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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Financial statements for period 1 January – 30 September 2019 (originally issued in Turkish)

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Interim condensed consolidated financial statements for the interim period 1 January – 30 September 2019

Contents

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of financial position
as of 30 September 2019 and 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Not limited reviewed	***Audited***
	Notes	**30 September 2019**	**31 December 2018**
ASSETS			
Current assets:			
Cash and cash equivalents	3	2,019,881	1,981,012
Financial assets	4	248,083	404,170
Trade receivables			
- Related parties	20	*1,495,174*	1,059,907
- Third parties	7	*655,065*	1,037,437
Receivables from finance sector operations	8	1,005,935	1,277,299
Other receivables		8,917	1,385
Inventories	9	983,075	1,076,671
Prepaid expenses	13	65,102	79,105
Current tax assets		2,825	8,143
Other current assets	13	142,552	163,168
Total current assets		**6,626,609**	**7,088,297**
Non-current assets:			
Receivables from finance sector operations	8	727,663	1,015,830
Other receivables		198	173
Investment properties		60,500	60,500
Property, plant and equipment	10	2,152,080	2,247,601
Right of use assets		11,728	-
Intangible assets	11	1,516,932	1,579,461
Prepaid expenses	13	43,907	68,334
Deferred tax assets	18	950,203	941,603
Total non-current assets		**5,463,211**	**5,913,502**
Total assets		**12,089,820**	**13,001,799**

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of financial position as of 30 September 2019 and 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	*Not limited reviewed* 30 September 2019	*Audited (Reclassified Note 2.1.2)* 31 December 2018
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	267,359	443,876
Short-term portion of long-term financial liabilities	5	1,857,905	2,016,875
Trade payables			
- Related parties	20	1,572,750	1,674,894
- Third parties	7	1,597,436	1,619,089
Employee benefit liabilities		106,400	100,188
Other payables		6,230	16,060
Contract liabilities		25,192	20,189
Derivative instruments	6	-	269
Government incentives and grants		4,681	8,374
Deferred income	13	29,712	36,043
Short-term provisions	12	151,193	156,599
Other current liabilities		5,474	5,249
Total current liabilities		**5,624,332**	**6,097,705**
Non-current liabilities:			
Long-term financial liabilities	5	2,256,033	2,971,301
Derivative instruments	6	23,221	16,786
Government incentives and grants		12,562	13,550
Long-term provisions			
- Provisions for employment termination benefits		*185,257*	*195,902*
Total non-current liabilities		**2,477,073**	**3,197,539**
Total liabilities		**8,101,405**	**9,295,244**
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		*(49,847)*	*(37,990)*
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		*(933,055)*	*(1,075,625)*
Restricted reserves		366,881	387,363
Retained earnings		2,724,907	2,254,002
Net profit for the year		1,031,147	1,330,423
Total equity		**3,988,415**	**3,706,555**
Total liabilities and equity		**12,089,820**	**13,001,799**

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of profit or loss
as of 30 September 2019 and 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Not limited reviewed	***Not limited reviewed***	***Not limited reviewed (Reclassified Note 2.1.2)***	***Not limited reviewed (Reclassified Note 2.1.2)***
	Notes	**1 January - 30 September 2019**	**1 January - 30 September 2018**	**1 July - 30 September 2019**	**1 July - 30 September 2018**
Revenue	14	13,429,087	13,824,345	4,158,611	4,332,782
Cost of sales (-)	14	(11,714,760)	(12,045,556)	(3,628,842)	(3,640,523)
Gross profit from operations		**1,714,327**	**1,778,789**	**529,769**	**692,259**
Revenue from finance sector operations		363,018	364,218	113,607	126,862
Expenses from finance sector operations (-)		(272,925)	(280,926)	(92,943)	(95,753)
Gross profit from finance sector operations		**90,093**	**83,292**	**20,664**	**31,109**
Gross profit		**1,804,420**	**1,862,081**	**550,433**	**723,368**
Marketing expenses (-)	15	(227,412)	(263,093)	(65,046)	(90,771)
General administrative expenses (-)	15	(262,998)	(230,190)	(89,183)	(81,376)
Research and development expenses (-)		(57,372)	(55,182)	(15,414)	(17,768)
Other income from main operations	16	741,984	2,875,338	208,512	2,067,496
Other expense from main operations (-)	16	(763,997)	(3,579,637)	(183,872)	(2,639,288)
Operating profit		**1,234,625**	**609,317**	**405,430**	**(38,339)**
Income from investing activities		5,406	4,180	761	975
Operating profit before financial income		**1,240,031**	**613,497**	**406,191**	**(37,364)**
Financial income	17	937,962	1,412,450	475,449	1,092,417
Financial expense (-)	17	(1,170,212)	(1,013,057)	(613,277)	(727,927)
Profit before tax		**1,007,781**	**1,012,890**	**268,363**	**327,126**
Tax income for the period		**23,366**	**(9,006)**	**29,581**	**(16,216)**
- Tax on (expense) / income	18	(22,315)	(16,490)	(8,389)	(3,703)
- Deferred tax income / (Loss)	18	45,681	7,484	37,970	(12,513)
Net profit for the period		**1,031,147**	**1,003,884**	**297,944**	**310,910**
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		**1,031,147**	**1,003,884**	**297,944**	**310,910**
Earnings per share (Kr)	19	**2,06**	**2,01**	**0,60**	**0,62**

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statements of other comprehensive income for the interim periods ended 30 September 2019 and 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Not limited reviewed	***Not limited reviewed***	***Not limited reviewed***	***Not limited reviewed***
	1 January - 30 September 2019	**1 January - 30 September 2018**	**1 July - 30 September 2019**	**1 July - 30 September 2018**
Net profit for the year	**1,031,147**	**1,003,884**	**297,944**	**310,910**
Other comprehensive income:				
Other comprehensive income that will not be reclassified to profit or loss				
- (Losses) on remeasurements of defined benefit plans	(14,988)	5,362	(9,198)	(4,144)
- Taxes relating to remeasurements of defined benefit plans	3,131	(1,123)	1,921	868
Other comprehensive income that will be reclassified to profit or loss				
- Gains (losses) on cash flow hedges	182,782	(1,071,950)	237,323	(737,589)
- Taxes relating to cash flow hedges	(40,212)	229,043	(52,226)	157,535
Other comprehensive income / (expense) (after tax)	**130,713**	**(838,668)**	**177,820**	**(583,330)**
Total comprehensive income / (expense)	**1,161,860**	**165,216**	**475,764**	**(272,420)**
Attributable to:				
Non-controlling interests	-	-	-	-
Equity holders of the parent	1,161,860	165,216	475,764	(272,420)

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statements of changes in equity for the İnterim periods ended 30 September 2019 and 2018

