2019	500.000	348.382	(37.041)	(1.100.136)	366.881	2.724.907	324.741	3.127.734	-	3.127.734
Balances at 1 January 2020	500.000	348.382	(67.845)	(1.024.755)	366.881	2.724.907	1.481.639	4.329.209	-	4.329.209
Transfers	-	-	-	-	107.040	1.374.599	(1.481.639)	-	-	-
Total comprehensive income	-	-	6.880	(94.812)	-	-	346.175	258.243	-	258.243
Dividends paid	-	-	-	-	(104.595)	(1.095.405)	-	(1.200.000)	-	(1.200.000)
Balances at 31 March 2020	500.000	348.382	(60.965)	(1.119.567)	369.326	3.004.101	346.175	3.387.452	-	3.387.452

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

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of cash flows
for the interim periods ended 31 March 2020 and 2019
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	31 March 2020	31 March 2019
A. Cash flows from operating activities:		(251.675)	1.219.867
Net profit for the period		346.175	324.741
Adjustments to reconcile profit for the period		244.447	304.421
- Depreciation and amortization		207.942	216.551
- Adjustments related to interest income	17	(22.287)	(31.331)
- Adjustments related to provision for inventories	8	12.574	2.136
- Gain on sale of property, plant and equipment		(810)	(602)
- Provision for employment termination benefits		23.123	11.528
- Adjustments related to warranty provisions	12	23.876	14.979
- Adjustments related to doubtful receivables	6,7	6.267	15.529
- Adjustments related to interest expense	17	22.923	19.537
- Lawsuit provisions / cancellations	12	1.977	(121)
- Adjustments for tax losses/ income	18	(182)	(3.966)
- Due date charges on term purchases	16	2.726	12.324
- Adjustments related to unrealized (loss) / gain on foreign currency differences		127.008	134.716
- Other adjustments to reconcile profit (loss)		(160.690)	(86.859)
Changes in net working capital		(801.658)	630.182
- Change in inventories		(538.664)	196.115
- Change in receivables from third parties		132.401	146.577
- Change in receivables from related parties		(85.630)	254.224
- Change in other receivables from operating activities		(2.719)	(3.818)
- Change in trade payables due to third parties		(44.843)	(101.401)
- Change in trade payables due to related parties		(285.553)	(226.865)
- Change in receivables from finance sector operations		64.431	188.344
- Change in prepaid expenses		(19.860)	18.621
- Change in deferred revenue		(892)	2.117
- Change in government incentives and grants		(1.560)	(2.094)
- Change in other assets from operating activities		(59.884)	96.383
- Change in other liabilities from operating activities		38.923	54.974
- Change in fair value gains on derivative financial instruments		1.204	9.031
- Adjustments for increase (decrease) in liabilities arising from customer contracts		988	(2.026)
Net cash generated from operating activities		(211.036)	1.259.344
- Income taxes paid		(8.488)	(6.763)
- Payments related to employment termination benefits		(13.103)	(12.619)
- Other cash outflows		(19.048)	(20.095)
B. Cash flows from investing activities		(148.865)	(448.349)
- Purchases of tangible assets	10	(30.988)	(73.545)
- Purchases of intangible assets		(148.479)	(38.856)
- Proceeds from sale of tangible assets		2.498	2.882
- Interest received		28.104	27.324
- Other cash inflows (outflows)		-	(366.154)
C. Cash flows from financing activities		216.311	(556.347)
- Proceeds from financial liabilities		1.611.664	344.953
- Bank loans paid		(185.063)	(25.973)
- Payment of lease liabilities		(1.543)	(1.365)
- Dividend paid		(1.200.000)	(880.000)
- Interest paid		(8.747)	(2.613)
- Other cash inflows (outflows)		-	8.651
Net increase / (decrease) in cash and cash equivalents before currency translation differences		(184.229)	215.171
D. Effects of currency translation differences on cash and cash equivalents		160.690	86.859
Net change in cash and cash equivalents		(23.539)	302.030
E. Cash and cash equivalents at the beginning of the period		2.818.988	1.960.175
Cash and cash equivalents at the end of the period	3	2.795.449	2.262.205

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2020**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Tofaş Türk Otomobil Fabrikası A.Ş. (the "Company" or "Tofaş") was established in 1968 as a Turkish-Italian cooperation venture. The core business of the Company is manufacturing, exporting and selling passenger cars and light commercial vehicles. Tofaş, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Fiat, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars, except for Mini Cargo and New Doblo, pursuant to license agreements between the Company and Fiat. The Company has been registered with the Turkish Capital Market Board ("CMB") and quoted on the İstanbul Stock Exchange ("ISE") since 1991. The Company conducts a significant portion of its business with affiliates of Koç Holding and Fiat Group (Note 20).

The Company's subsidiaries as of 31 March 2020 and 31 December 2019 which are subject to consolidation are as follows: Rate of ownership of the Company (%)

Name of the company	Operating area	Rate of ownership of the Company (%)	
		31 March 2020	31 December 2019
Koç Fiat Kredi Finansman A.Ş. ("KFK")	Consumer financing	99.9	99.9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100

For the purpose of the interim consolidated financial statements, Tofaş and its consolidated subsidiaries are referred to as the "Group".

The average and period end number of personnel in accordance with the Group's categories is as follows:

	Average		Period end	
	31 March 2020	31 March 2019	31 March 2020	31 December 2019
Hourly-rated	5.091	5.945	5.068	5.180
Monthly-rated	1.542	1.691	1.574	1.607
	6.633	7.636	6.642	6.787

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II. No:14.1. "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/IFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards.

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2020**

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

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

2.1 Basis of presentation (Continued)

2.1.1 Financial reporting standards (Continued)

The consolidated financial statements of the Group are prepared as per the CMB announcement of 15 April 2019 relating to financial statements presentations.

