

Tofaş Türk Otomobil Fabrikası A.Ş.

**Convenience translation into English of
condensed consolidated financial statements
for the interim period 1 January - 31 March 2021**

(Originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.
Interim condensed consolidated financial statements
for the interim period 1 January - 31 March 2021

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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 2021 and 31 December 2020

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	31 March 2021	31 December 2020
ASSETS			
Current assets:			
Cash and cash equivalents	3	3,006,868	4,249,809
Financial assets	4	677	1,002
Trade receivables		5,064,428	5,493,012
- Related parties	20	3,887,242	4,049,339
- Third parties	6	1,177,186	1,443,673
Receivables from finance sector operations	7	1,830,018	1,400,368
Other receivables		3,638	101
Inventories	8	1,816,619	1,523,966
Prepaid expenses	13	67,597	42,328
Current tax assets		5,559	3,537
Other current assets	13	10,580	127,243
Total current assets		11,805,984	12,841,366
Non-current assets:			
Receivables from finance sector operations	7	1,770,840	1,459,500
Other receivables		275	234
Investment properties	9	69,000	69,000
Property, plant and equipment	10	2,035,449	2,037,483
Right of use assets		9,229	9,826
Intangible assets	11	2,019,845	1,880,284
Prepaid expenses	13	56,046	78,201
Deferred tax assets	18	1,151,442	1,099,727
Total non-current assets		7,112,126	6,634,255
Total assets		18,918,110	19,475,621

These interim condensed consolidated financial statements for the period ended 1 January - 31 March 2021 have been approved for issue by the Board of Directors on 27 April 2021.

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 2021 and 31 December 2020

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	31 March 2021	31 December 2020
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	50,000	50,000
Short-term portion of long-term financial liabilities	5	3,430,422	2,777,079
Trade payables		6,721,068	7,484,095
- Related parties	20	4,201,571	4,011,979
- Third parties	6	2,519,497	3,472,116
Employee benefit liabilities		94,092	141,144
Other payables		149,536	19,006
Contract liabilities		40,046	36,297
Derivative instruments		766	-
Government incentives and grants		4,516	4,516
Deferred income	13	60,295	44,789
Short-term provisions	12	334,653	318,239
Other current liabilities		52,406	5,569
Total current liabilities		10,937,800	10,880,734
Non-current liabilities:			
Long-term financial liabilities	5	4,282,351	3,862,706
Derivative instruments		6,163	7,276
Government incentives and grants		5,522	6,651
Long-term provisions		249,291	249,643
- Provisions for employment termination benefits		249,291	249,643
Total non-current liabilities		4,543,327	4,126,276
Total liabilities		15,481,127	15,007,010
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		(82,396)	(81,944)
Other comprehensive losses			
to be reclassified under profit or losses			
- Cumulative losses on hedging		(1,603,264)	(1,455,424)
Restricted reserves		398,178	369,326
Retained earnings		3,259,419	3,004,101
Net profit for the year		616,664	1,784,170
Total equity		3,436,983	4,468,611
Total liabilities and equity		18,918,110	19,475,621

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 2021 and 2020**

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

		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	1 January - 31 March 2021	1 January - 31 March 2020
Revenue	14	6,446,996	4,447,343
Cost of sales (-)	14	(5,619,389)	(3,879,065)
Gross profit from operations		827,607	568,278
Revenue from finance sector operations		156,183	101,645
Expenses from finance sector operations (-)		(117,754)	(78,360)
Gross profit from finance sector operations		38,429	23,285
Gross profit		866,036	591,563
Marketing expenses (-)	15	(103,260)	(90,623)
General administrative expenses (-)	15	(104,487)	(93,972)
Research and development expenses (-)		(30,341)	(15,857)
Other income from main operations	16	640,935	280,962
Other expense from main operations (-)	16	(654,994)	(356,211)
Operating profit before financial income		613,889	315,862
Income from investing activities		3,688	810
Operating profit before financial income		617,577	316,672
Financial income	17	550,848	390,683
Financial expense (-)	17	(555,420)	(361,362)
Profit before tax		613,005	345,993
Tax income for the period		3,659	182
- Taxes on income	18	(11,145)	(6,288)
- Deferred tax income	18	14,804	6,470
Net profit for the period		616,664	346,175
Attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		616,664	346,175
Earnings per share (Kr)	19	1.23	0.69

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 2021 and 2020**

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

	<i>Unaudited</i>	<i>Unaudited</i>
	1 January - 31 March 2021	1 January - 31 March 2020
Net profit for the year	616,664	346,175
Other comprehensive income:		
Other comprehensive income not to be reclassified under profit and loss		
- Actuarial gain /(loss) on employment termination benefit obligation	(565)	8,661
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	113	(1,781)
Other comprehensive income to be reclassified under profit and loss		
-Losses on hedging	(184,638)	(121,554)
Taxes relating to other comprehensive income to be reclassified under profit and loss		
-Losses on hedging. tax effect	36,798	26,742
Other comprehensive (loss)	(148,292)	(87,932)
Total comprehensive income	468,372	258,243
Total comprehensive income attributable to:		
Non-controlling interests	-	-
Parent company interests	468,372	258,243