(Amounts expressed in thousands of Turkish Lira (“TL”) 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 interest	Total equity
Balances at 1 January 2018	**500,000**	**348,382**	**(36,419)**	**(672,364)**	**309,863**	**1,850,757**	**1,282,818**	**3,583,037**	**-**	**3,583,037**
Adjustments related to changing on accounting policy	-	-	-	-	-	(2,073)	-	(2,073)	-	(2,073)
Transfers	-	-	-	-	77,500	1,205,318	(1,282,818)	-	-	-
Total comprehensive income	-	-	4,239	(842,907)	-	-	1,003,884	165,216	-	165,216
Dividends paid	-	-	-	-	-	(800,000)	-	(800,000)	-	(800,000)
Balances at 30 September 2018	**500,000**	**348,382**	**(32,180)**	**(1,515,271)**	**387,363**	**2,254,002**	**1,003,884**	**2,946,180**	**-**	**2,946,180**
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	-	-	(11,857)	142,570	-	-	1,031,147	1,161,860	-	1,161,860
Dividends paid	-	-	-	-	(96,347)	(783,653)	-	(880,000)	-	(880,000)
Balances at 30 September 2019	**500,000**	**348,382**	**(49,847)**	**(933,055)**	**366,881**	**2,724,907**	**1,031,147**	**3,988,415**	**-**	**3,988,415**

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statements of cash flows for the interim periods ended 30 September 2019 and 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	*Not limited reviewed* 30 September 2019	*Not limited reviewed* 30 September 2018
A. Cash flows from operating activities		**2,260,947**	**185,985**
Net profit for the period		1,031,147	1,003,884
Adjustments to reconcile profit for the period		**925,281**	**254,419**
- Adjustments related to depreciation and amortization		558,480	578,042
- Adjustments related to interest income	17	(97,028)	(92,435)
- Adjustments related to provision for inventories	9	1,783	9,602
- Gain on sale of property, plant and equipment		(5,405)	(4,180)
- Provision for employment termination benefits		35,364	39,321
- Lawsuit provision / cancellation	12	961	2,490
- Adjustments related to warranty provisions	12	43,840	84,617
- Adjustments related to doubtful receivables	7,8	25,378	11,638
- Adjustments related to interest expense	17	58,998	67,650
- Adjustments for tax losses/ income	18	(23,366)	9,006
- Due date charges on term purchases and sales	16	62,433	13,157
- Adjustments related to unrealized foreign currency differences		328,019	251,249
- Adjustments related to exchange differences of cash and cash equivalents		(64,176)	(715,738)
Changes in net working capital		**438,677**	**(903,726)**
- Change in inventories		91,813	(666,084)
- Change in receivables from related parties		529,969	272,099
- Change in trade receivables		(435,267)	(953,182)
- Change in other receivables from operating activities		(7,557)	(3,088)
- Change in trade payables		(21,653)	(88,874)
- Change in trade payables due to related parties		(337,552)	577,069
- Adjustments for increase (decrease) in liabilities arising from customer contracs		5,003	15,050
- Change in receivables from finance sector operations		559,531	119,951
- Change in prepaid expenses		38,430	8,603
- Change in deferred revenue		(6,331)	(17,623)
- Change in government incentives and grants		(4,681)	(6,281)
- Change in other assets from operating activities		20,616	(196,514)
- Change in other liabilities from operating activities		190	12,302
- Change in fair value gains on derivative financial instruments		6,166	22,846
Net cash generated from operating activities		**2,395,105**	**354,577**
- Income taxes paid		(16,997)	(23,708)
- Payments related to employment termination benefits		(60,997)	(35,897)
- Other cash inflows (outflows)		(56,164)	(108,987)
B. Cash flows from investing activities		**(138,138)**	**(394,320)**
- Purchases of tangible assets	10	(212,265)	(217,534)
- Purchases of intangible assets		(191,288)	(140,201)
- Proceeds from sale of tangible and intangible assets		11,795	10,010
- Change in financial assets		156,087	(148,094)
- Interest received		97,533	101,499
C. Cash flows from financing activities		**(2,128,253)**	**(1,205,778)**
- Proceeds from financial liabilities		903,049	1,261,721
- Bank loans paid		(2,122,871)	(1,623,261)
- Payment of lease liabilities		(4,052)	-
- Dividends paid		(880,000)	(800,000)
- Interest paid		(43,737)	(48,849)
- Other cash inflows (outflows)		19,358	4,611
Net decrease in cash and cash equivalents before currency translation differences		**(5,444)**	**(1,414,113)**
D. Effects of currency translation differences on cash and cash equivalents		**64,176**	**715,738**
Net change in cash and cash equivalents		**58,732**	**(698,375)**
E. Cash and cash equivalents at the beginning of the period		**1,960,175**	**2,582,067**
Cash and cash equivalents at the end of the period	**3**	**2,018,907**	**1,883,692**

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

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

1. Organization and nature of the operations

Tofaş Türk Otomobil Fabrikası A.Ş. (the "Group" 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 under licenses of FCA Italy S.p.A. ("Fiat"). 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, New Doblo and Egea, 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 September 2019 and 31 December 2018 which are subject to consolidation are as follows:

		% of ownership	
Name of the company	**Operating area**	**30 September 2019**	**31 December 2018**
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 number of personnel in accordance with the Group's categories is as follows:

	Average		**Period end**	
	30 September 2019	**30 September 2018**	**30 September 2019**	**31 December 2018**
Hourly-rated	5,504	6,888	5,192	6,018
Monthly-rated	1,648	1,752	1,607	1,721
	7,152	**8,640**	**6,799**	**7,739**

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.

2. Basis of presentation of financial statements (continued)

30 September 2019 in accordance with the TAS 34 "Interim financial reporting" in the framework of the Communiqué Serial: XII and numbered 14.1 and its related announcements. The interim condensed consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim consolidated financial statements whether full set or condensed. In this framework, Group preferred to present its interim consolidated financial statements in condensed.

Group's interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the financial statements as of 31 December 2018.

In accordance with the decision taken in the CMB meeting held on 7 June 2013, 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.

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.

The classifications made to the comprehensive income statement for the period 1 January- 30 September 2018 are as follows:

Gain on sale of property, plant and equipment with the net effect of TRY 4,180 which was under other income and expense from operating activities is reclassified under "Investment activities" and there is no effect on the net profit of the period and the related losses of the related taxation.

The classifications made to the comprehensive income statement for the period 1 July - 30 September 2018 are as follows:

Gain on sale of property, plant and equipment with the net effect of TRY 975 which was under other income and expense from operating activities is reclassified under "Investment activities" and there is no effect on the net profit of the period and the related losses of the related taxation.

2. Basis of presentation of financial statements (continued)

Classifications made in the statement of financial position as of December 31, 2018:

In the financial statements dated December 31, 2018, the effect on IFRS 15 amounting TRY 20,189 in "Deferred revenue" are classified under "Contract liabilities" and this classification has no effect on the previous period losses of the related period and net profit for the period.