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Minis TL of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

2.1.2 Comparatives and adjustment of prior periods' financial statements

In order to allow for the determination of the financial situation and performance trends the Group's consolidated financial statements have been presented comparatively with the previous year. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TRY"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.1.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. Minority shares of Tofaş in subsidiaries were not recognized under non-controlling interest ("Minority interest" or "Non-controlling Interests") since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2020**

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

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

2.1.5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

- a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered. As of 31 March 2020, the amount of guarantee expense is TRY 23.879 (31 March 2019: TRY 14.979) (Note 12).
- b) A specific credit risk provision for loan impairment has been established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. As of 31 March 2020, general provisions for finance loans amounted to TRY 14.800 (31 December 2019: TRY 16.272) has been booked in the consolidated financial statements (Note 7).
- c) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- d) While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost.
- e) The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment.
- f) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.
- g) Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. In determination of deferred tax asset to be recognized, there are certain assumptions and judgments made about future taxable income to be recognized in the future. Deferred tax asset is recorded for the periods ending as of 31 March 2020 and 31 December 2019 since the assumptions used regarding that the Company has taxable profit in following periods
- ı) The Group capitalizes ongoing development expenditures and assesses whether the related asset has an impact on the assets that will increase or decrease the cost of the Company during the useful life of the asset in the subsequent periods and whether there is an impairment of the year.

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2020**

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

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

2.2 Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at March 31, 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 January 1, 2019. 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 January 1, 2019 are as follows:

- Definition of a Business (Amendments to TFRS 3)
- Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform
- Definition of Material (Amendments to TAS 1 and TAS 8)

The amendments did not have a significant impact on the financial position or performance of the Group.

b) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.3 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the period ended 31 March 2020 have been prepared in accordance of TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 31 March 2020 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2019. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2019.

2.4 Changes in significant accounting policies

Significant changes in the accounting policies are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods they are recognized prospectively both in the current period and in the future period.

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2020**

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2020	31 December 2019
Cash on hand	3	4
Due from banks		
- time deposits	2.759.540	2.717.425
- demand deposits	36.587	108.058
	2.796.130	2.825.487

The breakdown of time deposits as of 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020		31 December 2019	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1.400.822	0,08-0,65	988.708	0,15-0,35
TRY	1.358.718	9,8-12,1	1.728.717	10,5-12
	2.759.540		2.717.425	

As of 31 March 2020, the maturities of time deposits vary between 1 and 35 days (31 December 2019: between 1 and 21 days).

As of 31 March 2020, the cash at banks comprise time and demand deposits amounting to TRY 187.748 (31 December 2019: TRY 340.398) which are deposited at a bank which is a related party of the Group (Note 20).

As of 31 March 2020 and 2019, the reserves of cash and cash equivalent in cash flow statement;

	31 March 2020	31 March 2019
Cash and banks	2.796.130	2.278.398
Less: interest accruals	(681)	(5.174)
Less: restricted cash	-	(11.019)
	2.795.449	2.262.205

As of 31 March 2020, the Company does not have any worth of restricted cash consists of required reserve balance of the Central Bank of Turkish Republic.

NOTE 4 - FINANCIAL ASSE

a) Short-term financial assets:

As of 31 March 2020 the Group does not have any short-term financial assets time deposits. (31 December 2019: None).

b) Financial assets to fair value through profit or loss:

As of 31 March 2020, the Group has available for sale financial investments amounting to TRY 568 (31 December 2019: TRY 568).

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

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NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	31 March 2020			31 December 2019		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	-	-	-	-	-	-
Borrowings in TRY (*)		50.000	10,0-12,18	-	25.000	12,18
		50.000			25.000	

b) Short-term portion of long-term financial liabilities

	31 March 2020			31 December 2019		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	879.867	10,50-37,8	-	785.458	12,18-37,8
Borrowings in EUR	170.870	1.232.826	Euribor + %0,55	139.612	928.503	Euribor + %0,55
Borrowings in lease liability	-	6.795	Euribor + %2,90	-	5.403	Euribor + %2,90
Bonds ^(1,2)	-	106.242	11,06-15,86	-	102.143	13,75-15,86
		2.225.730			1.821.507	

c) Long-term financial liabilities

	31 March 2020			31 December 2019		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	341.926	2.466.995	Euribor + %0,55	181.477	1.206.930	Euribor + %0,55
Borrowings in TRY (*)	-	800.383	Euribor + %2,90	-	799.920	Euribor + %2,90
Borrowings in lease liability	-	4.896	10,50-37,8	-	6.727	12,18-37,8
Bonds ^(1,2)	-	90.512	11,06-15,86	-	90.636	13,75-15,86
		3.362.786			2.104.213	

(*) The whole short-term and long-term bank borrowings which are denominated in TL comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 March 2020 and 31 December 2019.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

- (1) In accordance with the minutes of Board of Directors meeting held on 20 March 2017. based on the required authorization of the Capital Markets Law. the Group issued 24-month maturity bonds on 4 May 2018. nominal amount of TRY 100.000 and at an interest rate by 15,86%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..
- (2) In accordance with the minutes of Board of Directors meeting held on 9 November 2018 based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 13 June 2019 with a nominal amount of TRY 90.000 and at an interest rate by 11,06%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

Financial liabilities denominated in TRY have bear fixed interest rates while financial liabilities denominated Euro and US Dollar bear floating interest rates.

As of 31 March 2020. TRY 900.921 (31 December 2019: TRY 481.208) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 20).