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 2021 and 2020
(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 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
Balances at 1 January 2021	500,000	348,382	(81,944)	(1,455,424)	369,326	3,004,101	1,784,170	4,468,611	-	4,468,611
Transfers	-	-	-	-	136,714	1,647,456	(1,784,170)	-	-	-
Total comprehensive income	-	-	(452)	(147,840)	-	-	616,664	468,372	-	468,372
Dividends paid	-	-	-	-	(107,862)	(1,392,138)	-	(1,500,000)	-	(1,500,000)
Balances at 31 March 2021	500,000	348,382	(82,396)	(1,603,264)	398,178	3,259,419	616,664	3,436,983	-	3,436,983

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 2021 and 2020
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	31 March 2021	31 March 2020
A. Cash flows from operating activities:		(242,714)	(251,675)
Net profit for the period		616,664	346,175
Adjustments to reconcile profit for the period		334,767	244,447
- Depreciation and amortization		247,241	207,942
- Adjustments related to interest income	17	(96,340)	(22,287)
- Adjustments related to provision for inventories	8	(1,097)	12,574
- Gain on sale of property, plant and equipment		(3,688)	(810)
- Provision for employment termination benefits		13,914	23,123
- Adjustments related to warranty provisions		33,685	23,876
- Adjustments related to doubtful receivables	6,7	10,182	6,267
- Adjustments related to interest expense	17	29,711	22,923
- Lawsuit provisions / cancellations	12	1,678	1,977
- Adjustments for tax losses/ income	18	(3,659)	(182)
- Deferred financial expenses from credit purchases / sales, net	16	27,309	2,726
- Adjustments related to unrealized (loss) / gain on foreign currency differences		153,427	127,008
- Adjustments related to exchange differences of cash and cash equivalents		(77,596)	(160,690)
Changes in net working capital		(1,132,591)	(801,658)
- Change in inventories		(291,556)	(538,664)
- Change in receivables from third parties		329,559	132,401
- Change in receivables from related parties		162,097	(85,630)
- Change in other receivables from operating activities		(3,578)	(2,719)
- Change in trade payables due to third parties		(952,619)	(44,843)
- Change in trade payables due to related parties		89,029	(285,553)
- Change in receivables from finance sector operations		(740,990)	64,431
- Change in prepaid expenses		(3,114)	(19,860)
- Change in deferred revenue		15,506	(892)
- Change in government incentives and grants		(1,129)	(1,560)
- Change in other assets from operating activities		115,880	(59,884)
- Change in other liabilities from operating activities		144,922	38,923
- Change in fair value gains on derivative financial instruments		(347)	1,204
- Adjustments for increase (decrease) in liabilities arising from customer contracts		3,749	988
Net cash generated from operating activities		(181,160)	(211,036)
- Income taxes paid		(13,167)	(8,488)
- Payments related to employment termination benefits		(14,831)	(13,103)
- Other cash outflows		(33,556)	(19,048)
B. Cash flows from investing activities		(262,230)	(148,865)
- Purchases of tangible assets	10	(114,527)	(30,988)
- Purchases of intangible assets		(272,362)	(148,479)
- Proceeds from sale of tangible assets		7,189	2,498
- Interest received		117,145	28,104
- Change in financial investing		325	-
		(794,788)	216,311
C. Cash flows from financing activities		1,039,139	1,611,664
- Proceeds from financial liabilities	5	(324,217)	(185,063)
- Bank loans paid	5	(1,776)	(1,543)
- Payment of lease liabilities	5	(1,500,000)	(1,200,000)
- Dividend paid		(7,934)	(8,747)
- Interest paid			
Net increase / (decrease) in cash and cash equivalents before currency translation differences		(1,299,732)	(184,229)
D. Effects of currency translation differences on cash and cash equivalents		77,596	160,690
Net change in cash and cash equivalents		(1,222,136)	(23,539)
E. Cash and cash equivalents at the beginning of the period		4,227,235	2,818,988
Cash and cash equivalents at the end of the period	3	3,005,099	2,795,449

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 2021**

(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 FCA Italy S.p.A (“Stellantis”), 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 has been registered with the Turkish Capital Market Board (“CMB”) and quoted on the İstanbul Stock Exchange (“ISE”) since 1991.

In late 2019, Fiat Chrysler Automobiles signed a merger agreement with PSA Group under which each side will control a 50% stake in the new firm. Stellantis N.V. has become the new company established by the merger that took effect in January 2021. The Company conducts a significant portion of its business with affiliates of Koç Holding and Stellantis and its subsidiaries (Note 20).

The Company’s subsidiaries as of 31 March 2021 and 2020 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 2021	31 March 2020
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 2021	31 March 2020	31 March 2021	31 December 2020
Hourly-rated	5,230	5,091	5,123	5,403
Monthly-rated	1,503	1,542	1,494	1,540
	6,733	6,633	6,617	6,943

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 2021**

(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 TRY 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.

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2021**

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

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

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 2021, the amount of guarantee expense is TRY 33,685 (31 March 2020: TRY 23,876) (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 2021, general provisions for finance loans amounted to TRY 31,934 (31 December 2020: TRY 24,134) 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 2021 and 31 December 2020 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.