The cash flow statement for the nine months period ended 30 September 2018 is presented in accordance with the reclassifications above.

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TL"). 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. Basis of presentation of financial statements (continued)

2.1.5 Significant accounting judgments, estimates and assumptions

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

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

a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered.

b) KFK Management decides to recognize a provision for losses arising from non- recoverable receivables based on the assessment on provided loans. 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 (Note 12).

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. Key factors to be considered include potential future income, accumulated losses from previous years, tax planning strategies to be implemented if necessary, and the nature of the income that can be used to generate cash from deferred tax asset (Note 18).

h) The Group capitalized its ongoing development expenditures and assesses whether there is an impairment loss on these capitalized assets (Note 11).

2. Basis of presentation of financial statements (continued)

2.2 Amendments in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

- TFRS 16 Leases
- Amendments to TAS 28 “Investments in Associates and Joint Ventures” (Amendments)
- TFRIC 23 Uncertainty over Income Tax Treatments
- *Annual Improvements – 2015–2017 Cycle*
- Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The amendments did not have a significant impact on the Group's financial position and performance except for IFRS 16. The effect of IFRS 16 is shown in Note 2.4.

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
- Definition of a Business (Amendments to TFRS 3)
- Definition of Material (Amendments to TAS 1 and TAS 8)

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)

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the period ended 30 September 2019 have been prepared in accordance of TAS 34.

Excluding the changes explained in Note 2.4, the accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended as of 30 September 2019 are consistent with those used in the preparation of consolidated financial statements and for the year ended as of 31 December 2018. 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 2018.

2.4 Changes in significant accounting policies

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of ’low-value’ assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value.

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

2. Basis of Presentation of Financial Statements (Continued)

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has performed a detailed impact assessment of TFRS 16 as of 1 January 2019. In summary the impact of TFRS 16 adoption is expected to be, as follows:

Assets	
Right-of-use assets	14,995
Liabilities	
Lease liabilities	14,995

The balances and the depreciation and amortization expenses of the right to use assets as of 1 January and 30 September 2019 are as follows:

	Buildings	Vehicles	Total
As of 1 January 2019	4,818	10,177	14,995
Depreciation expenses	(723)	(2,544)	(3,267)
As of 30 September 2019	4,095	7,633	11,728

Summary of new accounting policies

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

2. Basis of Presentation of Financial Statements (Continued)

Lease liabilities (Financial liabilities)

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Effects on balance sheet and statements of profit and loss at 30 September 2019 (increase / (decrease):

	Before the change	The Effect of new standard	After the change
Right of use assets	-	11,728	11,728
Deferred tax assets	950,028	175	950,203
Short-term portion of long-term financial liabilities	1,852,502	5,403	1,857,905
Long-term financial liabilities	2,248,911	7,122	2,256,033
Cost of sales (-)	(11,714,956)	196	(11,714,760)
General administrative expenses (-)	(263,492)	494	(262,998)
Marketing expenses (-)	(227,507)	95	(227,412)
Financial expense (-)	(1,168,630)	(1,582)	(1,170,212)
Deferred tax income	45,506	175	45,681
Net profit for the period	1,031,769	(622)	1,031,147

Tangible and intangible assets:

The Group amortizes its tangible fixed assets and development expenditures related to development projects by using straight-line method in line with the related project lives. As mentioned in the disclosures on KAP made on May 8, 2019 Egea Group / Tipo and MCV amortization period of car development project has been extended until December 31, 2024. Until 31 December 2018, the amortization date of Egea / Tipo and MCV automobile development projects of the Group is 31 December 2023 and the amortization periods have been extended to 31 December 2024 as of the following day.

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

3. Cash and cash equivalents

	30 September 2019	31 December 2018
Cash on hand	12	16
Due from banks		
- time deposits	1,935,203	1,907,120
- demand deposits	84,666	73,876
	2,019,881	**1,981,012**

The breakdown of time deposits as of 30 September 2019 and 31 December 2018 is as follows:

	30 September 2019		31 December 2018	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	685,988	0.45-0.8	1,184,283	1.90-2.30
TRY	1,249,215	14.75-15.5	722,837	23.00-23.25
	1,935,203		**1,907,120**	

As of 30 September 2019, the maturities of time deposits vary between 1 and 29 days (31 December 2018: between 2 and 29 days).

As of 30 September 2019, the cash at banks comprise time and demand deposits amounting to TL 763,038 (31 December 2018: TRY 1,556,962) which are deposited at a bank which is a related party of the Group (Note 20).

As of 30 September 2019 and 2018, the reserves of cash and cash equivalent in cash flow statement:

	2019	2018
Cash and banks	2,019,881	1,913,631
Less: interest accruals	(662)	(3,477)
Less: restricted cash	(312)	(26,462)
	2,018,907	**1,883,692**

As of 31 September 2019, the Company's TL 312 worth of restricted cash consists of required reserve balance of the Central Bank of Turkish Republic (31 December 2018: TL 19,670)

4. Financial assets

a) Short-term financial assets:

As of 30 September 2019, short–term financial assets of the Group consists of time deposits amounting to TL 247,412, Euro in original currency, with a maturity of 119 days bearing an interest rate of 1.35%-1.55% (31 December 2018: TL 403,180 with a maturity of 118-119 days containing an interest rate of 2.65%–2.90%).

b) Fair value of financial investments reflected to profit or loss:

As of 30 September 2019, the Group has available for fair value of financial investments reflected to profit or loss to TL 671 (31 December 2018: TL 990).

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

5. Financial liabilities

a) Short-term financial liabilities

		30 September 2019			31 December 2018	
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in EUR	40,000	247,344	0,40	67,000	403,876	0.40
Borrowings in TL (*)	-	20,015	38	-	40,000	38
		267,359			**443,876**	

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

		30 September 2019			31 December 2018	
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	842,897	15.12-39.38	-	857,278	13.97-39.38
Borrowings in EUR	146,135	903,642	Euribor + %0.55 Euribor + %2.90	150,024	904,344	Euribor + %0.55 Euribor + %2.90
Borrowings in USD (*)						
Bonds (1,2)	-	105,963	15.86-17.49	-	255,253	14.85 - 18.76
Borrowings in lease liability	-	5,403	-	-	-	-
		1,857,905			**2,016,875**	

c) Long-term financial liabilities

		30 September 2019			31 December 2018	
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	240,981	1,490,133	Euribor + %0.55 Euribor + %2.90	307,559	1,853,966	Euribor + %0.55 Euribor + %2.90
Borrowings in TRY (*)	-	668,015	15.12-39.38	-	1,014,836	13.97-39.38
Bonds (1,2)	-	90,763	15.86-17.49	-	102,499	14.85 - 18.76
Borrowings in lease liability	-	7,122	-	-	-	-
		2,256,033			**2,971,301**	

(*) The short and long-term bank borrowings which are denominated in amounting to TRY 1,530,912 (31 December 2018, TRY 1,912,114) obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 30 September 2019 and 31 December 2018.