The redemption schedule of the long-term bank borrowings and bonds as of 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020	31 December 2019
1-2 years	2.037.305	1.310.932
2-3 years	813.472	786.554
3-4 years	258.622	-
5-6 years	248.491	-
	3.357.890	2.097.486

The movement of financial liabilities as of 31 March 2020 and 2019 is as follows:

	2020	2019
1 January	3.950.720	5.432.052
First adoption effect of TFRS 16	-	14.995
Effect of cash flows	1.426.601	318.980
Unrealized foreign exchange differences	248.562	166.141
Changes in TFRS 16 – lease liabilities	(1.543)	(1.365)
Change in accrual of interest	14.176	14.550
31 March	5.638.516	5.945.353

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

The Group has obtained a credit by TL 66.138 (equivalent of EUR 9.167 thousand) (31 December 2019: TL 60.964 (equivalent of EUR 9.167 thousand)) at 9 December 2014 from European Investment Bank (EIB) with a maturity until 2020 in order to use in "New Sedan R&D" projects as of 31 March 2020.

The Group signed the long-term external financing amounting by EUR 250 million with HSBC Bank plc. J.P. Morgan Limited. Societe General and BNP Paribas as authorized regulators and HSBC Bank plc. J.P Morgan Limited/ JPMorganChase Bank N.A London Branch. Societe General and BNP Paribas Fortis SA/NV as creditor. HSBC Bank Plc as coordinator corporation and BNP Paribas Fortis SA/NV as per procuration on 17 February 2015. the carrying amount of aforementioned loan which is used on Doblo FL and US projects investments in the consolidated balance sheet is TL 515.357 (equivalent of EUR 71.429) (31 December 2019: TL 475.043 (equivalent of EUR 71.429)).

At 11 August 2015. a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank. A Branch Of Ing-Diba Ag as creditor. HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 200.000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months. which expires in December 2022 and the average maturity is taken into account. the total annual costs. including insurance premiums will be about 6 months Euribor + 2.4%. As of 31 March 2020 the remaining amount is TL 666.000 (the equivalent of EUR 92.308 thousand). (31 December 2019: TL 613.902 (equivalent of EUR 92.308)).

At 26 May 2017 a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank. A Branch Of Ing-Diba Ag as creditor. HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 70.000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months. which expires in December 2022 and the average maturity is taken into account. the total annual costs. including insurance premiums will be about 6 months Euribor + 1.91%. As of 31 March 2020 the remaining amount is TL 275.481 (the equivalent of EUR 38.182 thousand).

The Group signed the loan agreement amounting to EUR 200 million with European Bank for Reconstruction and Development. HSBC Bank Plc and Bank of America. N.A.. London Branch as authorized regulators and as per procuration of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022. Yearly total cost will be 6 months Euribor + 2.3%. EUR100 million of the total loan has been used as of 5 November 2015 and the remaining EUR 100 million is used on March 2016. The remaining balance of the loan which is used Egea Hatchback and Station Wagon projects investments as of 31 March 2020 is TL 666.000 (EUR 92.308 thousand in equivalent in TL) (31 December 2019: TL 613.902 (equivalent of EUR 92.308 thousand)).

The Group signed the loan agreement amounting to EUR 44.300 thousand with Citibank NA Jersey for. MCV FL project as of 24 May 2016. Yearly total cost will be 5 years Euribor + 1.80%. The carrying amount of aforementioned loan in the consolidated balance sheet is TL 95.887 (equivalent of EUR 13.290 thousand) as of 31 March 2020 (31 December 2019: TL 88.386 (equivalent of EUR 13.290 thousand)).

The Group signed the loan agreement amounting to EUR 64.000 thousand with Yapı ve Kredi Bankası for. Financing purpose as of 3 February 2020. Yearly total cost will be until December 2021 Euribor + 1,30%. The carrying amount of aforementioned loan in the consolidated balance sheet is TL 461.760 (equivalent of EUR 64.000 thousand) as of 31 March 2020.

The Group signed the loan agreement amounting to EUR 130.000 thousand with Akbank AG for. MCA investment as of 16 March 2020. Yearly total cost will be 4 years Euribor + 2,00 %. The carrying amount of aforementioned loan in the consolidated balance sheet is TL 937.950 (equivalent of EUR 130.000 thousand) as of 31 March 2020.

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 March 2020	31 December 2019
Trade receivables	773.895	892.374
Doubtful trade receivables	13.725	12.708
Less: provision for doubtful receivables	(13.864)	(12.597)
Less: unearned credit finance income	(6.900)	(3.730)
	766.856	888.755

Movement of the provision for doubtful receivables in the current period is as follows:

	2020	2019
1 January	12.597	8.410
Current year provision	1.267	217
31 March	13.864	8.627

Collaterals received related with trade receivables

As of 31 March 2020, the letter of guarantees amounting to TRY 99.467, guarantee cheques and notes amounting to TRY 2.274, mortgages amounting to TRY 40.248 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 788.642 respectively (31 December 2019: letter of guarantees amounting to TRY 196.645, guarantee cheques and notes amounting to TRY 2.274, mortgages amounting to TRY 40.428 and direct debit system limit amounting to TRY 792.306).

b) Trade payables

	31 March 2020	31 December 2019
Trade payables	1.939.059	1.976.672
Less: not accrued credit finance expense	(12.147)	(4.917)
	1.926.912	1.971.755

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NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 March 2020	31 December 2019
Short-term consumer financing loans	1.012.421	1.047.626
Non-performing loans	105.090	112.656
	1.117.511	1.160.282
Provision for specific loan impairment	(73.600)	(70.973)
Provision for general loan impairment	(1.357)	(1.415)
	1.042.554	1.087.894
Long-term consumer financing loans	922.887	943.392
Provision for general loan impairment	(13.443)	(14.857)
	909.444	928.535

As of 31 March 2020. TRY denominated loans originated by the Group bear interest rates ranging between %0,01- %3,29 per month (31 December 2019: between %0,01 - %3,29).