2.2 Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at March 31, 2021 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, 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2021**

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

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

a) The new standards, amendments and interpretations which are effective as at January 1, 2021 are as follows:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

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 TAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract
- Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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 2021 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 2021 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2020. 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 2020.

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 2021**

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Cash on hand	10	4
Due from banks		
- time deposits	2,942,510	4,198,679
- demand deposits	64,348	51,126
	3,006,868	4,249,809

The breakdown of time deposits as of 31 March 2021 and 31 December 2020 is as follows:

	31 March 2021		31 December 2020	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,171,970	0.60-0.75	818,118	1.30-2.00
TRY	1,770,540	17.10-19.40	3,380,561	17.10-19.10
	2,942,510		4,198,679	

As of 31 March 2021, the maturities of time deposits vary between 1 and 34 days (31 December 2020: between 4 and 39 days).

As of 31 March 2021, the cash at banks comprise time and demand deposits amounting to TRY 1,650,691 (31 December 2020: TRY 2,212,173) which are deposited at a bank which is a related party of the Group (Note 20).

As of 31 March 2021 and 2020, the reserves of cash and cash equivalent in cash flow statement;

	31 March 2021	31 March 2020
Cash and banks	3,006,868	2,796,130
Less: interest accruals	(1,769)	(681)
	3,005,099	2,795,449

As of 31 March 2021, the Company does not have any worth of restricted cash consists. (31 December 2020: None)

NOTE 4 - FINANCIAL ASSETS

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

As of 31 March 2021, the Group has available for sale financial investments amounting to TRY 677 (31 December 2020: TRY 1,002).

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NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	31 March 2021			31 December 2020		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	-	50,000	11.55-15.23	-	50,000	11.55-15.75
Borrowings in TRY (*)	-	50,000		-	50,000	
		50,000			50,000	

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

	31 March 2021			31 December 2020		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	1,277,952	9.98-26.46	-	821,416	9.98-26.62
Borrowings in EUR	189,711	1,854,260	Libor+%0.55	184,582	1,662,695	Libor+%0.55
Borrowings in lease liability	-	6,187	Libor+%2.90	-	6,771	Libor+%2.90
Bonds ^(1,2,3,4,5)	-	292,023	9.60-18.75	-	286,197	9.60-17.65
		3,430,422			2,777,079	

c) Long-term financial liabilities

	31 March 2021			31 December 2020		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	251,305	2,456,341	Euribor+%0.55	246,279	2,218,461	Euribor+%0.55
Borrowings in TRY (*)	-	1,742,618	Euribor+%2.90	-	1,636,962	Euribor+%2.90
Borrowings in lease liability	-	7,718	9.98-26.62	-	7,283	9.98-26.62
Bonds ^(1,2,3,4,5)	-	75,674	%17.95	-	-	
		4,282,351			3,862,706	

(*) The whole short-term and long-term bank borrowings which are denominated in TRY comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 March 2021 and 31 December 2020.

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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-months maturity bonds on 13 June 2019, with a nominal amount of TRY 90,000 and at an interest rate by 18.75%.
- (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 18-months maturity bonds on 18 June 2020, with a nominal amount of TRY 85,000 and at an interest rate by 9.75%.
- (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 10-months maturity bonds on 6 July 2020, with a nominal amount of TRY 50,000 and at an interest rate by 9.60%.
- (4) 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 4-months maturity bonds on 14 December 2020, with a nominal amount of TRY 65,000 and at an interest rate by 17.65%.
- (5) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 18-months maturity bonds on 12 March 2021, with a nominal amount of TRY 75,000 and at an interest rate by 17.95%.

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 2021, TRY 897,642 (31 December 2020: TRY 764,717) 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 2021 and 31 December 2020 is as follows:

	31 March 2021	31 December 2020
1-2 years	2,975,769	2,683,713
2-3 years	770,346	687,009
3-4 years	528,518	484,701
	4,274,633	3,855,423

The movement of financial liabilities as of 31 March 2021 and 2020 is as follows:

	2021	2020
1 January	6,689,785	3,950,720
Effect of cash flows	714,922	1,426,601
Unrealized foreign exchange differences	338,065	248,562
Changes in TFRS 16 – lease liabilities	(1,776)	(1,543)
Change in accrual of interest	21,777	14,176
31 March	7,762,773	5,638,516

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

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 349,075 (equivalent of EUR 35,714) (31 December 2020: TRY 321,711 (equivalent of EUR 35,714)).

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 2021 the remaining amount is TRY 601,483 (the equivalent of EUR 61,538 thousand). (31 December 2020: TRY 554,332 equivalent of EUR 61,538)).

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 2021 the remaining amount is TRY 248,795 (the equivalent of EUR 25,455 thousand) (31 December 2020: TRY 229,292 (equivalent of EUR 25.455 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%. EUR 100 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 2021 is TRY 601,483 (EUR 61,538 thousand in equivalent in TRY) (31 December 2020: TRY 554,332 (equivalent of EUR 61,538 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 43,299 (equivalent of EUR 4,430 thousand) as of 31 March 2021 (31 December 2020: TRY 39,905 (equivalent of EUR 4,430 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 TRY 312,771 (equivalent of EUR 32,000 thousand) as of 31 March 2021 (31 December 2020: TRY 288,253 (equivalent of EUR 32,000 thousand)).

