

Tofaş Türk Otomobil Fabrikası A.Ş.

**Convenience translation into English of
condensed consolidated financial statements
for the interim period 1 January - 30 June 2020
(Originally issued in Turkish)**

**(Convenience translation of a report and condensed consolidated financial statements
originally issued in Turkish)**

Report on Review of Interim Condensed Consolidated Financial Statements

To Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi ("the Company") and its subsidiaries ("the Group") as of June 30, 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

July 28, 2020
İstanbul, Türkiye

Tofaş Türk Otomobil Fabrikası A.Ş.
Interim condensed consolidated financial statements
for the interim period 1 January - 30 June 2020

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Consolidated statement of financial position
as of 30 June 2020 and 31 December 2019**

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

		<i>Limited review</i>	<i>Audited</i>
	Notes	30 June 2020	31 December 2019
ASSETS			
Current assets:			
Cash and cash equivalents	3	2.081.829	2.825.487
Financial assets	4	339	568
Trade receivables			
- <i>Related parties</i>	20	2.825.941	1.255.067
- <i>Third parties</i>	7	901.927	888.755
Receivables from finance sector operations	8	1.021.832	1.087.894
Other receivables		4.234	506
Inventories	9	1.168.756	749.130
Prepaid expenses	13	54.268	70.686
Current tax assets		7.117	2.701
Other current assets	13	8.754	88.891
Total current assets		8.074.997	6.969.685
Non-current assets:			
Receivables from finance sector operations	8	935.378	928.535
Other receivables		225	209
Investment properties		66.000	66.000
Property, plant and equipment	10	1.997.157	2.112.220
Right of use assets		12.469	10.639
Intangible assets	11	1.711.774	1.658.775
Prepaid expenses	13	90.402	73.770
Deferred tax assets	18	1.058.310	989.454
Total non-current assets		5.871.715	5.839.602
Total assets		13.946.712	12.809.287

These consolidated financial statements for the period ended 1 January - 30 June 2020 have been approved for issue by the Board of Directors on 28 July 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 statement of financial position

as of 30 June 2020 and 31 December 2019

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

		<i>Limited review</i>	<i>Audited</i>
	Notes	30 June 2020	31 December 2019
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	75.000	25.000
Short-term portion of long-term financial liabilities	5	1.992.178	1.821.507
Trade payables			
- Related parties	20	2.516.518	1.913.079
- Third parties	7	1.322.387	1.971.755
Employee benefit liabilities		142.398	130.113
Other payables		132.767	28.021
Contract liabilities		29.393	27.415
Government incentives and grants		2.258	6.241
Deferred income	13	31.456	33.100
Short-term provisions	12	186.597	165.659
Other current liabilities	13	63.297	4.587
Total current liabilities		6.494.249	6.126.477
Non-current liabilities:			
Long-term financial liabilities	5	3.646.348	2.104.213
Derivative instruments	6	18.896	21.448
Government incentives and grants		11.166	9.441
Long-term provisions			
- Provisions for employment termination benefits		222.724	218.499
Total non-current liabilities		3.899.134	2.353.601
Total liabilities		10.393.383	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		(67.370)	(67.845)
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		(1.235.752)	(1.024.755)
Restricted reserves		369.326	366.881
Retained earnings		3.004.101	2.724.907
Net profit for the year / period		634.642	1.481.639
Total equity		3.553.329	4.329.209
Total liabilities and equity		13.946.712	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 30 June 2020 and 2019**

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

		<i>Limited reviewed</i>	<i>Not limited reviewed</i>	<i>Limited reviewed</i>	<i>Not limited reviewed</i>
		1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
	Notes				
Revenue	14	7.498.824	3.051.481	9.270.476	5.289.026
Cost of sales (-)	14	(6.445.513)	(2.566.448)	(8.085.918)	(4.649.286)
Gross profit from operations		1.053.311	485.033	1.184.558	639.740
Revenue from finance sector operations		197.350	95.705	249.411	122.777
Expenses from finance sector operations (-)		(163.981)	(85.621)	(179.982)	(90.787)
Gross profit from finance sector operations		33.369	10.084	69.429	31.990
Gross profit		1.086.680	495.117	1.253.987	671.730
General administrative expenses (-)	15	(171.593)	(77.621)	(173.815)	(85.315)
Marketing expenses (-)	15	(161.527)	(70.904)	(162.366)	(83.061)
Research and development expenses (-)	15	(30.134)	(14.277)	(41.958)	(19.582)
Other income from main operations	16	404.846	123.884	533.472	301.918
Other expense from main operations (-)	16	(505.951)	(149.740)	(580.125)	(323.119)
Operating profit before financial income		622.321	306.459	829.195	462.571
Income from investing activities		2.644	1.834	4.645	4.043
Operating profit before financial income		624.965	308.293	833.840	466.614
Financial income	17	625.174	234.491	466.240	270.229
Financial expense (-)	17	(613.436)	(252.074)	(560.662)	(318.200)
Profit before tax		636.703	290.710	739.418	418.643
Tax income for the period		(2.061)	(2.243)	(6.215)	(10.181)
- Taxes on income	18	(11.529)	(5.241)	(13.926)	(5.149)
- Deferred tax income	18	9.468	2.998	7.711	(5.032)
Net profit for the period		634.642	288.467	733.203	408.462
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		634.642	288.467	733.203	408.462
Earnings per share (Kr)	19	1,27	0,58	1,47	0,82