(1) In accordance with the minutes of Board of Directors meeting held on 20 September 2017, based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 4 May 2018, with a nominal amount of TRY 100,000 and at an interest rate by 15.86%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(2) In accordance with the minutes of Board of Directors meeting held on 9 November 2018, based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 13 June 2019, with a nominal amount of TRY 90,000 and at an interest rate by 17.49%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

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

5. Financial liabilities (continued)

As of 30 September 2019, TRY 460,786 (31 December 2018: TRY 737,491) 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 as of 30 September 2019 and 31 December 2018 is as follows:

	30 September 2019	31 December 2018
1-2 years	1,382,995	1,510,881
2-3 years	644,417	1,012,747
3-4 years	221,499	447,673
	2,248,911	**2,971,301**

The movement of financial liabilities as of 30 September 2019 and 2018 is as follows:

	2019	2018
1 January	5,432,052	5,810,911
Effect of TFRS 16 (Note 2.4)	14,995	-
Effect of cash flows	(1,219,822)	(361,540)
Unrealized foreign exchange differences	144,915	1,323,199
Changes in TFRS 16 – lease liabilities	(2,470)	-
Change in accrual of interest	11,627	18,801
30 September	**4,381,297**	**6,791,371**

As of September 2019, the total amount of loans borrowed from Eximbank in the consolidated statement of financial position is TL 247,344 (equivalent of EUR 40,000 thousand) (31 December 2018: TL 403,876 (equivalent of EUR 67,000 thousand)

The Group has obtained a loan of TRY 85,024 (equivalent of EUR 13,750 thousand) (31 December 2018: TRY 110,513 (equivalent of EUR 18,333 thousand) on 9 December 2014 from European Investment Bank (EIB) with a maturity until 2020 in order to be used in "New Sedan R&D" projects as of September 30, 2019.

The Group has a working capital loan obtained with a maturity until 2020 from HSBC PLC on 31 March 2014, the carrying value of which is TRY 25,765 (equivalent of EUR 4,166 thousand) on the consolidated financial statements (31 December 2018: TRY 75,350 (equivalent of EUR 12,499 thousand).

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 552,107 (equivalent of EUR 89,285 thousand) (31 December 2018: TRY 645,857 (equivalent of EUR 107,142 thousand)).

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

5. Financial liabilities (continued)

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 200 million with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 11 August 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 6months Eurobor + 2.4%. As of 30 September 2019, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 665,926 TRY (equivalent of EUR 107,692 thousand) (31 December 2018: TRY 741,907 (equivalent of EUR 123,076 thousand).

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 70 million with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 26 May 2018. 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 6months Eurobor + 1.91%. As of 30 September 2019, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 275,451 TRY (equivalent of EUR 44,545 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 100 million Euro is used on March 2016. The remaining balance as of 30 September 2019: TRY 665,926 (equivalent of EUR 107,692 thousand) (31 December 2018: TRY 741,907 (equivalent of EUR 123,076 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. Annual interest is Euribor + %1.80 for five years. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 109,573 (equivalent of EUR 17,720 thousand) (31 December 2018: TRY 133,520 (equivalent of EUR 22,150 thousand)) as of 30 September 2019.

6. Derivative assets and liabilities

	30 September 2019				31 December 2018			
			Fair Value				Fair Value	
	Purchase Contract Amount	**Sale Contract Amount**	**Assets**	**Liabilities**	Purchase Contract Amount	Sale Contract Amount	Assets	Liabilities
Cash Flow Hedge								
Interest rate swap	2,249,411	2,249,411	-	23,221	2,436,553	2,436,553	-	17,055
Short term derivative instruments	**2,249,411**	**2,249,411**	**-**	**23,221**	**2,436,553**	**2,436,553**	**-**	**17.055**

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 September 2019 and 31 December 2018.

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

7. Trade Receivables and payables

a) Trade receivables

	30 September 2019	31 December 2018
Trade receivables	662,297	1,061,316
Doubtful trade receivables	11,478	8,628
Less: provision for doubtful receivables	(11,259)	(8,410)
Less: unearned credit finance income	(7,451)	(24,097)
	655,065	**1,037,437**

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

	2019	2018
January 1	8,410	7,146
Current year provision	2,849	3,203
September 30	**11,259**	**10,349**

Collaterals received related with trade receivables

As of 30 September 2019, the letter of guarantees amounting to TRY 78,438 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 695,785 respectively (31 December 2018: letter of guarantees amounting to TRY 121,066, guarantee cheques and notes amounting to TRY 2,274, mortgages amounting to TRY 40,428 and direct debit system limit amounting to TRY 776,299).

b) Trade payables

	30 September 2019	31 December 2018
Trade payables	1,626,151	1,662,085
Less: not accrued credit finance expense	(28,715)	(42,996)
	1,597,436	**1,619,089**

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

8. Receivables from finance sector operations

	30 September 2019	31 December 2018
Short-term consumer financing loans	958,350	1,256,948
Non-performing loans	119,081	81,272
	1,077,431	**1,338,220**
Provision for specific loan impairment	(70,566)	(50,136)
Provision for general loan impairment	(930)	(10,785)
Short-term	**1,005,935**	**1,277,299**
Long-term consumer financing loans	745,422	1,026,248
Provision for general loan impairment	(17,759)	(10,418)
Long-term	**727,663**	**1,015,830**

As of 30 September 2019, TL denominated loans originated by the Group bear interest rates ranging between 0.01% and 3.29% per month (31 December 2018: between 0.01% and 3.29%).

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

Years	30 September 2019	31 December 2018
1 to 2 years	495,668	634,955
2 to 3 years	190,019	314,056
3 to 4 years	40,183	66,680
4 years and more	1,793	139
	727,663	**1,015,830**

Movements in the allowance for loan impairment are as follows:

	30 September 2019	30 September 2018
1 January	71,339	66,512
Current year provision	22,529	8,435
Recoveries from loans under follow-up	(4,613)	(4,413)
30 September	**89,255**	**70,534**

As of 30 September 2019, the fair value of guarantees obtained for the consumer loans amounting to TL 2,119,375 (31 December 2018: TL 2,823,106). 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 TL 53,054 (31 December 2018: TL 32,331) as of 30 September 2019.