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 TRY 1,270,633 (equivalent of EUR 130,000 thousand) as of 31 March 2021 (31 December 2020: TRY 1,171,027 (equivalent of EUR 130,000 thousand)).

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The Group signed the loan agreement amounting to EUR 70,000 thousand with TEB for, MCA investment as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2.00 %. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 684,187 (equivalent of EUR 70.000 thousand) as of 31 March 2021 (31 December 2020: TRY 630,553 (equivalent of EUR 70,000 thousand)).

The Group signed the loan agreement amounting to EUR 10,000 thousand with HSBC Bank A.Ş. for, financing purpose as of 30 September 2020. Yearly total cost will be until December 2022 Euribor + 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 97,741 (equivalent of EUR 10,000 thousand) as of 31 March 2021 (31 December 2020: TRY 90,079 (equivalent of EUR 10,000 thousand)).

The Group signed the loan agreement amounting to EUR 8,000 thousand with İşbank AG for, financing purpose as of 2 March 2021. Yearly total cost will be until December 2022 Euribor + 2.50%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 78,193 (equivalent of EUR 8,000 thousand) as of 31 March 2021.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 March 2021	31 December 2020
Trade receivables	1,211,912	1,470,484
Doubtful trade receivables	12,697	12,697
Less: provision for doubtful receivables	(12,478)	(12,478)
Less: unearned credit finance income	(34,945)	(27,030)
	1,177,186	1,443,673

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

	2021	2020
1 January	12,478	12.597
Current year provision	-	1.267
31 March	12,478	13.864

Collaterals received related with trade receivables

As of 31 March 2021, the letter of guarantees amounting to TRY 207,826 guarantee cheques and notes amounting to TRY 2,224, mortgages amounting to TRY 40,428 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 1,337,474 respectively (31 December 2020: letter of guarantees amounting to TRY 341,918 guarantee cheques and notes amounting to TRY 2,274, mortgages amounting to TRY 40,428 and direct debit system limit amounting to TRY 1,327,344).

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables

	31 March 2021	31 December 2020
Trade payables	2,563,276	3,517,731
Less: not accrued credit finance expense	(43,779)	(45,615)
	2,519,497	3,472,116

NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 March 2021	31 December 2020
Short-term consumer financing loans	1,839,443	1,392,115
Non-performing loans	71,353	74,408
	1,910,796	1,466,523
Provision for specific loan impairment	(63,779)	(64,022)
Provision for general loan impairment	(16,999)	(2,133)
	1,830,018	1,400,368
Long-term consumer financing loans	1,785,775	1,481,501
Provision for general loan impairment	(14,935)	(22,001)
	1,770,840	1,459,500

As of 31 March 2021. TRY denominated loans originated by the Group bear interest rates ranging between %0,01- %3,29 per month (31 December 2020: between %0,01 - %3,29).

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

Years	31 March 2021	31 December 2020
1 to 2 years	957,585	785,139
2 to 3 years	602,794	491,172
3 to 4 years	210,338	182,770
4 years and more	123	419
	1,770,840	1,459,500

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NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movements in the allowance for loan impairment are as follows:

	31 March 2021	31 March 2020
1 January	88,156	87,245
Current year provision	10,182	5,000
Recoveries from loans under follow-up	(2,625)	(3,845)
31 March	95,713	88,400

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 2021. the fair value of guarantees obtained for the consumer loans amounting to TRY 4,516,281 (31 December 2020: TRY 3,560,413). 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 15,305 (31 December 2020: TRY 19,663) as of 31 March 2021.

NOTE 8 – INVENTORIES

	31 March 2021	31 December 2020
Raw materials	698,649	427,515
Work-in-progress	140,342	251,256
Finished goods	61,838	172,998
Imported vehicles	148,991	257,398
Spare parts	118,255	109,686
Goods in transit	702,279	359,945
Less: provision for impairment on inventories	(53,735)	(54,832)
Total	1,816,619	1,523,966

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

	2021	2020
1 January	(54,832)	(38,125)
Current year provision, net	1,097	(12,574)
31 March	(53,735)	(50,699)

NOTE 9 - INVESTMENT PROPERTIES

For the interim period ended 31 March 2021 and 2020, the movement of investment properties is as follows:

	2021	2020
1 January, net book value	69,000	66,000
31 March, net book value	69,000	66,000