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 30 June 2020 and 2019**

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

	<i>Limited reviewed</i>	<i>Not limited reviewed</i>	<i>Limited reviewed</i>	<i>Not limited reviewed</i>
	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Net profit for the year	634.642	288.467	733.203	408.462
Other comprehensive income:				
Other comprehensive income not to be reclassified under profit and loss				
- Actuarial gain /(loss) on employment termination benefit obligation	598	(8.063)	(5.790)	(6.990)
- Actuarial gain / (loss) on post employment termination benefit obligation, tax effect	(123)	1.658	1.210	1.461
Other comprehensive income to be reclassified under profit and loss				
- Gain (losses) on cash flow hedges	(270.508)	(148.954)	(54.541)	(23.116)
- Taxes relating to cash flow hedges	59.511	32.769	12.014	5.100
Other comprehensive (loss)	(210.522)	(122.590)	(47.107)	(23.545)
Total comprehensive income	424.120	165.877	686.096	384.917
Total comprehensive income attributable to:				
Non-controlling interests	-	-	-	-
Parent company interests	424.120	165.877	686.096	384.917

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 30 June 2020 and 31 December 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	-	-	(4.580)	(42.527)	-	-	733.203	686.096	-	686.096
Dividends paid	-	-	-	-	(96.347)	(783.653)	-	(880.000)	-	(880.000)
Balances at 30 June 2019	500.000	348.382	(42.570)	(1.118.152)	366.881	2.724.907	733.203	3.512.651	-	3.512.651
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	-	-	475	(210.997)	-	-	634.642	424.120	-	424.120
Dividends paid	-	-	-	-	(104.595)	(1.095.405)	-	(1.200.000)	-	(1.200.000)
Balances at 30 June 2020	500.000	348.382	(67.370)	(1.235.752)	369.326	3.004.101	634.642	3.553.329	-	3.553.329

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 30 June 2020 and 2019
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

		<i>Limited Reviewed</i>	<i>Limited Reviewed</i>
	Notes	30 June 2020	30 June 2019
A. Cash flows from operating activities		(701.743)	2.441.442
Net profit for the period		634.642	733.203
Adjustments to reconcile profit for the period		499.594	587.149
- Adjustments related to depreciation and amortization		417.719	369.356
- Adjustments related to interest income	17	(47.477)	(66.213)
- Adjustments related to provision for inventories	9	10.869	2.177
- Gain on sale of property, plant and equipment		(2.643)	(4.645)
- Provision for employment termination benefits		21.505	23.689
- Adjustments related to warranty provisions	12	55.317	33.802
- Adjustments related to doubtful receivables	7,8	8.317	22.006
- Lawsuit provision / cancellation	12	2.262	991
- Adjustments related to interest expense	17	49.215	42.089
- Adjustments for tax losses/ income	18	2.061	6.215
- Due date charges on term purchases and sales	16	221	40.085
- Adjustments related to unrealized foreign currency differences		232.224	243.399
- Adjustments related to exchange differences of cash and cash equivalents		(249.996)	(125.802)
Changes in net working capital		(1.773.026)	1.219.312
- Change in inventories		(430.495)	(5.228)
- Change in trade receivables		13.642	379.670
- Change in receivables from related parties		(1.570.874)	(401.898)
- Change in other receivables from operating activities		(3.744)	(5.696)
- Change in trade payables		(649.368)	575.018
- Change in trade payables due to related parties		568.087	271.941
- Adjustments for increase (decrease) in liabilities arising from customer contracts		1.978	2.747
- Change in receivables from finance sector operations		59.219	306.038
- Change in prepaid expenses		(214)	39.986
- Change in deferred revenue		(1.644)	(1.844)
- Change in government incentives and grants		(2.258)	(3.121)
- Change in other assets from operating activities		75.771	84.053
- Change in other liabilities from operating activities		169.425	(18.213)
- Change in fair value gains on derivative financial instruments		(2.551)	(4.141)
Net cash generated from operating activities		(638.790)	2.539.664
- Income taxes paid		(15.945)	(6.895)
- Payments related to employment termination benefits		(16.682)	(52.712)
- Other cash inflows (outflows)		(30.326)	(38.615)
B. Cash flows from investing activities		(297.283)	(171.286)
- Purchases of tangible assets	10	(101.274)	(168.107)
- Purchases of intangible assets		(256.358)	(86.593)
- Proceeds from sale of tangible and intangible assets		7.156	10.428
- Change in financial assets		229	9.600
- Interest received		52.964	63.386
C. Cash flows from financing activities		10.859	(1.657.076)
- Proceeds from financial liabilities	5	2.407.435	692.267
- Bank loans paid	5	(1.145.162)	(1.435.694)
- Payment of lease liabilities	5	(3.236)	(2.702)
- Dividends paid		(1.200.000)	(880.000)
- Interest paid		(48.178)	(39.286)
- Other cash inflows (outflows)		-	8.339
Net (decrease)/ increase in cash and cash equivalents before the foreign exchange differences from cash and cash equivalents		(988.167)	613.080
D. Effects of foreign exchange differences on cash and cash equivalents		249.996	125.802
Net change in cash and cash equivalents		(738.171)	738.882
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	2.080.817	2.699.057

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 30 June 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 30 June 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 (%)	
		30 June 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	
	30 June 2020	30 June 2019	30 June 2020	31 December 2019
Hourly-rated	5.074	5.640	5.048	5.180
Monthly-rated	1.568	1.666	1.548	1.607
	6.642	7.306	6.596	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/TFRS") 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 30 June 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)

In accordance with the decision taken in the CMB meeting held on 15 April 2019, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period. With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005. 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 Ministry 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.