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

9. Inventories

	30 September 2019	31 December 2018
Raw materials	325,758	286,344
Work-in-progress	200,181	241,445
Finished goods	135,930	167,045
Imported vehicles	61,763	193,379
Spare parts	79,596	89,948
Goods in transit	210,900	127,780
Less: provision for impairment on inventories	(31,053)	(29,270)
Total	**983,075**	**1,076,671**

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

	2019	2018
1 January	29,270	28,518
Current year provision, net	1,783	9,602
30 September	**31,053**	**38,120**

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

10. Property, plant and equipment

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 30 September 2019 is as follows:

	Land, land improvements and buildings	Machinery and equipment	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**
1 January 2019, net book value	266,839	1,659,990	242,934	22,143	4,127	51,568	2,247,601
Additions	-	-	314	1,889	-	210,062	212,265
Disposals	-	(1,946)	(639)	(12,079)	-	-	(14,664)
Disposals - Depreciation	-	1,408	588	6,278	-	-	8,274
Transfers	4,441	187,297	22,651	23,594	8	(237,991)	-
Depreciation charge for the period	(7,954)	(244,946)	(39,280)	(8,913)	(303)	-	(301,396)
30 September 2019, net book value	**263,326**	**1,601,803**	**226,568**	**32,912**	**3,832**	**23,639**	**2,152,080**
As of 30 September 2019							
Cost	515,547	5,418,277	689,580	91,323	12,758	23,639	6,751,124
Accumulated depreciation	(252,221)	(3,816,474)	(463,012)	(58,411)	(8,926)	-	(4,599,044)
30 September 2019, net book value	**263,326**	**1,601,803**	**226,568**	**32,912**	**3,832**	**23,639**	**2,152,080**

As of 30 September 2019, there are no pledges or collaterals on property, plant and equipment (31 December 2018: None, 30 September 2018: None).
As of 30 September 2019, there is insurance coverage amounting to TRY 9,240,030 on property, plant and equipment (30 September 2018: TRY 10,697,515).

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

10. Property, plant and equipment (continued)

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 30 September 2018 is as follows:

	Land, land improvements and buildings	Machinery and equipment	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	462,954	5,093,048	622,766	82,434	12,623	15,325	6,289,150
Accumulated depreciation	(235,238)	(3,251,062)	(389,432)	(55,972)	(7,427)	-	(3,939,131)
Net book value	**227,716**	**1,841,986**	**233,334**	**26,462**	**5,196**	**15,325**	**2,350,019**
1 January 2018, net book value	227,716	1,841,986	233,334	26,462	5,196	15,325	2,350,019
Additions	-	-	242	780	83	216,429	217,534
Disposals	-	(6,714)	(2,075)	(8,984)	-	-	(17,773)
Disposals - Depreciation	-	6,130	1,824	3,989	-	-	11,943
Transfers (*)	14,431	110,413	26,632	9,788	-	(161,264)	-
Depreciation charge for the period	(6,923)	(256,505)	(38,012)	(7,884)	(1,016)	-	(310,340)
30 September 2018, net book value	**235,224**	**1,695,310**	**221,945**	**24,151**	**4,263**	**70,490**	**2,251,383**
As of 30 September 2018							
Cost	467,895	4,885,569	589,435	59,007	12,227	70,490	6,084,623
Depreciation charge for the period	(232,671)	(3,190,259)	(367,490)	(34,856)	(7,964)	-	(3,833,240)
30 September 2018, net book value	**235,224**	**1,695,310**	**221,945**	**24,151**	**4,263**	**70,490**	**2,251,383**

.

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

11. Intangible assets

The movements of intangibles for the period as of 30 September 2019 and 2018, are as follows:

	License fees 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	1,528,763	50,698	1,579,461
Additions	197,429	3,026	200,455
Amortization charge for the period	(254,604)	(8,380)	(262,984)
30 September 2019, net book value	**1,471,588**	**45,344**	**1,516,932**
As of 30 September 2019			
Cost	3,844,942	147,302	3,992,244
Accumulated amortization	(2,373,354)	(101,958)	(2,475,312)
30 September 2019, net book value	**1,471,588**	**45,344**	**1,516,932**

	License fees and development costs	Other	Total
As of 1 January			
Cost	3,276,638	265,060	3,541,698
Accumulated amortization	(1,605,386)	(232,447)	(1,837,833)
Net book value	**1,671,252**	**32,613**	**1,703,865**
1 January 2018, net book value	1,671,252	32,613	1,703,865
Additions	148,044	3,018	151,062
Amortization charge for the period	(271,922)	(6,642)	(278,564)
30 September 2018, net book value	**1,547,374**	**28,989**	**1,576,363**
As of 30 September 2018			
Cost	3,424,682	268,078	3,692,760
Accumulated amortization	(1,877,308)	(239,089)	(2,116,397)
30 September 2018, net book value	**1,547,374**	**28,989**	**1,576,363**

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

12. Provisions, contingent assets and liabilities

Short-term provisions:

	30 September 2019	31 December 2018
Provision for warranty claims	135,632	147,956
Provision for legal cases	9,320	8,359
Other	6,241	284
	151,193	**156,599**

Movement of the warranty provision is as follows:

	2019	2018
1 January	147,956	135,401
Paid during the period	(56,164)	(64,149)
Increase during the period	43,840	84,617
The effect of IFRS 15	-	(6,491)
30 September	**135,632**	**149,378**

Movement of the legal cases provision is as follows:

	2019	2018
1 January	8,359	7,754
Increase during the period	961	2,490
30 September	**9,320**	**10,244**

Litigations against the Group

As of 30 September 2019 the total amount of outstanding legal claims brought against the Group is TL 14,150 (31 December 2018: TL 15,092). The Group has reflected a reserve amounting to TL 9,320 (31 December 2018: TL 8,359) in the financial statements.

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

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 September 2019 and 31 December 2018 is as follows:

	30 September 2019			31 December 2018		
	TL equivalent	EUR	TL	TL equivalent	EUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	479,747	22,000	343,708	458,629	37,000	235,593
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	-	-	-	-	-	-
i) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	**479,747**	**22,000**	**343,708**	**458,629**	**37,000**	**235,593**

As of 30 September 2019 and 31 December 2018, 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 September 2019 the Group has realized USD 3,009,334,680 of export commitments numbered 2017/D1-03216 dated 23 May 2017 to be realized in connection with the export incentive certificates amounting to USD 3,055,356,251.27. The Group has realized USD 1,866,984,580 of export commitments in connection with the export incentive certificates amounting to USD 1,445,920,978.53 (document has expired, in the closing stage). The Group has realized USD 3,069,064,443 of export commitments numbered 2018/D1-02520 dated 18 April 2018 to be realized until 17 October 2019 in connection with the export incentive certificates amounting to USD 3,238,461,000. In connection with the export incentive certificates amounting to USD 1,865,512,320 the Group has realized USD 1,139,873,838. The Group has realized USD 0 of export commitments numbered 2019/D1-04978 dated 02 September 2019 to be realized until 1 September 2020 in connection with the export incentive certificates amounting to USD1,198,259,420. In connection with the export incentive certificates amounting to USD 1,198,259,420 the Group has realized USD 1,010,031.