The maturities of long-term consumer financing loans are as follows:

Years	31 March 2020	31 December 2019
1 to 2 years	554.321	579.448
2 to 3 years	256.292	255.828
3 to 4 years	93.389	87.500
4 years and more	5.442	5.759
	909.444	928.535

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NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movements in the allowance for loan impairment are as follows:

	31 March 2020	31 March 2019
1 January	87.245	71.339
Current year provision	5.000	15.312
Recoveries from loans under follow-up	(3.845)	(2.068)
31 March	88.400	84.583

The Group has obtained pledge rights as a guarantee for its consumer financing loans. up to total amount of receivables. depending on the agreement between the Group and the consumers. As of 31 March 2020, the fair value of guarantees obtained for the consumer loans amounting to TRY 2.355.787 (31 December 2019: TRY 2.462.883). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY 41.656 (31 December 2019: TRY 47.362) as of 31 March 2019.

NOTE 8 – INVENTORIES

	31 March 2020	31 December 2019
Raw materials	416.380	328.103
Work-in-progress	223.873	262.562
Finished goods	337.314	53.660
Imported vehicles	48.835	3.221
Spare parts	90.406	68.628
Goods in transit	209.111	71.081
Less: provision for impairment on inventories	(50.699)	(38.125)
Total	1.275.220	749.130

Movements in the provision for impairment on inventory are as follows:

	2020	2019
1 January	(38.125)	(29.270)
Current year provision. net	(12.574)	(2.136)
31 March	(50.699)	(31.406)

NOTE 9 - INVESTMENT PROPERTIES

For the interim period ended 31 March 2020 and 2019, the movement of investment properties is as follows:

	2020	2019
1 January, net book value	66.000	60.500
31 March, net book value	66.000	60.500

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 31 March 2020 is as follows:

	Land, land Improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January 2020							
Cost	517.488	5.457.606	702.510	93.388	12.790	27.031	6.810.813
Accumulated depreciation	(254.855)	(3.898.594)	(476.051)	(60.065)	(9.028)	-	(4.698.593)
Net book value	262.633	1.559.012	226.459	33.323	3.762	27.031	2.112.220
1 January 2020 net book value	262.633	1.559.012	226.459	33.323	3.762	27.031	2.112.220
Additions	-	-	594	-	1.150	29.244	30.988
Disposals	-	(1.048)	(2.047)	(1.910)	-	-	(5.005)
Disposal - Depreciation	-	948	1.924	445	-	-	3.317
Transfers	31	12.773	4.318	1.110	-	(18.232)	-
Depreciation charge for the period	(2.658)	(86.634)	(13.444)	(2.966)	(150)	-	(105.852)
31 March 2020. net book value	260.006	1.485.051	217.804	30.002	4.762	38.043	2.035.668
As of 31 March 2020							
Cost	517.519	5.469.331	705.375	92.588	13.940	38.043	6.836.796
Accumulated depreciation	(257.513)	(3.984.280)	(487.571)	(62.586)	(9.178)	-	(4.801.128)
31 March 2020. net book value	260.006	1.485.051	217.804	30.002	4.762	38.043	2.035.668

As of 31 March 2020, there are no pledges or collaterals on property, plant and equipment (31 December 2019: None).

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 31 March 2019 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January 2019							
Cost	511.106	5.232.926	667.254	77.919	12.750	51.568	6.553.523
Accumulated depreciation	(244.267)	(3.572.936)	(424.320)	(55.776)	(8.623)	-	(4.305.922)
Net book value	266.839	1.659.990	242.934	22.143	4.127	51.568	2.247.601
1 January 2019, net book value	266.839	1.659.990	242.934	22.143	4.127	51.568	2.247.601
Additions	-	-	82	784	-	72.679	73.545
Disposals	-	(767)	(269)	(3.014)	-	-	(4.050)
Disposal - Depreciation	-	235	244	1.291	-	-	1.770
Transfers	1.706	59.409	6.275	622	9	(68.021)	-
Depreciation charge for the period	(2.648)	(95.027)	(13.968)	(2.369)	(101)	-	(114.113)
31 March 2019 net book value	265.897	1.623.840	235.298	19.457	4.035	56.226	2.204.753
As of 31 March 2019							
Cost	512.812	5.291.568	673.342	76.311	12.759	56.226	6.623.018
Accumulated depreciation	(246.915)	(3.667.728)	(438.044)	(56.854)	(8.724)	-	(4.418.265)
31 March 2019 net book value	265.897	1.623.840	235.298	19.457	4.035	56.226	2.204.753

As of 31 March 2019 there are no pledges or collaterals on property, plant and equipment (31 December 201: None).

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NOTE 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 31 March 2020 and 2019. are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January 2020			
Cost	4.079.943	154.492	4.234.435
Accumulated amortization	(2.470.512)	(105.148)	(2.575.660)
Net book value	1.609.431	49.344	1.658.775
1 January 2020. net book value	1.609.431	49.344	1.658.775
Additions	149.685	3.003	152.688
Amortization charge for the period	(102.135)	(2.950)	(105.085)
31 March 2020. net book value	1.656.981	49.397	1.706.378
As of 31 March 2020			
Cost	4.229.628	157.495	4.387.123
Accumulated amortization	(2.572.647)	(108.098)	(2.680.745)
31 March 2020. net book value	1.656.981	49.397	1.706.378
	Licenses fee and development costs	Other	Total
As of 1 January 2019			
Cost	3.647.513	144.276	3.791.789
Accumulated amortization	(2.118.750)	(93.578)	(2.212.328)
Net book value	1.528.763	50.698	1.579.461
1 January 2019. net book value	1.528.763	50.698	1.579.461
Additions	41.337	750	42.087
Amortization charge for the period	(102.011)	(2.569)	(104.580)
31 March 2019. net book value	1.468.089	48.879	1.516.968
As of 31 March 2019			
Cost	3.688.850	145.026	3.833.876
Accumulated amortization	(2.220.761)	(96.147)	(2.316.908)
31 March 2019. net book value	1.468.089	48.879	1.516.968

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NOTE 12 - PROVISIONS. CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 March 2020	31 December 2019
Provision for warranty claims	144.105	139.277
Provision for legal cases	13.023	11.046
Other	7.036	15.336
	164.164	165.659

Movement of the warranty provision is as follows:

	2020	2019
1 January	139.277	147.956
Paid during the period	(19.048)	(20.095)
Increase during the period	23.876	14.979
31 March	144.105	142.840

Movement of the provision for litigation is as follows:

	2020	2019
1 January	11.046	8.359
Increase during the period	1.977	(121)
31 March	13.023	8.238

Litigations against the Group

As of 31 March 2020, the total amount of outstanding legal claims brought against the Group is TRY 18.977 (31 December 2019: TRY 17.607). The Group has reflected a reserve amounting to TRY 13.023 (31 December 2019: TRY 11.046) in the financial statements.