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:

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 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)

- 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.
- 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.
- 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 (Note 9).
- f) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets (Note 10-11).
- 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 (Note 18).
- h) The Group capitalized its ongoing development expenditures and assesses whether there is an impairment loss on these capitalized assets.

2.2 Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim consolidated financial statements as at June 30, 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, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 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)
- Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 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 (Continued)

ii) 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 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.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Proceeds before intended use
- Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

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 30 June 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 30 June 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.

2.5 Significant changes in the current period

The impact of Covid-19 (Coronavirus) pandemic and parallel to the current conditions / slowdown in the global economy, there have been disruptions in the supply and sales processes the manufacturing have been temporarily suspended. During the impact of Covid-19 (Coronavirus) pandemic to the Group's operations and financial results has been monitored and actions have been immediately taken for the Group to mitigate the impacts of the pandemics.

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

As restrictions to limit the spread of the pandemic have been lifted demand especially recovered with positive impact on the Group's performance. Since the impact and duration of the coronavirus epidemic is currently uncertain both globally and in Turkey, its impact on the Group's operations cannot be reasonably estimated. In order to estimate the its impact on the Group's operations reasonably, the outbreak and duration of the epidemic should be assessed for the mid and long term. In connection with, in preparation of the condensed interim consolidated financial statements as of 30 June 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, no impairments were identified on the condensed interim consolidated financial statements

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash on hand	3	4
Due from banks		
- time deposits	2.002.283	2.717.425
- demand deposits	79.543	108.058
	2.081.829	2.825.487

The breakdown of time deposits as of 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020		31 December 2019	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	784.625	0,05-1,2	988.708	0,15-0,35
TRY	1.217.658	6-8,75	1.728.717	10,50-12,00
	2.002.283		2.717.425	

As of 30 June 2020, the maturities of time deposits vary between 1 and 17 days (31 December 2019: between 1 and 21 days).

As of 30 June 2020, the cash at banks comprise time and demand deposits amounting to TRY 150.458 (31 December 2019: TRY 340.398) which are deposited at a bank which is a related party of the Group (Note 20).

As of 30 June 2020 and 2019, the reserves of cash and cash equivalent in cash flow statement;

	30 June 2020	30 June 2019
Cash and banks	2.081.829	2.714.382
Less: interest accruals	(1.012)	(3.994)
Less: restricted cash	-	(11.331)
	2.080.817	2.699.057

As of 30 June 2020, the Company does not have any worth of restricted cash consists of required reserve balance of the Central Bank of Turkish Republic (31 December 2019: None).

NOTE 4 - FINANCIAL ASSETS

Financial assets to fair value through profit or loss

As of 30 June 2020, the Group has available for sale financial investments amounting to TRY 339 (31 December 2019: TRY 568).

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NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	30 June 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 (*)	-	75.000	8,93-12,18	-	25.000	12,18
		75.000			25.000	

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

	30 June 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 (*)	-	601.112	8,93-34,44	-	785.458	12,18-37,8
Borrowings in EUR	161.625	1.245.841	Euribor + %0,55 - Euribor + %2,90	139.612	928.503	Euribor + %0,5 Euribor + %2,9
Bonds ^(1,2,3)	-	138.430	8,67-11,30	-	102.143	13,75-15,86
Borrowings in lease liability	-	6.795	-	-	5.403	-
		1.992.178			1.821.507	

c) Long-term financial liabilities

	30 June 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	339.260	2.615.087	Euribor +%0,55 Euribor + %2,90	181.477	1.206.930	Euribor +%0,55 Euribor + %2,90
Borrowings in TRY (*)	-	937.404	8,93-34,44	-	799.920	12,18-37,8
Bonds ^(1,2,3)	-	85.266	8,67-11,30	-	90.636	13,75-15,86
Borrowings in lease liability	-	8.591	-	-	6.727	-
		3.646.348			2.104.213	

(*) The short and long-term bank borrowings which are denominated in obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 30 June 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 9 November 2018 based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 13 June 2019 nominal amount of TRY 90.000 and at an interest rate by 8,67%. 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 11 December 2019 based on the required authorization of the Capital Markets Law, the Group issued 6-month maturity bonds on 8 April 2020 with a nominal amount of TRY 50.000 and at an interest rate by 11,30%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..
- (3) In accordance with the minutes of Board of Directors meeting held on 11 December 2019 based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 18 June 2020 with a nominal amount of TRY 85.000 and at an interest rate by 9,75%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

As of 30 June 2020, TRY 891.931 (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 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	31 December 2019
1-2 years	1.989.259	1.310.932
2-3 years	1.026.402	786.554
3-4 years	418.877	-
4-5 years	203.219	-
	3.637.757	2.097.486

The movement of financial liabilities as of 30 June 2020 and 2019 is as follows:

	30 June 2020	30 June 2019
1 January	3.950.720	5.432.052
First adoption effect of TFRS 16	-	14.995
Effect of cash flows	1.262.273	(743.427)
Unrealized foreign exchange differences	502.733	297.940
Changes in TFRS 16 – lease liabilities	(3.236)	(2.702)
Change in accrual of interest	1.036	429
30 June	5.713.526	4.999.287

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

The Group has obtained a credit by TRY 35.329 (equivalent of EUR 4.583 thousand) (31 December 2019: TRY 60.964 (equivalent of EUR 9.167 thousand)) at 9 December 2014 from European Investment Bank (EIB) with a maturity until December 2020 in order to use in "New Sedan R&D" projects as of 30 June 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 TRY 412.939 (equivalent of EUR 53.571) (31 December 2019: TRY 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 30 June 2020, the remaining amount is TRY 592.938 (the equivalent of EUR 76.923 thousand). (31 December 2019: TRY 741,907 (equivalent of EUR 123,076)). (31 December 2019: TRY 613.902 (equivalent of EUR 92.308 thousand)).