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

13. Prepaid expenses and incomes, other assets and liabilities

a) Other current assets

	30 September 2019	31 December 2018
Value Added Tax ("VAT")	129,715	145,837
Accrued Social Security Institution Incentives	61	5,488
Other	12,776	11,843
	142,552	**163,168**

b) Short-term prepaid expenses

	30 September 2019	31 December 2018
Credit commission expenses (*)	30,002	38,710
Advances given	5,599	13,079
Other	29,501	27,316
	65,102	**79,105**

(*) Credit commission expenses are composed of the credit commission given to dealers in advance by KFK as of 30 September 2019 and 31 December 2018.

c) Non-current prepaid expenses

As of 30 September 2019, TL 43,907 (31 December 2018: TL 68,334) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TL 33,843.

d) Short term deferred income

As of September 30, 2019, TRY 29,712 of deferred income amounting to TRY 16,334 (December 31, 2018: TRY 36,043) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TRY 4,747, amounting TRY 8,631 is advances received.

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

14. Revenue and cost of sales

a) Net sales

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Export sales	10,224,586	10,976,765	3,171,337	3,691,108
Domestic sales	3,054,596	2,684,248	936,094	570,264
Other income from operational activities	149,905	163,332	51,180	71,410
	13,429,087	**13,824,345**	**4,158,611**	**4,332,782**

b) Production and sales quantities

	Production		Sales	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Manufactured vehicles				
New Doblo	59,467	84,428	59,491	83,169
Egea Hatchback	45,399	40,868	46,917	40,480
Egea	33,368	39,138	33,125	39,561
MCV	31,279	39,221	30,947	38,219
Egea Stationwagon	20,970	33,386	20,863	33,106
Linea	-	-	-	1,461
	190,483	**237,041**	**191,343**	**235,996**

	Import		Sales	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Imported vehicles				
Ducato	954	1,083	963	1,684
Jeep	391	2,716	1,121	1,513
Panda Futura	75	78	71	64
Fiat 500	61	1,051	520	584
Maserati	21	44	28	33
Ferrari	17	15	17	16
Alfa Romeo	-	369	199	124
Fullback	-	3	19	9
Grande Punto	-	2	-	79
Fiat Spider	-	-	-	5
Transit sales	-	-	38	29
	1,519	**5,361**	**2,976**	**4,140**

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

14. Revenue and cost of sales (continued)

c) Cost of sales:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Direct material expense	(9,809,398)	(10,361,828)	(3,005,414)	(3,221,292)
Depreciation and amortization Expense	(527,351)	(553,072)	(177,557)	(187,402)
Direct labor expense	(184,444)	(207,963)	(61,234)	(67,895)
Other production expenses	(420,316)	(380,256)	(136,388)	(129,355)
Total cost of production	**(10,941,509)**	**(11,503,119)**	**(3,380,593)**	**(3,605,944)**
Change in work-in-process	(41,264)	(5,570)	(5,633)	60,259
Change in finished goods	(31,115)	168,956	(26,477)	99,507
Cost of merchandise sold	(700,738)	(705,649)	(216,095)	(194,674)
Cost of other sales	(134)	(174)	(44)	329
	(11,714,760)	**(12,045,556)**	**(3,628,842)**	**(3,640,523)**

15. Research and development expenses, marketing, selling and distribution expenses and general administrative expenses

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Marketing expenses	(227,412)	(263,093)	(65,046)	(90,771)
General administrative expenses	(262,998)	(230,190)	(89,183)	(81,376)
Research and development expenses	(57,372)	(55,182)	(15,414)	(17,768)
	(547,782)	**(548,465)**	**(169,643)**	**(189,915)**

a) Marketing expenses

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Personnel expenses	(66,400)	(51,608)	(21,321)	(17,440)
Warranty expenses	(43,840)	(84,617)	(10,038)	(35,465)
Transportation and insurance expenses	(39,441)	(43,385)	(11,205)	(12,409)
Advertisement expenses	(36,103)	(40,051)	(9,083)	(11,956)
Travel expenses	(4,345)	(5,348)	(1,292)	(2,955)
Depreciation and amortization expenses	(3,827)	(3,225)	(1,754)	(1,138)
Other	(33,456)	(34,859)	(10,353)	(9,408)
	(227,412)	**(263,093)**	**(65,046)**	**(90,771)**

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

15. Research and development expenses, marketing, selling and distribution expenses and general administrative expenses (continued)

b) General and administrative expenses

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Personnel expense	(101,912)	(91,014)	(32,558)	(31,332)
IT expenses	(34,966)	(26,464)	(12,667)	(8,716)
Depreciation and amortization expenses	(24,655)	(19,508)	(8,653)	(6,539)
Outsourcing expenses	(24,142)	(20,835)	(8,341)	(6,369)
Insurance expenses	(7,377)	(4,659)	(2,301)	(1,390)
Travel expenses	(6,462)	(5,655)	(1,901)	(1,925)
Duties, taxes and levies	(4,857)	(4,381)	(1,727)	(1,374)
Other	(58,627)	(57,674)	(21,035)	(23,731)
	(262,998)	**(230,190)**	**(89,183)**	**(81,376)**

16. Other income and expenses from main operations

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Foreign exchange gains on operating activities	532,354	2,709,443	154,546	2,009,809
Interest income on operating activities	172,975	130,645	38,042	47,857
Other	36,655	35,250	15,924	9,830
	741,984	**2,875,338**	**208,512**	**2,067,496**

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Foreign exchange loss on operating activities	(468,546)	(3,399,245)	(111,329)	(2,574,736)
Interest expense on operating activities	(235,408)	(143,802)	(60,390)	(54,165)
Other	(60,043)	(36,590)	(12,153)	(10,387)
	(763,997)	**(3,579,637)**	**(183,872)**	**(2,639,288)**

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

17. Financial income and expenses

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Foreign exchange gains	838,249	1,314,250	438,222	1,058,516
Interest income	97,028	92,435	30,815	33,901
Gains from derivative instruments	2,685	5,765	6,412	-
Total financial income	**937,962**	**1,412,450**	**475,449**	**1,092,417**
Foreign exchange losses	(1,109,475)	(943,669)	(595,789)	(701,105)
Interest expenses	(58,998)	(67,650)	(16,909)	(26,244)
Other	(1,739)	(1,738)	(579)	(578)
Total financial expenses	**(1,170,212)**	**(1,013,057)**	**(613,277)**	**(727,927)**
Net financial income/(expenses)	**(232,250)**	**399,393**	**(137,828)**	**364,490**

18. Tax assets and liabilities

a) General

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

In the Turkish taxation system, tax losses can be offset against future taxable income for the next five years and are not deductible (retrospectively) from previous years' earnings. In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2018, 2019 and 2020) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of September 30, 2019 and December 31, 2018, 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 1January 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 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%.