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NOTE 12 - PROVISIONS. CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees provided by the Group:

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020			31 December 2019		
	TL equivalent	EUR	TL	TL equivalent	EUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	451.328	2.000	436.898	479.113	2.000	465.812
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given						
i) Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
iii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	451.328	2.000	436.898	479.113	2.000	465.812

As of 31 March 2020 and 31 December 2019, the ratio of guarantees given by the Group on behalf of third parties or on behalf of its parent/associates to total equity is zero.

Other

As of 31 March 2020 the Group has realized USD 3.238.461.000 of export commitments numbered 2018/D1-02520 dated 18 April 2018 to be realized in connection with the export incentive certificates amounting to USD 3.092.520.780. The Group has realized USD 1.865.512.320 of export commitments in connection with the export incentive certificates amounting to USD 1.176.353.853 (The document is in the closing phase). The Group has realized USD 1.878.578.200 of export commitments numbered 2019/D1-04978 dated 02 September 2019 to be realized until 1 September 2020 in connection with the export incentive certificates amounting to USD 922.327.228. In connection with the export incentive certificates amounting to USD 1.206.642.920 the Group has realized USD 450.476.503.

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NOTE 13 - PREPAID EXPENSES AND INCOMES. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 March 2020	31 December 2019
Value Added Tax ("VAT")	141.922	79.544
Other	6.853	9.347
	148.775	88.891

b) Short-term prepaid expenses

	31 March 2020	31 December 2019
Credit commission expenses (*)	31.449	28.623
Advances given	5.204	19.428
Other	30.127	22.635
	66.780	70.686

(*) Credit commission expenses are composed of the credit commission given to dealers in advance as of 31 March 2020 and 31 December 2019.

c) Non-current prepaid expenses

As of 31 March 2020, TRY 97.536 (31 December 2019: TRY 73.770) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 89.315 (31 December 2019: TRY 64.633).

d) Short-term deferred income

As of 31 March 2020, TRY 32.208 (31 December 2019: TRY 33.100) of the deferred income amounting to TRY 22.560 (31 December 2019: TRY 23.013) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TL 4.692 (31 December 2019: TRY 4.588) and advances received amounting to TRY 4.956 (31 December 2019: TRY 5.499).

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NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 31 March 2020	1 January - 31 March 2019
Export sales	3.040.772	3.018.910
Domestic sales	1.348.465	919.263
Other income from operational activities	58.106	43.277
	4.447.343	3.981.450

The amount of sales discounts is TRY 117.028 (31 March 2019: TRY 106.498).

b) Production and sales quantities

	Production		Sales	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Manufactured vehicles				
Egea	16.783	13.404	15.079	14.927
Yeni Doblo	16.315	17.096	15.113	17.359
Egea Hatchback	11.521	9.549	10.642	9.345
Egea Stationwagon	8.446	6.433	8.034	6.357
MCV	5.595	9.817	5.474	9.932
	58.660	56.299	54.342	57.920

	Import		Sales	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Imported vehicles				
Jeep	1.062	-	1.043	479
Ducato	1.022	96	768	242
Fiat 500	227	8	114	191
Panda Futura	58	15	56	13
Alfa Romeo	20	-	7	53
Maserati	10	8	5	6
Ferrari	7	6	7	6
Fullback	-	-	1	11
	2.406	133	2.001	1.001

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NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	1 January - 31 March 2020	1 January - 31 March 2019
Direct material expense	3.363.011	2.662.768
Depreciation and amortization expense	196.350	207.070
Direct labor expense	63.746	55.297
Other production expenses	135.178	131.427
Total cost of production	3.758.285	3.056.562
Change in work-in-process	38.689	85.103
Change in finished goods	(283.654)	72.155
Cost of merchandise sold	365.743	222.777
Cost of other sales	2	35
	3.879.065	3.436.632

NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2020	1 January - 31 March 2019
Marketing expenses	90.623	79.305
General administrative expenses	93.972	88.500
Research and development expenses	15.857	22.376
	200.452	190.181

a) Marketing expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Warranty expenses (Note 12)	23.876	14.979
Personnel expenses	23.536	22.307
Transportation and insurance expenses	14.342	14.967
Advertisement expenses	13.605	13.796
Exhibition-fair expenses	1.367	1.530
Other	13.897	11.726
	90.623	79.305

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**NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES
(Continued)**

b) General and administrative expenses

	1 January - 31 March 2020	1 January - 31 March 2019
Personnel expense	38.874	35.615
IT expenses	13.026	11.984
Depreciation and amortization expenses	8.752	7.148
Outsourcing expenses	8.530	7.313
Duties, taxes and levies	2.230	2.137
Insurance expenses	2.091	2.507
Travel expenses	2.064	2.011
Other	18.405	19.785
	93.972	88.500

NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange gains on operating activities	257.950	154.693
Interest income on operating activities	16.769	62.211
Other	6.243	14.650
	280.962	231.554

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange loss on operating activities	(327.827)	(161.379)
Interest expense on operating activities	(19.495)	(74.535)
Other	(8.889)	(21.092)
	(356.211)	(257.006)

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NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange gains	368.396	164.680
Interest income	22.287	31.331
Total financial income	390.683	196.011
	1 January - 31 March 2020	1 January - 31 March 2019
Foreign exchange losses	(335.941)	(216.684)
Interest expenses	(22.923)	(19.537)
Loss on derivative financial instruments	-	(4.827)
Other	(2.498)	(1.414)
Total financial expenses	(361.362)	(242.462)
Net financial income / (expenses)	29.321	(46.451)

NOTE 18 - TAX ASSETS AND LIABILITIES

General

Tax expense includes current tax expense and deferred tax expense. Tax is recognized in the statement of profit or loss, provided that it is not related to a transaction accounted directly under equity. Otherwise, the tax effect is recognized under equity as well as the related transaction.