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 30 June 2020, the remaining amount is TRY 245.260 (the equivalent of EUR 31.818 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 30 June 2020 is TRY 592.938 (EUR 76.923 thousand in equivalent in TRY) (31 December 2019: TRY 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 TRY 68.295 (equivalent of EUR 8.860 thousand) as of 30 June 2020 (31 December 2019: TRY 88.386 (equivalent of EUR 13.290 thousand)).

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

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 369.993 (equivalent of EUR 48.000 thousand) as of 30 June 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 1.002.066 (equivalent of EUR 130.000 thousand) as of 30 June 2020.

The Group signed the loan agreement amounting to EUR 130.000 thousand with TEB for.MCA investment purpose as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2%. The carrying amount of aforementioned loan in the consolidated balance sheet is TL 539.574 (equivalent of EUR 70.000 thousand) as of 30 June 2020.

NOT 6 – DERIVATIVE ASSETS AND LIABILITIES

		30 June 2020				31 December 2019		
		Fair value				Fair value		
	Purchase contract amount	Sale contract amount	Assets	Liabilities	Purchase contract amount	Sale contract amount	Assets	Liabilities
Cash Flow Hege								
Interest rate swap	1.934.077	1.934.077	-	18.896	2.046.778	2.046.778	-	21.448
	1.934.077	1.934.077	-	18.896	2.046.778	2.046.778	-	21.448

The Group has swap transactions that consist of repayments of borrowings with fixed interest rate and repayments of borrowings with floating interest rate in order to hedge its cash flow risk as of 30 June 2020 (31 December 2019: None).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	30 June 2020	31 December 2019
Trade receivables	906.831	892.374
Doubtful trade receivables	12.615	12.708
Less: provision for doubtful receivables	(12.751)	(12.597)
Less: unearned credit finance income	(4.768)	(3.730)
	901.927	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	154	2.384
30 June	12.751	10.794

Collaterals received related with trade receivables

As of 30 June 2020, the letter of guarantees amounting to TRY 186.550 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 862.556 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

	30 June 2020	31 December 2019
Trade payables	1.326.866	1.976.672
Less: not accrued credit finance expense	(4.479)	(4.917)
	1.322.387	1.971.755

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NOTE 8- RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	30 June 2020	31 December 2019
Short-term consumer financing loans	999.190	1.047.626
Non-performing loans	102.742	112.656
	1.101.932	1.160.282
Provision for specific loan impairment	(78.520)	(70.973)
Provision for general loan impairment	(1.580)	(1.415)
Total	1.021.832	1.087.894
Long-term consumer financing loans	946.192	943.392
Provision for general loan impairment	(10.814)	(14.857)
Total	935.378	928.535

As of 30 June 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	30 June 2020	31 December 2019
1 to 2 years	549.952	579.448
2 to 3 years	273.611	255.828
3 to 4 years	108.425	87.500
4 years and more	3.390	5.759
Total	935.378	928.535

Movements in the allowance for loan impairment are as follows:

	30 June 2020	30 June 2019
1 January	87.245	71.339
Current year provision	8.163	19.622
Recoveries from loans under follow-up	(4.494)	(3.684)
30 June	90.914	87.277

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 30 June 2020, the fair value of guarantees obtained for the consumer loans amounting to TRY 2.354.943 (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 39.035 (31 December 2019: TRY 47.362) as of 30 June 2020.

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NOTE 9 – INVENTORIES

	30 June 2020	31 December 2019
Raw materials	509.437	328.103
Work-in-progress	167.076	262.562
Finished goods	114.300	53.660
Imported vehicles	51.873	3.221
Spare parts	86.814	68.628
Goods in transit	288.250	71.081
Less: provision for impairment on inventories	(48.994)	(38.125)
Total	1.168.756	749.130

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

	30 June 2020	30 June 2019
1 January	38.125	29.270
Current year provision, net	10.869	2.177
30 June	48.994	31.447

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation for six months period ended 30 June 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							
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
Additions	-	-	594	-	1.150	99.530	101.274
Disposals	-	(2.170)	(2.241)	(5.583)	-	-	(9.994)
Disposal - Depreciation	-	1.671	2.099	1.711	-	-	5.481
Transfers	495	22.947	6.460	1.736	-	(31.638)	-
Depreciation charge for the period	(5.319)	(173.753)	(26.685)	(5.766)	(301)	-	(211.824)
30 June 2020, net book value	257.809	1.407.707	206.686	25.421	4.611	94.923	1.997.157
As of 30 June 2020							
Cost	517.983	5.478.383	707.323	89.541	13.940	94.923	6.902.093
Accumulated depreciation	(260.174)	(4.070.676)	(500.637)	(64.120)	(9.329)	-	(4.904.936)
30 June 2020, net book value	257.809	1.407.707	206.686	25.421	4.611	94.923	1.997.157

As of 30 June 2020, there are no pledges or collaterals on property, plant and equipment (30 June 2019: None).