18. Tax assets and liabilities (Continued)

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

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

Tax assets and liabilities

Corporation tax

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

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article institutions in 2018, 2019 and the taxation period in 2020 (related to corporate defined special accounting period (for the fiscal periods starting within the year) 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 twenty-fifth 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 to file a tax return on its consolidated financial statements. Therefore, the tax liabilities, which are reflected in the consolidated financial statements of the Group, have been calculated separately for all companies included in the scope of consolidation. On the statement of financial position as of September 30, 2019 and December 31, 2018, taxes payable are netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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

18. Tax assets and liabilities (Continued)

For the years ended 30 September 2019 and 2018, the analysis of the tax expense in the profit or loss is as follows:

	1 January - 30 September 2019	1 January - 30 September 2019	1 July - 30 September 2018	1 July - 30 September 2018
Current tax expense	(22,315)	(16,490)	(8,389)	(3,703)
Deferred tax income /(expense)	45,681	7,484	37,970	(12,513)
	23,366	**(9,006)**	**29,581**	**(16,216)**

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 30 September 2019 and 31 December 2018, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2019	**31 December 2018**	**30 September 2019**	**31 December 2018**
Unused investment incentive allowances (*)	2,399,716	2,244,811	1,110,669	1,066,002
Provision for employment termination benefits and unused vacation	199,348	206,432	41,738	43,190
Warranty provisions	135,632	147,956	28,939	31,651
Inventories	38,166	50,584	8,397	11,128
Contract liabilities	25,192	20,189	5,542	4,442
Deferred income	17,242	21,923	3,793	4,823
Property, plant and equipment and intangibles	(1,226,923)	(1,023,470)	(254,125)	(211,985)
Other	(35,927)	(98,659)	5,250	(7,648)
Deferred tax asset, net			**950,203**	**941,603**

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

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

	2019	2018
Deferred tax asset at 1 January	941,603	769,448
Deferred tax income	45,681	7,484
Net gain / (loss) on post-employment termination benefit obligation attributable to equity	3,131	(1,123)
Net gain / (loss) on cash flow hedging attributable to equity (*)	(40,212)	229,043
Deferred tax assets as of 30 September	**950,203**	**1,004,852**

(*) 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.

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

18. Tax assets and liabilities (continued)

The analysis of tax expense accounted for under the statement of profit or loss for the interim period ended 30 September 2019 and 2018 is as follows:

	2019	**2018**
Profit before tax	1,007,781	1,012,890
Income tax charge at effective tax rate (22%)	(221,712)	(222,836)
Research and development incentive expenditures during the period	33,213	30,782
Effect of investment incentive, net	148,496	18,484
Used and earned investment incentive	44,667	162,764
Other	18,702	1,800
30 September	**23,366**	**(9,006)**

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 September 2019 and 2018, the weighted average number of shares outstanding is 50,000,000,000 and as of 30 September 2019 and 2018 earnings per share is Kr 2.06 and Kr 2.01 respectively.

20. Transactions and balances with related parties

Related party balances

Deposit and financial loan balances from related parties	**30 September 2019**	**31 December 2018**
Yapı ve Kredi Bank A.Ş. (deposit) [(1)]	763,038	1,556,962
Yapı ve Kredi Bank A.Ş. (financial loan) [(1)]	(460,786)	(737,491)

Trade receivables due from related parties	**30 September 2019**	**31 December 2018**
Fiat [(2)]	1,239,712	570,692
Otokoç Otomotiv Tic. ve San. A.Ş. [(1)]	257,158	501,049
Other [(1)]	1,445	4,009
Less: Unearned credit finance expense	(3,141)	(15,843)
	1,495,174	**1,059,907**

Trade payables due to related parties	**30 September 2019**	**31 December 2018**
Fiat [(2)]	1,499,067	1,573,080
Other [(1)]	73,959	104,461
Less: Unearned credit finance expense	(276)	(2,647)
	1,572,750	**1,674,894**

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

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

20. Transactions and balances with related parties (continued)

Sales

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Fiat [2]	10,080,904	10,866,626	3,266,649	3,723,592
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	1,162,653	1,037,642	339,145	215,012
Other [1]	44,305	95,911	22,826	16,119
	11,287,862	**12,000,179**	**3,628,620**	**3,954,723**

Domestic goods and services purchases

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Ram Dış Ticaret A.Ş. (1)	246,152	300,013	78,055	95,288
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	117,524	94,081	40,760	45,842
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	72,948	91,587	24,836	25,536
Magneti Marelli Mako Elektrik San. A.Ş. (1)	67,577	153,292	-	46,927
Matay Otomotiv Yan San. ve Tic. A.Ş. (1)	48,223	88,956	-	33,349
Plastiform Plastik San. Tic. A.Ş. (1)	40,069	37,208	10,753	10,956
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. (1)	33,393	35,788	10,163	12,052
Koç Holding A.Ş. (2)(*)	18,007	8,346	5,005	2,935
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	15,295	12,404	7,041	7,923
Magneti Marelli Süspansiyon Sistemleri Tic.Ltd. Şti. (1)	14,432	34,497	-	12,364
Opet Fuchs Madeni Yağlar Tic. A.Ş. (1)	11,545	10,474	3,420	3,386
Setur Servis Turistik A.Ş.(1)	7,805	15,197	2,886	6,106
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.(1)	7,175	9,185	1,146	2,961
Diğer (1)	28,637	32,098	9,615	5,581
	728,782	**923,126**	**193,680**	**311,206**

(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.

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

20. Transactions and balances with related parties (continued)

Foreign trade good, material and service purchase:

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Fiat (2)	5,368,810	6,159,823	1,602,026	1,809,486
Other (1)	17,536	41,246	707	15,197
	5,386,346	**6,201,069**	**1,602,733**	**1,824,683**

Interest income from related parties, for the nine-month period ended 30 September 2019 is TL 31,859 (30 September 2018: TL 50,983).

Salaries and similar benefits paid to the top management (30 September 2019: 32 persons, 30 September 2018: 33 persons) for the nine-month period of 2019 is TL 19,054 (30 September 2018: TL 12,228).

Furthermore, as of 30 September 2019, 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 TL 96,318 (31 December 2018: TL 282,535).

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.