In the Turkish taxation system, tax losses can be offset against future taxable income for the next five years and are not deductible (retrospectively) from previous years' earnings.

In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2018, 2019 and 2020) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of March 31, 2020 and December 31, 2019 the tax provision has been set aside under the current tax legislation.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statements of financial position accounts prepared. Deferred tax is calculated using tax rates that are currently in effect as of the date of the statement of financial position.

As of 1 January 2018 the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for the deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

General

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset against each other if the same country is subject to tax legislation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

Tax assets and liabilities

Corporation tax

The Company and its subsidiaries established in Turkey and other countries in the scope of consolidation, associates and joint ventures are subject to the tax legislation and practices in force in the countries they are operating.

The corporate tax rate in Turkey is 20 % (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article institutions in 2018, 2019 and the taxation period in 2020 (related to corporate defined special accounting period will be applied as 22% for the corporate earnings (for the fiscal periods starting within the year). Institutional tax rate is applied to the income of corporations in the net income which will be deducted from the commercial income according to the tax legislation and deduction of the exemptions and discounts in the tax laws. The corporate tax is declared until the evening of the thirtieth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month.

Corporations declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, until the 17th day of the second month following that period and pay till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the prepaid tax amount remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

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 tax.

15% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Corporation tax

Turkish tax legislation does not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaries included in the scope of consolidation. On the statement of financial position as of 31 March 2020 and 31 December 2019, taxes payable are netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

For the years ended 31 March 2020 and 2019, the analysis of the tax expense in the profit or loss is as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Current year corporate tax	(6.288)	(8.777)
Less: prepaid corporate tax (-)	6.470	12.743
Prepaid income tax	182	3.966

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 March 2020 and 31 December 2019, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
Unused investment incentive allowances (*)	2.502.599	2.462.291	1.158.484	1.136.161
Provision for employment termination benefits and unused vacation	235.011	232.552	48.456	47.956
Warranty provisions	144.105	139.277	29.895	28.897
Inventories	54.176	41.527	11.919	9.136
Contract liabilities	28.403	27.415	6.249	6.031
Deferred income	14.121	15.682	3.107	3.450
Property, plant and equipment and intangibles	(1.208.913)	(1.216.665)	(243.510)	(245.060)
Land valuation	(113.275)	(113.275)	(11.327)	(11.327)
Other	79.111	63.521	17.612	14.210
Deferred tax asset. net			1.020.885	989.454

(*) The Group uses various discounted tax rates in relation to its fixed asset investments.

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The movement of the deferred tax asset balance during the period is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Deferred tax asset at 1 January	989.454	941.603
Deferred tax income	6.470	12.743
Other comprehensive income	24.961	6.663
<i>Actuarial gain/(loss) on employment termination benefit obligation attributable to equity</i>	<i>(1.781)</i>	<i>(251)</i>
<i>Net gain / (loss) on cash flow hedging attributable to equity (*)</i>	<i>26.742</i>	<i>6.914</i>
Deferred tax assets as of 31 March	1.020.885	961.009

- (*) Related amount which is accounted under equity in connection with the tax effect of exchange losses subject to allowance from tax base in statutory records and reflected in the deferred tax charge.

The analysis of tax expense accounted for under the statement of profit or loss for the interim period ended 31 March 2020 and 2019 is as follows:

	1 January - 31 March 2020	1 January - 31 March 2019
Profit before tax	345.993	320.775
Income tax charge at effective tax rate (22%)	(76.118)	(70.571)
Non-deductible expenses	(411)	(34)
Research and development incentive expenditures during the period	20.355	9.882
Effect of investment incentive. net	32.469	30.467
Used and earned investment incentive	22.323	31.368
Other	1.564	2.854
	182	3.966

NOTE 19 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 31 March 2020 and 2019, the weighted average number of shares outstanding is 50.000.000.000 and as of 31 March 2020 and 2019 earnings per share is Kr 0,69 and Kr 0,65 respectively.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	31 March 2020	31 December 2019
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	187.748	340.398
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(900.921)	(481.208)

Trade receivables due from related parties	31 March 2020	31 December 2019
Fiat ⁽²⁾	934.335	1.006.135
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	406.294	245.099
Other ⁽¹⁾	3.850	5.026
Less: Unearned credit finance income	(3.782)	(1.193)
	1.340.697	1.255.067

Trade payables due to related parties	31 March 2020	31 December 2019
Fiat ⁽²⁾	1.566.338	1.788.945
Other ⁽¹⁾	80.788	124.180
Less: Unearned credit finance expense	(105)	(46)
	1.647.021	1.913.079

Related party transactions

Sales

	1 January - 31 March 2020	1 January - 31 March 2019
Fiat ⁽²⁾	2.869.357	2.757.756
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	488.849	368.889
Other ⁽¹⁾	6.131	10.513
	3.364.337	3.137.158

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Domestic goods and services purchases