As of 30 June 2020, there is insurance coverage amounting to TRY 11.101.350 on property, plant and equipment (30 June 2019: TRY 10.082.182).

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation for six months period ended 30 June 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							
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
Additions	-	-	289	784	-	167.034	168.107
Disposals	-	(1.780)	(621)	(10.879)	-	-	(13.280)
Disposal - Depreciation	-	1.245	578	5.673	-	-	7.496
Transfers	2.165	82.120	14.596	22.133	8	(121.022)	-
Depreciation charge for the period	(5.265)	(161.478)	(26.127)	(5.678)	(202)	-	(198.750)
30 June 2019, net book value	263.739	1.580.097	231.649	34.176	3.933	97.580	2.211.174
As of 30 June 2019							
Cost	513.271	5.313.266	681.518	89.957	12.758	97.580	6.708.350
Accumulated depreciation	(249.532)	(3.733.169)	(449.869)	(55.781)	(8.825)	-	(4.497.176)
30 June 2019, net book value	263.739	1.580.097	231.649	34.176	3.933	97.580	2.211.174

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NOTE 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 30 June 2020 and 2019, are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January			
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 2019, net book value			
Additions	259.599	4.075	263.674
Amortization charge for the period	(204.664)	(6.011)	(210.675)
30 June 2020, net book value	1.664.366	47.408	1.711.774
As of 30 June 2019			
Cost	4.339.542	158.567	4.498.109
Accumulated amortization	(2.675.176)	(111.159)	(2.786.335)
30 June 2020, net book value	1.664.366	47.408	1.711.774

	Licenses fee and development costs	Other	Total
As of 1 January			
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			
Additions	90.585	2.024	92.609
Amortization charge for the period	(169.013)	(5.431)	(174.444)
30 June 2019, net book value	1.450.335	47.291	1.497.626
As of 30 June 2019			
Cost	3.738.098	146.300	3.884.398
Accumulated amortization	(2.287.763)	(99.009)	(2.386.772)
30 June 2019, net book value	1.450.335	47.291	1.497.626

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NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	30 June 2020	31 December 2019
Provision for warranty claims	164.268	139.277
Provision for legal cases	13.308	11.046
Other	9.021	15.336
Total	186.597	165.659

Movement of the warranty provision is as follows:

	30 June 2020	30 June 2019
1 January	139.277	147.956
Paid during the period	(30.326)	(38.615)
Increase during the period (Note 15)	55.317	33.802
30 June	164.268	143.143

Movement of the provision for litigation is as follows:

	30 June 2020	30 June 2019
1 January	11.046	8.359
Increase during the period	2.262	991
30 June	13.308	9.350

Litigations against the Group

As of 30 June 2020, the total amount of outstanding legal claims brought against the Group is TRY 19.564 (31 December 2019: TRY 17.607). The Group has reflected a reserve amounting to TRY 13.308 (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 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020			31 December 2019		
	TRY equivalent	EUR	TRY	TRY equivalent	EUR	TRY
A, Total amount of guarantees provided by the Company on behalf of itself	487.639	2.000	472.223	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	487.639	2.000	472.223	479.113	2.000	465.812

As of 30 June 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 30 June 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 2 September 2019 to be realized until 1 September 2020 in connection with the export incentive certificates amounting to USD 1.058.338.000. In connection with the export incentive certificates amounting to USD 1.206.642.920 the Group has realized USD 544.179.273.

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

a) Other current assets

	30 June 2020	31 December 2019
Value Added Tax ("VAT")	113	79.544
Other	8.641	9.347
	8.754	88.891

b) Short-term prepaid expenses

	30 June 2020	31 December 2019
Credit commission expenses (*)	22.866	28.623
Advances given	2.594	19.428
Other	28.808	22.635
	54.268	70.686

(*) Credit commission expenses are composed of the credit commission given to dealers in advance by KFK as of 30 June 2020 and 31 December 2019.

c) Non-current prepaid expenses

As of 30 June 2020, TRY 90.402 (31 December 2019: TRY 73.770) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 83.245 (31 December 2019, TRY 64.633).

d) Deferred income

As of June 30, 2020, TRY 31.456 (December 31, 2019, TRY 33.100) of the deferred income amounting to TRY 22.754 (December 31, 2019: TRY 23.013) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TRY 5.365 (December 31, 2019: TRY 4.588), amounting TRY 3.337 (December 31, 2019: TRY 5.499) is advances received.

e) Other non-current liabilities

	30 June 2020	31 December 2019
Tax payables	57.608	-
Other	5.689	4.587
Total	63.297	4.587

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

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NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Export sales	4.183.098	1.142.326	7.053.249	4.034.339
Domestic sales	3.231.784	1.883.319	2.118.502	1.199.239
Other income	83.942	25.836	98.725	55.448
	7.498.824	3.051.481	9.270.476	5.289.026

b) Production and sales quantities

	Production		Sales	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Manufactured vehicles				
New Doblo	23.095	41.195	23.169	41.307
Egea	31.556	31.625	31.293	32.075
Egea Hatchback	12.343	22.354	11.754	22.226
MCV	8.740	21.672	8.849	21.727
Egea Stationwagon	8.771	15.085	8.496	15.058
	84.505	131.931	83.561	132.393
Imported vehicles				
	Import		Sales	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Ducato	2.083	447	1.789	525
Jeep	1.509	236	1.496	892
Panda Futura	59	50	59	42
Fiat 500	377	36	361	423
Maserati	15	17	14	24
Ferrari	15	13	12	13
Alfa Romeo	34	-	34	189
Transit sales	-	36	-	36
Fullback	-	-	1	-
	4.092	835	3.766	2.144