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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 2021 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 2021							
Cost	522,418	5,690,746	744,986	93,911	15,269	54,688	7,122,018
Accumulated depreciation	(265,622)	(4,210,075)	(532,091)	(67,049)	(9,698)	-	(5,084,535)
Net book value	256,796	1,480,671	212,895	26,862	5,571	54,688	2,037,483
1 January 2021 net book value							
Additions	-	-	163	1,425	4	112,935	114,527
Disposals	-	(6,766)	(5,073)	(4,759)	-	-	(16,598)
Disposal - Depreciation	-	6,643	4,432	2,022	-	-	13,097
Transfers	240	57,386	5,887	25,385	-	(88,898)	-
Depreciation charge for the period	(2,797)	(92,303)	(14,488)	(3,255)	(217)	-	(113,060)
31 March 2021. net book value	254,239	1,445,631	203,816	47,680	5,358	78,725	2,035,449
As of 31 March 2021							
Cost	522,658	5,741,366	745,963	115,962	15,273	78,725	7,219,947
Accumulated depreciation	(268,419)	(4,295,735)	(542,147)	(68,282)	(9,915)	-	(5,184,498)
31 March 2021. net book value	254,239	1,445,631	203,816	47,680	5,358	78,725	2,035,449

As of 31 March 2021, there are no pledges or collaterals on property. plant and equipment (31 December 2020: 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 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 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 31 March 2021 and 2020, are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January 2021			
Cost	4,666,749	165,988	4,832,737
Accumulated amortization	(2,835,561)	(116,892)	(2,952,453)
Net book value	1,831,188	49,096	1,880,284
1 January 2021, net book value			
Additions	274,884	465	275,349
Amortization charge for the period	(132,693)	(3,095)	(135,788)
31 March 2021, net book value	1,973,379	46,466	2,019,845
As of 31 March 2021			
Cost	4,941,633	166,453	5,108,086
Accumulated amortization	(2,968,254)	(119,987)	(3,088,241)
31 March 2021, net book value	1,973,379	46,466	2,019,845
	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

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NOTE 12 - PROVISIONS. CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 March 2021	31 December 2020
Provision for warranty claims	258,607	258,478
Provision for legal cases	16,556	14,878
Other	59,490	44,883
	334,653	318,239

Movement of the warranty provision is as follows:

	2021	2020
1 January	258,478	139,277
Paid during the period	(33,556)	(19,048)
Increase during the period	33,685	23,876
31 March	258,607	144,105

Movement of the provision for litigation is as follows:

	2021	2020
1 January	14,878	11,046
Increase during the period	1,678	1,977
31 March	16,556	13,023

Litigations against the Group

As of 31 March 2021, the total amount of outstanding legal claims brought against the Group is TRY 23,489 (31 December 2020: TRY 21,359). The Group has reflected a reserve amounting to TRY 16,556 (31 December 2020: TRY 14,878) 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 2021 and 31 December 2020 is as follows:

	31 March 2021			31 December 2020		
	TRY equivalent	EUR	TRY	TRY equivalent	EUR	TRY
A. Total amount of guarantees provided by the Company on behalf of itself	265,888	2,000	246,340	175,945	2,000	157,929
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	265,888	2,000	246,340	175,945	2,000	157,929

As of 31 March 2021 and 31 December 2020, 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 2021 the Group has realized USD 2,831,515,000 of export commitments numbered 2019/D1-04978 dated 2 September 2019 to be realized in connection with the export incentive certificates amounting to USD 2,358,132,697. The Group has realized USD 1,771,268,790 of export commitments in connection with the export incentive certificates amounting to USD 1,269,118,334. The Group has realized USD 1,454,580,000 of export commitments numbered 2021/D1-01051 dated 4 March 2021 to be realized until 3 March 2022 in connection with the export incentive certificates amounting to USD 10,182,574. In connection with the export incentive certificates amounting to USD 933,317,500 the Group has realized USD 54,183,570.

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

a) Other current assets

	31 March 2021	31 December 2020
Value Added Tax ("VAT")	73	119,458
Other	10,507	7,785
	10,580	127,243

b) Short-term prepaid expenses

	31 March 2021	31 December 2020
Credit commission expenses	20,641	23,347
Advances given	1,286	1,078
Other	45,670	17,903
	67,597	42,328

c) Non-current prepaid expenses

As of 31 March 2021, TRY 56,046 (31 December 2020: TRY 78,201) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 50,847 (31 December 2020: TRY 59,916).

d) Short-term deferred income

As of 31 March 2021, TRY 60,295 (31 December 2020: TRY 44,789) of the deferred income amounting to TRY 45,411 (31 December 2020: TRY 34,443) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TRY 7,498 (31 December 2020: TRY 5,798) and advances received amounting to TRY 7,386 (31 December 2020: TRY 4,548).

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NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 31 March 2021	1 January - 31 March 2020
Export sales	3,527,468	3.040.772
Domestic sales	2,790,636	1.348.465
Other income from operational activities	128,892	58.106
	6,446,996	4.447.343

The amount of sales discounts is TRY 296,616 (31 March 2020: TRY 117,028).

b) Production and sales quantities

	Production		Sales	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Manufactured vehicles				
Egea	18,083	16,783	18,086	15,079
Yeni Doblo	18,321	16,315	19,352	15,113
Egea Hatchback	12,758	11,521	12,793	10,642
Egea Stationwagon	3,358	8,446	3,374	8,034
MCV	5,660	5,595	5,780	5,474
	58,180	58,660	59,385	54,342