	1 January - 31 March 2020	1 January - 31 March 2019
Ram Dış Ticaret A.Ş. ⁽¹⁾	78.839	60.221
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	38.913	25.218
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	29.745	16.868
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	12.090	9.832
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	11.604	15.778
Setur Servis Turistik A.Ş. ⁽¹⁾	4.682	2.944
Koç Holding A.Ş. ^{(2) (*)}	4.283	2.985
Opet Fuchs Madeni Yağlar Tic. A.Ş. ⁽¹⁾	2.323	4.530
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	1.311	2.844
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	632	2.580
Magneti Marelli Mako Elektrik San. A.Ş. ⁽¹⁾	-	46.141
Matay Otomotiv Yan San. ve Tic. A.Ş. ⁽¹⁾	-	33.120
Magneti Marelli Süspansiyon Sistemleri Tic.Ltd. Şti. ⁽¹⁾	-	9.952
Other ⁽¹⁾	6.925	6.943
	191.347	239.956

- (1) Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.
- (2) Represents the joint ventures.
- (*) Balance represents invoices issued by Koç Holding A.Ş. which provides counselee service such as finance, legal, planning, tax including personnel and senior management expenses to Group Companies according to the framework of "11- Group Services" of General Communiqué Serial No. 1 on Disguised Profit Distribution through Transfer Pricing.

Foreign trade good, material and service purchase:

	1 January - 31 March 2020	1 January - 31 March 2019
Fiat ⁽²⁾	2.197.151	1.521.677
Other ⁽¹⁾	425	14.503
	2.197.576	1.536.180

Interest income from related parties, for the three-month period ended 31 March 2020 is TRY 2.778 (31 March 2019: TRY 7.655).

Salaries and similar benefits paid to the top management consisting of 29 persons (31 March 2019: 31 persons) for the three-month period of 2020 is TRY 5.768 (31 March 2019: TRY 8.539).

Furthermore, as of 31 March 2020, wholly owned subsidiary KFK has sold through related party the exclusive issuance of bonds and treasury bills to related parties. It is accounted under other financial liabilities with a carrying amount of TRY 96.303 (31 December 2019: TRY 93.398).

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group’s principal financial instruments are cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial instruments such as trade debtors and trade creditors. which arise directly from its operations. The main risks arising from the Group’s financial instruments are interest rate risk. liquidity risk. foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures. limiting transactions with specific counterparties. and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition. receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition. and are presented in financial statements net of provision for doubtful receivables (Note 6).

The amounts stated in the balance sheets reflects the maximum risk exposure of the Group.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Types of credit exposed by types of financial instruments;

Trade receivables						
31 March 2020	Related Parties	Other parties	Other receivables	Bank deposits	Derivative instruments	Receivables from finance operations
Maximum credit risk exposure as of reporting date (A+B+C+D)	1.340.697	766.856	3.434	2.796.130	568	1.951.998
- Maximum risk secured by guarantee ⁽²⁾	33.700	708.210	-	-	-	2.380.082
A. Net book value of financial assets neither overdue nor impaired	1.333.953	719.395	3.434	2.796.130	568	1.894.884
- Maximum risk secured by guarantee	33.700	677.365	-	-	-	2.355.787
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of impaired assets	6.744	47.600	-	-	-	25.624
- Maximum risk secured by guarantee	-	30.845	-	-	-	24.295
D. Net book value of impaired assets	-	(139)	-	-	-	31.490
- Overdue (gross book value)	-	13.725	-	-	-	105.090
- Impairment (-)	-	(13.864)	-	-	-	(73.600)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	41.656
E. Off- balance sheet items	-	-	-	-	-	-

Trade receivables						
31 December 2019	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	Receivables from finance operations
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	1.255.067	888.755	715	2.825.487	568	2.016.429
- Maximum risk secured by guarantee ⁽²⁾	33.700	814.350	-	-	-	2.487.178
A. Net book value of financial assets neither overdue nor impaired	1.249.638	837.052	715	2.825.487	568	1.950.204
- Maximum risk secured by guarantee	33.700	783.297	-	-	-	2.462.883
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of assets overdue but not impaired	5.429	51.592	-	-	-	24.542
- Maximum risk secured by guarantee	-	31.053	-	-	-	24.295
D. Net book value of impaired assets	-	111	-	-	-	41.683
- Overdue (gross book value)	-	12.708	-	-	-	112.656
- Impairment (-)	-	(12.597)	-	-	-	(70.973)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	47.362
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

⁽¹⁾ Guarantees received and factors increasing the loan reliability are not considered when determining this amount

⁽²⁾ Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Aging analysis of trade receivables

Aging of the Group's receivables which are overdue but not impaired is as follows:

31 March 2020	Trade receivables
1- 30 days past due	17.748
1- 3 months past due	22.054
3- 12 months past due	10.215
1- 5 years past due	29.951
Total	79.968
31 December 2019	
1- 30 days past due	21.683
1- 3 months past due	12.418
3- 12 months past due	23.868
1- 5 years past due	23.594
	81.563

Amount secured with guarantees

As of 31 March 2020. TRY 6.557 of total past due receivables of the Group is due from the Group's related party. Fiat (31 December 2019: TRY 5.217). As of 31 March 2020. the Group's payables to Fiat amount to TRY 1.566.338 (31 December 2019: TRY 1.788.945).

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

As explained in detail in Note 5, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo, Mini Cargo are guaranteed by Fiat through future purchases. As of 31 March 2020, loans obtained related with Doblo vehicle project have entirely been repaid.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 March 2020	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	971.141	4.415	130.613	-
2a. Monetary financial assets (including cash, bank accounts)	1.407.781	5	195.114	-
2b. Non-monetary financial assets	213.362	-	29.572	-
3. Other	3.081	-	427	-
4. Current assets (1+2+3)	2.595.365	4.420	355.726	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	98.037	-	13.588	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	98.037	-	13.588	-
9. Total assets (4+8)	2.693.402	4.420	369.314	-
10. Trade payables	(1.709.655)	(798)	(236.211)	(24)
11. Financial liabilities	(1.232.826)	-	(170.870)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(2.942.481)	(798)	(407.081)	(24)
14. Trade payables	-	-	-	-
15. Financial liabilities	(2.466.995)	-	(341.925)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(2.466.995)	-	(341.925)	-
18. Total liabilities (13+17)	(5.409.476)	(798)	(749.006)	(24)
19. Net asset / (liability) position of off- balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(2.716.074)	3.622	(379.692)	(24)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(3.027.473)	3.622	(422.852)	(24)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	3.057.734	-	456.522	295
24. Import	2.230.933	719	330.209	279