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NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Direct material expense	(5.016.635)	(1.653.624)	(6.803.984)	(4.141.216)
Depreciation and amortization expense	(394.691)	(198.341)	(349.794)	(142.724)
Direct labor expense	(100.949)	(37.203)	(123.210)	(67.913)
Other production expenses	(221.174)	(85.996)	(283.928)	(152.501)
Total cost of production	(5.733.449)	(1.975.164)	(7.560.916)	(4.504.354)
Change in work-in-process	(95.486)	(56.797)	(35.631)	49.472
Change in finished goods	60.640	(223.014)	(4.638)	67.517
Cost of merchandise sold	(677.212)	(311.469)	(484.643)	(261.866)
Cost of other sales	(6)	(4)	(90)	(55)
	(6.445.513)	(2.566.448)	(8.085.918)	(4.649.286)

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Marketing expenses	(161.527)	(70.904)	(162.366)	(83.061)
General administrative expenses	(171.593)	(77.621)	(173.815)	(85.315)
Research and development expenses	(30.134)	(14.277)	(41.958)	(19.582)
	(363.254)	(162.802)	(378.139)	(187.958)

a) Marketing Expenses

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Warranty expenses (Note 12)	(55.317)	(31.441)	(33.802)	(18.823)
Personnel expenses	(39.500)	(15.964)	(45.079)	(22.772)
Transportation and insurance expenses	(28.279)	(13.937)	(28.236)	(13.269)
Advertisement expenses	(16.004)	(2.399)	(27.020)	(13.224)
Depreciation and amortization expenses	(2.723)	(1.356)	(2.073)	(543)
Exhibition-fair expenses	(1.561)	(357)	(3.053)	(3.053)
Other	(18.143)	(5.450)	(23.103)	(11.377)
	(161.527)	(70.904)	(162.366)	(83.061)

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

b) General and administrative expenses

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Personnel expense	(62.894)	(24.020)	(69.354)	(33.739)
IT expenses	(28.364)	(15.338)	(22.299)	(10.315)
Depreciation and amortization expenses	(17.550)	(8.798)	(16.002)	(8.854)
Outsourcing expenses	(14.236)	(5.706)	(15.801)	(8.488)
Insurance expenses	(4.236)	(2.145)	(5.076)	(2.569)
Travel expenses	(3.303)	(1.239)	(4.561)	(2.550)
Duties, taxes and levies	(3.111)	(881)	(3.130)	(993)
Other	(37.899)	(19.494)	(37.592)	(17.807)
	(171.593)	(77.621)	(173.815)	(85.315)

c) Research and development expenses

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Personnel expense	(16.334)	(8.073)	(22.278)	(8.694)
Transportation and Travel expenses	(3.523)	(1.552)	(5.537)	(2.831)
Depreciation and amortization expenses	(2.754)	(1.281)	(1.487)	(684)
IT expenses	(1.700)	(879)	(2.966)	(1.053)
Other	(5.823)	(2.492)	(9.690)	(6.320)
	(30.134)	(14.277)	(41.958)	(19.582)

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NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gains on operating activities	344.873	86.923	377.808	223.115
Interest income on operating activities	35.131	18.362	134.933	72.722
Other	24.842	18.599	20.731	6.081
	404.846	123.884	533.472	301.918
	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange loss on operating activities	(461.241)	(133.414)	(357.217)	(195.838)
Interest expense on operating activities	(35.352)	(15.857)	(175.018)	(100.483)
Other	(9.358)	(469)	(47.890)	(26.798)
	(505.951)	(149.740)	(580.125)	(323.119)

NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gains	577.697	209.301	400.027	235.347
Interest income	47.477	25.190	66.213	34.882
Total financial income	625.174	234.491	466.240	270.229
Foreign exchange losses	(558.620)	(222.679)	(513.686)	(297.002)
Interest expenses	(49.215)	(26.292)	(42.089)	(22.552)
Loss on derivative financial instruments	-	-	(3.727)	1.100
Other	(5.601)	(3.103)	(1.160)	254
Total financial expenses	(613.436)	(252.074)	(560.662)	(318.200)
Net financial income / (expenses)	11.738	(17.583)	(94.422)	(47.971)

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NOTE 18 - TAX ASSETS AND LIABILITIES

Income tax and deferred tax

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 June 30, 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 2019, 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 as of 30 June 2020 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%.

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.

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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, corporate tax rate in accordance with Article institutions in 2018, 2019 and the taxation will be applied as 22% for the corporate earnings.) 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.