	Import		Sales	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Imported vehicles				
Jeep	322	1,062	924	1,043
Ducato	835	1,022	851	768
Fiat 500	76	227	311	114
Panda Futura	38	58	87	56
Alfa Romeo	108	20	110	7
Maserati	17	10	16	5
Ferrari	7	7	7	7
Transit sales	3	-	3	-
Fullback	-	-	-	1
	1,406	2,406	2,309	2,001

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NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	1 January - 31 March 2021	1 January - 31 March 2020
Direct material expense	4,418,131	3,363,011
Depreciation and amortization expense	234,317	196,350
Direct labor expense	79,847	63,746
Other production expenses	144,563	135,178
Total cost of production	4,876,858	3,758,285
Change in work-in-process	110,914	38,689
Change in finished goods	111,160	(283,654)
Cost of merchandise sold	520,445	365,743
Cost of other sales	12	2
	5,619,389	3,879,065

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

	1 January - 31 March 2021	1 January - 31 March 2020
Marketing expenses	103,260	90,623
General administrative expenses	104,487	93,972
Research and development expenses	30,341	15,857
	238,088	200,452

a) Marketing expenses

	1 January - 31 March 2021	1 January - 31 March 2020
Warranty expenses (Note 12)	33,685	23,876
Personnel expenses	27,368	23,536
Transportation and insurance expenses	22,607	14,342
Advertisement expenses	8,770	13,605
Exhibition-fair expenses	1,343	1,367
Other	9,487	13,897
	103,260	90,623

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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 2021	1 January - 31 March 2020
Personnel expense	42,778	38,874
IT expenses	21,778	13,026
Depreciation and amortization expenses	9,231	8,752
Outsourcing expenses	7,320	8,530
Duties, taxes and levies	4,015	2,230
Insurance expenses	2,945	2,091
Travel expenses	855	2,064
Other	15,565	18,405
	104,487	93,972

NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange gains on operating activities	548,985	257,950
Interest income on operating activities	73,254	16,769
Other	18,696	6,243
	640,935	280,962

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange loss on operating activities	(536,549)	(327,827)
Interest expense on operating activities	(100,563)	(19,495)
Other	(17,882)	(8,889)
	(654,994)	(356,211)

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NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange gains	447,579	368,396
Interest income	96,340	22,287
Gain on derivative financial instruments	6,929	-
Total financial income	550,848	390,683
	1 January - 31 March 2021	1 January - 31 March 2020
Foreign exchange losses	(522,656)	(335,941)
Interest expenses	(29,711)	(22,923)
Other	(3,053)	(2,498)
Total financial expenses	(555,420)	(361,362)
Net financial income / (expenses)	(4,572)	29,321

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 period of 2020) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of March 31, 2021 and December 31, 2020 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 31 March, 2021 the tax rate of 20% is used for the deferred tax calculation (31 December 2020: %22).

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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 the taxation period in 2020). 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 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 2021 and 31 December 2020, taxes payable are netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

For the years ended 31 March 2021 and 2020, the analysis of the tax expense in the profit or loss is as follows:

	1 January- 31 March 2021	1 January- 31 March 2020
Current year corporate tax	(11,145)	(6,288)
Less: prepaid corporate tax (-)	14,804	6,470
Prepaid income tax	3,659	182

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 March 2021 and 31 December 2020, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Unused investment incentive allowances (*)	2,619,013	2,514,720	1,216,798	1,171,242
Provision for employment termination benefits and unused vacation	263,399	265,964	52,680	53,193
Warranty provisions	258,589	258,478	51,718	51,692
Inventories	59,334	65,999	11,867	13,200
Contract liabilities	39,776	36,297	7,955	7,259
Deferred income	10,037	11,167	2,008	2,234
Property, plant and equipment and intangibles	(1,040,995)	(1,090,162)	(208,199)	(218,032)
Land valuation	(116,275)	(116,275)	(11,627)	(11,627)
Other	141,318	152,072	28,242	30,566
Deferred tax asset. net			1,151,442	1,099,727

(*) 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 2021	1 January - 31 March 2020
Deferred tax asset at 1 January	1,099,727	989,454
Deferred tax income	14,804	6,470
Other comprehensive income	36,911	24,961
<i>Actuarial gain/(loss) on employment termination benefit obligation attributable to equity</i>	113	(1,781)
<i>Net gain / (loss) on cash flow hedging attributable to equity (*)</i>	36,798	26,74
Deferred tax assets as of 31 March	1,151,442	1,020,885

- (*) 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 2021 and 2020 is as follows:

	1 January - 31 March 2021	1 January - 31 March 2020
Profit before tax	613,005	345,993
Income tax charge at effective tax rate (20%) (2020: %22)	(122,601)	(76,118)
Non-deductible expenses	(85)	(411)
Research and development incentive expenditures during the period	29,716	20,355
Effect of investment incentive. net	66,356	32,469
Used and earned investment incentive	45,556	22,323
Other	(15,283)	1,564
	3,659	182