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 March 2020 is TRY 26.459.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	1.013.524	1	152.395	-
2a. Monetary financial assets (including cash, bank accounts)	995.234	11	149.636	-
2b. Non-monetary financial assets	89.824	-	13.506	-
3. Other	333	-	50	-
4. Current assets (1+2+3)	2.098.915	12	315.587	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	67.218	-	10.107	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	67.218	-	10.107	-
9. Total assets (4+8)	2.166.133	12	325.694	-
10. Trade payables	(1.855.716)	(984)	(278.151)	-
11. Financial liabilities	(928.503)	-	(139.612)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(2.784.219)	(984)	(417.763)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	(1.206.930)	-	(181.476)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1.206.930)	-	(181.476)	-
18. Total liabilities (13+17)	(3.991.149)	(984)	(599.239)	-
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(1.825.016)	(972)	(273.545)	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.982.058)	(972)	(297.158)	-
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	13.401.561	-	2.103.412	1.427
24. Import	8.146.271	11.562	1.265.218	1.364

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 December 2019 is TL 65.060.

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 31 March 2020 and 31 December 2019:

	31 March 2020			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	2.360	(2.360)	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	2.360	(2.360)	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(305.088)	305.088	-	-
5- Amount hedged for EUR risk (-)	309.640	(309.640)	-	-
6- EUR net effect (4+5)	4.552	(4.552)	-	-
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
Total (3+6+9)	6.912	(6.912)	-	-
	31 December 2019			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(577)	577	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(577)	577	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(197.628)	197.628	-	-
5- Amount hedged for EUR risk (-)	242.084	(242.084)	-	-
6- EUR net effect (4+5)	44.456	(44.456)	-	-
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
Total (3+6+9)	43.879	(43.879)	-	-

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk stems from the probability of an impact of rate changes on financial accounts. The Group is exposed to interest rate risk due to maturity mismatch or differences of the assets and liabilities that are re-priced or matured in a specific period. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

As of 31 March 2020 and 31 December 2019, the effect of +/- 0.5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	1 January - 31 March 2020	1 January - 31 December 2019
Change in interest rates	0,50	0,50
Effect on net income before for taxes	(3.150)	(309)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one-year column.

31 March 2020

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	5.430.071	5.824.111	148.995	2.194.261	3.480.855	-
Lease liabilities	11.691	11.691	1.693	5.102	4.896	-
Trade payables	3.573.933	3.585.563	3.585.563	-	-	-
Bonds	196.754	210.275	110.351	7.443	92.481	-
Employee benefit liabilities	96.916	96.916	96.916	-	-	-
Other payables	106.438	106.438	106.438	-	-	-
	9.415.803	9.834.994	4.049.956	2.206.806	3.578.232	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	22.652	2.212.839	-	-	2.212.839	-
Derivative cash inflows						
Derivative cash outflows	22.652	2.212.839	-	-	2.212.839	-
	22.652	2.212.839	-	-	2.212.839	-

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2019

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	3.745.811	4.099.515	232.958	1.691.357	2.175.200	-
Lease liabilities	12.130	12.130	1.351	4.052	6.727	-
Trade payables	3.884.834	3.879.871	2.841.090	1.038.781	-	-
Bonds	192.779	216.386	3.086	117.128	96.172	-
Employee benefit liabilities	130.113	130.113	130.113	-	-	-
Other payables	28.021	28.021	28.021	-	-	-
	7.993.688	8.366.036	3.236.619	2.851.318	2.278.099	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	21.448	2.046.778	-	-	2.046.778	-
Derivative cash inflows						
Derivative cash outflows	21.448	2.046.778	-	-	2.046.778	-
	21.448	2.046.778	-	-	2.046.778	-

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions. The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 31 March 2020. Consolidated net financial debt/total equity ratio as of 31 March 2020 and 31 December 2019 is as follows;

	31 March 2020	31 December 2019
Total borrowing	5.638.516	3.950.720
Cash and cash equivalent	(2.796.130)	(2.825.487)
Net financial debt	2.842.386	1.125.233
Equity	3.387.452	4.329.209
Net financial debt/total equity multiplier	84%	26%

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NOTE 22 - SUBSEQUENT EVENTS

The recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China and spreading in various jurisdictions, may negatively affect economic conditions regionally as well as globally, disrupt operations situated in countries particularly exposed to the contagion. Within the framework of the measures taken to reduce the effects of coronavirus affecting the world, the disruptions in supply and delivery processes are evaluated. As a result, it is decided to suspend production activities between 3 April 2020 – 5 May 2020. Operations apart from production and manufacturing of medical equipment to fight coronavirus will continue within the framework of the business continuity plan and measures taken for employee health, as long as circumstances allow. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Company cannot reasonably estimate the impact on Company's operations.

In accordance with the letter sent by the Competition Board, an investigation was initiated against our Company in order to determine whether there has been a violation of Article 4 of the Law No. 4054 on the Protection of Competition and plea of our Company has been requested in this context. The investigation has been initiated on the ground of execution of State Council's judgement dated on 04.12.2019, which cancelled the decision of the Competition Board dated on 24.06.2009. The Competition Board decided not to open an investigation and refusal of the complaints which were accusing that the new passenger car and light commercial vehicle manufacturer and distributor undertakings had increased prices and restricted the supply of goods by acting together following the special consumption tax discount introduced for the automotive industry in 2009. As it is known, opening an investigation by the Competition Authority cannot be interpreted as the undertakings or association of undertakings subject to the investigation violate the Law No. 4054, as being or will subject to penalty under the Law.