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 June 30, 2020 and December 31, 2019, taxes payable is netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

For the years ended 30 June 2020 and 2019, the analysis of the tax expense in the profit or loss is as follows:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Current year corporate tax	(11.529)	(5.241)	(13.926)	(5.149)
Less: prepaid corporate tax (-)	9.468	2.998	7.711	(5.032)
Prepaid income tax	(2.061)	(2.243)	(6.215)	(10.181)
		30 June 2020	31 December 2019	
Current corporate tax		11.529		29.383
Less: prepaid corporate tax		(18.646)		(32.084)
Prepaid income tax		(7.117)		(2.701)

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 30 June 2020 and 31 December 2019, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Reduced corporate tax (*)	2.508.245	2.462.291	1.165.734	1.136.161
Provision for employee termination benefits and unused vacation	233.611	232.552	48.088	47.956
Warranty provisions	164.268	139.277	34.079	28.897
Inventories	56.472	41.527	12.424	9.136
Contract liabilities	29.393	27.415	6.466	6.031
Deferred income	12.561	15.682	2.764	3.450
Property, plant and equipment and intangibles	(1.085.741)	(1.216.665)	(218.875)	(245.060)
Land valuations	(113.275)	(113.275)	(11.327)	(11.327)
Other	85.098	63.521	18.957	14.210
Deferred tax assets, net			1.058.310	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 - 30 June 2020	1 January 30 June 2019
Deferred tax asset at 1 January	989.454	941.603
Deferred tax income	9.468	7.711
Other comprehensive income	59.388	13.224
<i>Net gain / (loss) on post-employment termination benefit obligation attributable to equity</i>	(123)	1.210
<i>Net gain / (loss) on cash flow hedging attributable to equity (*)</i>	59.511	12.014
As of 30 June	1.058.310	962.538

(*) 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 30 June 2020 and 2019 is as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
Profit before tax	636.703	739.418
Income tax charge at effective tax rate (22%)	(140.075)	(162.672)
Non-deductible expenses	(1.130)	(956)
Research and development incentive expenditures during the period	34.612	21.208
Effect of investment incentive, net	77.674	73.981
Used and earned investment incentive	29.573	59.509
Other	(2.715)	2.715
	(2.061)	(6.215)

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 30 June 2020 and 201, the weighted average number of shares outstanding is 50.000.000.000 and as of 30 June 2020 and 2019 earnings per share is Kr 1,27 and 1,47 respectively.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	30 June 2020	31 December 2019
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	150.458	340.398
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(891.931)	(481.208)

Trade receivables due from related parties	30 June 2020	31 December 2019
Fiat ⁽²⁾	2.148.613	1.006.135
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	675.412	245.099
Other ⁽¹⁾	4.304	5.026
Less: Unearned credit finance income	(2.388)	(1.193)
	2.825.941	1.255.067

Trade payables due to related parties	30 June 2020	31 December 2019
Fiat ⁽²⁾	2.454.310	1.788.945
Other ⁽¹⁾	62.248	124.180
Less: Unearned credit finance expense	(40)	(46)
	2.516.518	1.913.079

Related party transactions

Sales

	1 January– 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Fiat ⁽²⁾	3.521.153	651.796	6.814.255	4.056.499
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	1.271.491	782.642	823.508	454.619
Other ⁽¹⁾	11.365	5.234	21.479	10.966
	4.804.009	1.439.672	7.659.242	4.522.084

⁽¹⁾ Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates,

⁽²⁾ Represents the joint ventures,

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

Domestic goods and services purchases

	1 January – 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Ram Dış Ticaret A.Ş. ⁽¹⁾	118.732	39.893	168.097	107.876
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	84.355	45.442	76.764	51.546
Zer Merkezi Hiz. Ve Tic. A.Ş. ⁽¹⁾	49.260	19.515	48.112	31.244
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	22.567	10.963	29.316	13.538
Sistemi Comandi Meccanici Otomotiv Sanayi ve Ticaret A.Ş. ⁽¹⁾	16.867	4.777	23.230	13.398
Koç Holding ^{(2) (*)}	9.847	5.564	13.002	10.017
Setur Servis Turistik A.Ş. ⁽¹⁾	6.597	1.915	4.919	1.975
Opet Fuchs Madeni Yağlar Tic. A.Ş. ⁽¹⁾	6.347	4.024	8.125	3.595
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	6.080	4.769	8.254	5.410
Akpa Dayanıklı Tüketim Lpg ve Akaryocytes Ürünleri Paz. A.Ş. ⁽¹⁾	865	233	6.029	3.449
Magneti Marelli Mako Elektrik Sanayi ve Ticaret A.Ş. ⁽¹⁾	-	-	67.577	21.436
Matay Otomotiv Yan Sanayi ve Tic. A.Ş. ⁽¹⁾	-	-	48.223	15.103
Magneti Marelli Süspansiyon Sistemleri Tic. Ltd. Şti. ⁽¹⁾	-	-	14.432	4.480
Other ⁽¹⁾	13.648	6.723	19.021	12.078
	335.165	143.818	535.101	295.145

(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.

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

Foreign trade good, material and service purchase:

	1 January – 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Fiat ⁽²⁾	3.419.312	1.222.161	3.766.784	2.245.107
Other ⁽¹⁾	1.013	588	16.829	2.326
	3.420.325	1.222.749	3.783.613	2.247.433

Interest income from related parties, for the six-month period ended 30 June 2020 is TRY 6.600 (30 June 2019: TRY 10.596).

Salaries and similar benefits paid to the top management consisting of 29 persons (30 June 2019: 31 persons) for the three-month period of 2020 is TRY 11.852 (30 June 2019: TRY 13.919).

Furthermore, as of 30 June 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 73.741 (31 December 2019: TRY 93.398).

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.