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 2021 and 2020. the weighted average number of shares outstanding is 50.000.000.000 and as of 31 March 2021 and 2020 earnings per share is Kr 1.23 and Kr 0.69 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 2021	31 December 2020
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	1,650,691	2,212,173
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(897,642)	(764,717)
Trade receivables due from related parties	31 March 2021	31 December 2020
Fiat ⁽²⁾	3.360.239	3,112,434
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	546.187	949,093
Other ⁽¹⁾	2.186	3,547
Less: Unearned credit finance income	(21.370)	(15,735)
	3.887.242	4,049,339
Trade payables due to related parties	31 March 2021	31 December 2020
Fiat ⁽²⁾	4,074,392	3,834,682
Other ⁽¹⁾	127,187	177,683
Less: Unearned credit finance expense	(8)	(386)
	4,201,571	4,011,979

Related party transactions

Sales

	1 January - 31 March 2021	1 January - 31 March 2020
Fiat ⁽²⁾	3,324,467	2,869,357
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	924,502	488,849
Other ⁽¹⁾	34,897	6,131
	4,283,866	3,364,337

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

Domestic goods and services purchases

	1 January - 31 March 2021	1 January - 31 March 2020
Ram Dış Ticaret A.Ş. ⁽¹⁾	115,250	78,839
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	70,000	38,913
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	37,894	29,745
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	14,174	12,090
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	15,595	11,604
Koç Holding A.Ş. ^{(2) (*)}	4,008	4,283
Opet Fuchs Madeni Yağlar Tic. A.Ş. ⁽¹⁾	4,456	2,323
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	1,869	1,311
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	625	632
Setur Servis Turistik A.Ş. ⁽¹⁾	322	4,682
Other ⁽¹⁾	7,152	6,925
	271,345	191,347

(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 2021	1 January - 31 March 2020
Fiat ⁽²⁾	2,908,096	2,197,151
Other ⁽¹⁾	1,184	425
	2,909,280	2,197,576

Interest income from related parties. for the three-month period ended 31 March 2021 is TRY 119,887 (31 March 2020: TRY 2,778).

Salaries and similar benefits paid to the top management consisting of 30 persons (31 March 2020: 29 persons) for the three-month period of 2021 is TRY 8,266 (31 March 2020: TRY 5,768). Amounting TRY 700 is related to payments for leaving of senior management (31 March 2020: None).

Furthermore, as of 31 March 2021, 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 92,832 (31 December 2020: TRY 91,114).

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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 2021	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)	3,887,242	1,177,186	3,913	3,006,858	677	3,600,858
- Maximum risk secured by guarantee ⁽²⁾	33,700	1,099,517	-	-	-	4,536,773
A. Net book value of financial assets neither overdue nor impaired	3,884,755	1,156,189	3,913	3,006,858	677	3,572,792
- Maximum risk secured by guarantee	33,700	1,091,583	-	-	-	4,516,281
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	10,189	8,464	-	-	-	20,492
- Maximum risk secured by guarantee	-	7,934	-	-	-	20,492
D. Net book value of impaired assets	-	219	-	-	-	7,574
- Overdue (gross book value)	-	12,697	-	-	-	71,353
- Impairment (-)	-	(12,478)	-	-	-	(63,779)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	15,305
E. Off- balance sheet items	-	-	-	-	-	-

Trade receivables						
31 December 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+E) ⁽¹⁾	4.049.339	1.443.673	335	4.249.805	1.002	2.859.868
- Maximum risk secured by guarantee ⁽²⁾	33.700	1.408.230	-	-	-	3.578.795
A. Net book value of financial assets neither overdue nor impaired	4.047.653	1.434.619	335	4.249.805	1.002	2.831.100
- Maximum risk secured by guarantee	33.700	1.402.119	-	-	-	3.560.413
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	1.686	8.835	-	-	-	18.382
- Maximum risk secured by guarantee	-	6.111	-	-	-	18.382
D. Net book value of impaired assets	-	219	-	-	-	10.386
- Overdue (gross book value)	-	12.697	-	-	-	74.408
- Impairment (-)	-	(12.478)	-	-	-	(64.022)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	19.663
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 receivables

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

31 March 2021	
1- 30 days past due	22,635
1- 3 months past due	5,473
3- 12 months past due	5,769
1- 5 years past due	5,268
Total	39,145
31 December 2020	
1- 30 days past due	11,973
1- 3 months past due	6,395
3- 12 months past due	4,902
1- 5 years past due	5,633
	28,903

Amount secured with guarantees

As of 31 March 2021, TRY 2,420 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2020: TRY 1,524). As of 31 March 2021, the Group's payables to Fiat amount to TRY 4,074,392 (31 December 2020: TRY 3,834,682).

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 2021, 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 2021	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	3,361,780	1	343,947	-
2a. Monetary financial assets (including cash, bank accounts)	1,184,056	12	121,132	-
2b. Non-monetary financial assets	703,110	-	71,936	-
3. Other	2,583	-	264	-
4. Current assets (1+2+3)	5,251,529	13	537,279	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	60,033	-	6,142	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	60,033	-	6,142	-
9. Total assets (4+8)	5,311,562	13	543,421	-
10. Trade payables	(4,230,618)	(745)	(432,203)	(2)
11. Financial liabilities	(1,854,266)	-	(189,712)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(6,084,884)	(745)	(621,915)	(2)
14. Trade payables	-	-	-	-
15. Financial liabilities	(2,456,337)	-	(251,311)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(2,456,337)	-	(251,311)	-
18. Total liabilities (13+17)	(8,541,221)	(745)	(873,226)	(2)
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)	(3,229,659)	(732)	(329,805)	(2)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(3,992,802)	(732)	(407,883)	(2)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	3,580,840	-	404,461	250
24. Import	3,031,281	720	342,631	267

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat. Accordingly, net short foreign currency exposure of the Group excluding such borrowings as of 31 March 2021 is TRY 164,272.

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

31 December 2020	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	3,113,735	5	345,663	-
2a. Monetary financial assets (including cash, bank accounts)				
2b. Non-monetary financial assets	829,905	50	92,090	-
3. Other	362,199	-	40,209	-
4. Current assets (1+2+3)	1,362	-	151	-
5. Trade receivables	4,307,201	55	478,113	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	69,352	-	7,699	-
8. Non-current assets (5+6+7)	-	-	-	-
9. Total assets (4+8)	69,352	-	7,699	-
10. Trade payables	4,376,553	55	485,812	-
11. Financial liabilities	(3,945,654)	(905)	(437,284)	-
12a. Monetary other liabilities	(1,662,698)	-	(184,582)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	-	-	-	-
14. Trade payables	(5,608,352)	(905)	(621,866)	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	(2,218,455)	-	(246,279)	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	(2,218,455)	-	(246,279)	-
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	(7,826,807)	(905)	(868,145)	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(3,450,254)	(850)	(382,333)	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(3,881,805)	(850)	(430,241)	-
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	10,905,181	-	1,339,757	1,149
24. Import	11,442,222	4,006	1,379,670	6,626

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat. Accordingly, net short foreign currency exposure of the Group excluding such borrowings as of 31 December 2020 is TRY 6,067.

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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 2021 and 31 December 2020:

	31 March 2021			
	Profit/loss Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(609)	609	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(609)	609	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(398,669)	398,669	-	-
5- Amount hedged for EUR risk (-)	397,895	(397,895)	-	-
6- EUR net effect (4+5)	(774)	774	-	-
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	(2)	2	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	(2)	2	-	-
Total (3+6+9)	(1,385)	1,385	-	-
	31 December 2020			
	Profit/loss Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(624)	624	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(624)	624	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(387,557)	387,557	-	-
5- Amount hedged for EUR risk (-)	388,105	(388,105)	-	-
6- EUR net effect (4+5)	548	(548)	-	-
<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)	(76)	76	-	-

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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 2021 and 31 December 2020, 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 2021	1 January - 31 December 2020
Change in interest rates	0.50	0.50
Effect on net income before for taxes	(2,468)	(182)

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 2021

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	7.381.171	7.618.200	345.794	2.767.435	4.504.971	-
Lease liabilities	13.905	14.819	1.775	5.326	7.718	-
Trade payables	6.721.068	6.764.855	6.764.855	-	-	-
Bonds	367.697	397.612	213.341	102.558	81.713	-
Employee benefit liabilities	94.092	94.092	94.092	-	-	-
Other payables	149.536	149.536	149.536	-	-	-
	14.727.469	15.039.114	7.569.393	2.875.319	4.594.402	-

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)	6,929	1,890,836	90,000	-	1,800,836	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	6,929	1,890,836	90,000	-	1,800,836	-
	6,929	1,890,836	90,000	-	1,800,836	-

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

31 December 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	6,389,534	6,897,077	308,345	2,878,817	3,709,915	-
Lease liabilities	14,054	14,054	1,693	5,078	7,283	-
Trade payables	7,484,095	7,530,091	7,530,091	-	-	-
Bonds	286,197	305,927	3,831	302,096	-	-
Employee benefit liabilities	141,144	141,144	141,144	-	-	-
Other payables	19,006	19,006	19,006	-	-	-
	14,334,030	14,907,299	8,004,110	3,185,991	3,717,198	-

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)	7,276	1,749,667	-	-	1,749,667	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	7,276	1,749,667	-	-	1,749,667	-
	7,276	1,749,667	-	-	1,749,667	-

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 2021. Consolidated net financial debt/total equity ratio as of 31 March 2021 and 31 December 2020 is as follows;

	31 March 2021	31 December 2020
Total borrowing	7,762,773	6,689,785
Cash and cash equivalent	(3,006,868)	(4,249,809)
Net financial debt	4,755,905	2,439,976
Equity	3,436,983	4,468,611
Net financial debt/total equity multiplier	138%	55%

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NOTE 22 - SUBSEQUENT EVENTS

In accordance with the regulation numbered 7316, published in Official Gazette numbered 31462 on 22 April 2021, corporate tax rate in Turkey for the year 2021 has been increased from 20% to 25%, for the year 2022 to 23%. The amendment is effective as of 1 January 2021. As the change has been announced after the reporting period, it is considered as a non-adjusting event according to IAS 10 and the Group continued to use 20% for the subsidiaries operating in Turkey as of the reporting date and related amendment will be applied in consolidated financial statements as of 30 June 2021.