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						
30 June 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⁾	2.825.941	901.927	4.459	2.081.829	339	1.957.210
- Maximum risk secured by guarantee ⁽²⁾	33.700	821.964	-	-	-	2.376.654
A. Net book value of financial assets neither overdue nor impaired	2.818.544	845.170	4.459	2.081.829	339	1.911.057
- Maximum risk secured by guarantee	33.700	791.998	-	-	-	2.354.943
B. Net book value of assets overdue but not impaired	7.397	56.893	-	-	-	21.931
- Maximum risk secured by guarantee	-	29.966	-	-	-	21.711
C. Net book value of impaired assets	-	(136)	-	-	-	24.222
- Overdue (gross book value)	-	12.615	-	-	-	102.742
- Impairment (-)	-	(12.751)	-	-	-	(78.520)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	39.035
D. 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) ⁽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 assets overdue but not impaired	5.429	51.592	-	-	-	24.542
- Maximum risk secured by guarantee	-	31.053	-	-	-	24.295
C. 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
D. Off- balance sheet items	-	-	-	-	-	-

⁽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:

30 June 2020	Trade receivables
1- 30 days past due	22.204
1- 3 months past due	27.322
3- 12 months past due	7.250
1- 5 years past due	29.445
Total	86.221
31 December 2019	Trade receivables
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

As of 30 June 2020, TRY 7.005 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 30 June 2020, the Group's payables to Fiat amount to TRY 2.454.310 (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 and Mini Cargo are guaranteed by Fiat through future purchases. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Egea Station wagon/Hatchback vehicles is undertaken by Fiat.

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

30 June 2020	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	2.152.320	20	279.207	-
2a. Monetary financial assets (including cash, bank accounts)	792.514	41	102.778	-
2b. Non-monetary financial assets	289.713	-	37.585	-
3. Other	2.605	-	338	-
4. Current assets (1+2+3)	3.237.152	61	419.908	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	94.117	-	12.210	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	94.117	-	12.210	-
9. Total assets (4+8)	3.331.269	61	432.118	-
10. Trade payables	(2.606.427)	(806)	(337.404)	(16)
11. Financial liabilities	(1.245.841)	-	(161.625)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(3.852.268)	(806)	(499.029)	(16)
14. Trade payables	-	-	-	-
15. Financial liabilities	(2.615.087)	-	(339.260)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(2.615.087)	-	(339.260)	-
18. Total liabilities (13+17)	(6.467.355)	(806)	(838.289)	(16)
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)	(3.136.086)	(745)	(406.171)	(16)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	(3.519.916)	(745)	(455.966)	(16)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	4.200.294	-	604.887	-
24. Import	3.367.555	1.299	479.113	932

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 30 June 2020 is TRY 287.102 short foreign currency position.

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

31 December 2019	TRY 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+3+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 foreign currency exposure of the Group excluding such borrowings as of 31 December 2019 is TRY 65.060 of long foreign currency liability position.

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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 30 June 2020 and 31 December 2019:

	30 June 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	(510)	510	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(510)	510	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(351.468)	351.468	-	-
5- Amount hedged for EUR risk (-)	386.123	(386.123)	-	-
6- EUR net effect (4+5)	34.655	(34.655)	-	-
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	(13)	13	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	(13)	13	-	-
Total (3+6+9)	34.132	(34.132)	-	-
	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 TRY:</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 TRY:</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 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)	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 30 June 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 - 30 June 2020	1 January - 31 December 2019
Change in interest rates	0,50	0,50
Effect on net income before for taxes	(206)	(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.

30 June 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	5.474.444	5.845.741	75.681	2.164.942	3.605.118	-
Lease liabilities	15.386	15.386	1.717	5.078	8.591	-
Trade payables	3.838.905	3.843.426	3.843.426	-	-	-
Bonds	223.696	245.180	1.946	154.102	89.132	-
Employee benefit liabilities	142.398	142.398	142.398	-	-	-
Other payables	132.767	132.767	132.767	-	-	-
	9.827.596	10.224.898	4.197.935	2.324.122	3.702.841	-

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)	18.896	1.934.077	-	-	1.934.077	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	18.896	1.934.077	-	-	1.934.077	-
	18.896	1.934.077	-	-	1.934.077	-

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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	-

Fair values of financial instruments

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 assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values. The carrying values of cash and cash equivalents 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 since they are short term.

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NOT 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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 bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

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

- First level: Financial assets and liabilities are valued over stock exchange prices used in active market for assets and liabilities which are similar.
- Second level: Financial assets and liabilities are valued over the inputs used to find out observable price of relevant asset or liability directly or indirectly in the market other than its stock exchange price specified in first level.
- Third level: Financial assets and liabilities are valued over the inputs not based on an observable data in the market, which is used to find out fair value of asset and liability.

As of 30 June 2020 ve 31 December 2019 The fair value of financial assets and liabilities are shown below;

30 June 2020	Level 1	Level 2	Level 3
Investment property	-	66.000	-
Total assets	-	66.000	-
Derivatives held for trading	-	18.896	-
Total Liabilities	-	18.896	-
31 December 2019	Level 1	Level 2	Level 3
Investment property	-	66.000	-
Total assets	-	66.000	-
Derivatives held for trading	-	21.448	-
Total Liabilities	-	21.448	-

As of 30 June 2020, the Group has not made any transfers between second level and first level, and also between third level and other levels.

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

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 30 June 2020.

Consolidated net financial debt/total equity ratio as of 30 June 2020 and 31 December 2019 is as follows;

	30 June 2020	31 December 2019
Total borrowing	5.713.526	3.950.720
Cash and cash equivalent	(2.081.829)	(2.825.487)
Net financial debt	3.631.697	1.125.233
Equity	3.553.329	4.329.209
Net financial debt/total equity multiplier	102%	26%

NOTE 22 - SUBSEQUENT EVENTS

None.