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

21. Financial instruments and financial risk management (continued)

Types of credit exposed by types of financial instruments;

	Trade receivables					Receivables from
30 September 2019	**Related party**	**Other party**	**Other receivables**	**Bank Deposit (Note 3)**	**Derivative instruments**	**finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**1,495,174**	**655,065**	**8,917**	**2,019,881**	**248,083**	**1,733,598**
- Maximum risk secured by guarantee (2)	33,700	783,225	-	-	-	2,150,632
A. Net book value of financial assets neither overdue nor impaired	1,486,786	598,927	8,917	2,019,881	248,083	1,653,510
- Maximum risk secured by guarantee	33,700	751,753	-	-	-	2,119,375
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	8,388	55,919	-	-	-	31,573
- Maximum risk secured by guarantee	-	31,472	-	-	-	31,257
D. Net book value of impaired assets	-	219	-	-	-	48,515
- Overdue (gross book value)	-	11,478	-	-	-	119,081
- Impairment (-)	-	(11,259)	-	-	-	(70,566)
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	53,054
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

	Trade receivables					
31 December 2018	**Related parties**	**Other parties**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Receivables from finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**1,059,907**	**1,037,437**	**1,385**	**1,981,012**	**404,170**	**2,293,129**
- Maximum risk secured by guarantee (2)	33,700	906,367	-	-	-	2,931,283
A. Net book value of financial assets neither overdue nor impaired	1,056,803	988,225	1,385	1,981,012	404,170	2,223,687
- Maximum risk secured by guarantee	33,700	881,588	-	-	-	2,893,360
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	3,104	48,994	-	-	-	38,306
- Maximum risk secured by guarantee	-	24,779	-	-	-	37,923
D. Net book value of impaired assets		218				31,136
- Overdue (gross book value)	-	8,628	-	-	-	81,272
- Impairment (-)	-	(8,410)	-	-	-	(50,136)
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	32,331
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.

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

21. Financial instruments and financial risk management (continued)

Aging analysis of trade receivables and receivables from finance operations

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

30 September 2019	
1- 30 days past due	29,395
1- 3 months past due	20,130
3- 12 months past due	21,164
1- 5 years past due	25,191
Total	**95,880**

31 December 2018	
1- 30 days past due	29,164
1- 3 months past due	21,221
3- 12 months past due	32,796
1- 5 years past due	7,223
Total	**90,404**

Amount secured with guarantees

As of 30 September 2019, TL 8,153 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2018: TL 1,379). As of 30 September 2019, the Group's payables to Fiat amount to TL 1,499,067 (31 December 2018: TL 1,573,080).

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 of 30 September 2019, loans obtained related with Doblo vehicle project have entirely been repaid. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Egea Stationwagon/Hatchback vehicles is undertaken by Fiat.

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

21. Financial instruments and financial risk management (continued)

		Table of foreign currency position			
	30 September 2019	**TL equivalent (functional currency)**	**USD**	**EUR**	**Other**
1.	Trade receivables	1,247,856	250	201,572	-
2a.	Monetary financial assets (including cash, bank accounts)	939,266	21	151,877	-
2b.	Non-monetary financial assets	216,482	-	35,009	-
3.	Other	8,966	-	1,450	-
4.	**Current assets (1+2+3)**	**2,412,570**	**271**	**389,908**	**-**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	32,023	-	5,179	-
7.	Other		-	-	-
8.	**Non-current assets (5+6+7)**	**32,023**	**-**	**5,179**	**-**
9.	**Total assets (4+8)**	**2,444,593**	**271**	**395,087**	**-**
10.	Trade payables	(1,642,595)	(588)	(265,099)	-
11.	Financial liabilities (*)	(1,150,986)	-	(186,135)	-
12a.	Monetary other liabilities	-	-	-	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(2,793,581)**	**(588)**	**(451,234)**	**-**
14.	Trade payables	-	-	-	-
15.	Financial liabilities (*)	(1,490,133)	-	(240,981)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(1,490,133)**	**-**	**(240,981)**	**-**
18.	**Total liabilities (13+17)**	**(4,283,714)**	**(588)**	**(692,215)**	**-**
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)**	**(1,839,121)**	**(317)**	**(297,128)**	**-**
21.	**Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a+10+11+12a+14+15+16a)**	**(2,087,626)**	**(317)**	**(337,316)**	**-**
22.	**Total fair value of financial instruments used for foreign currency hedging**	**-**	**-**	**-**	**-**
23.	Export	10,279,242	-	1,617,598	1,036
24.	Import	5,770,228	10,048	895,430	1,050

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 30 September 2019 is TL 28,403.

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

21. Financial instruments and financial risk management (continued)

31 December 2018	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	567,412	89	94,052	-
2a. Monetary financial assets (including cash, bank accounts)	1,591,760	6	264,056	-
2b. Non-monetary financial assets	136,226	-	22,599	-
3. Other	9,022	-	1,496	-
4. Current assets (1+2+3)	**2,304,420**	**95**	**382,203**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	60,278	-	10,000	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**60,278**	**-**	**10,000**	**-**
9. Total assets (4+8)	**2,364,698**	**95**	**392,203**	**-**
10. Trade payables	(1,544,353)	(1,088)	(255,244)	(2)
11. Financial liabilities	(1,308,220)	-	(217,024)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(643)	-	(107)	-
13. Current liabilities (10+11+12)	**(2,853,216)**	**(1,088)**	**(472,375)**	**(2)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,853,967)	-	(307,559)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(1,853,967)**	-	**(307,559)**	-
18. Total liabilities (13+17)	**(4,707,183)**	**(1,088)**	**(779,934)**	**(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)	**(2,342,485)**	**(993)**	**(387,731)**	**(2)**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2,538,346)**	**(993)**	**(420,223)**	**(2)**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	14,517,284	-	2,585,655	-
24. Import	8,283,269	5,207	1,493,744	132

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 December 2018 is TL 80,739.

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

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 September 2019 and 31 December 2018:

	Foreign exchange rate sensitivity analysis table			
	30 September 2019			
	Profit/loss		Equity	
	Appreciation of foreign Currency	Depreciation of foreign Currency	Appreciation of foreign currency	Depreciation of foreign Currency
In case 10% appreciation of USD against TL:				
1- USD net asset/liability	(179)	179	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(179)**	**179**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(208,583)	208,583	-	-
5- Amount hedged for EUR risk (-)	234,423	(234,423)	-	-
6- EUR net effect (4+5)	**25,840**	**(25,840)**	**-**	**-**
In case 10% appreciation of other exchange rates against TL:				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9- Other exchange rates net effect (7+8)	**-**	**-**	**-**	-
	25,661	**(25,661)**	**-**	**-**

	31 December 2018			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TL:				
1- USD net asset/liability	(522)	522	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(522)**	**522**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(253,310)	253,310	-	-
5- Amount hedged for EUR risk (-)	278,330	(278,330)	-	-
6- EUR net effect (4+5)	**25,020**	**(25,020)**	**-**	**-**
In case 10% appreciation of other exchange rates against TL				
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)	**24,498**	**(24,498)**	**-**	**-**

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

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 September 2019 and 31 December 2018, 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:

	30 September 2019	31 December 2018
Change in interest rates	0.50	0.50
Effect on net income before for taxes	(3,279)	(456)

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 September 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)
Bank loans	4,172,046	4,455,092	682,024	1,446,848	2,326,220	-
Lease liabilities	12,525	12,525	1,351	4,052	7,122	-
Trade payables	3,170,186	3,198,907	2,795,960	402,947	-	-
Bonds	196,726	233,250	11,835	119,641	101,774	-
Employee benefit liabilities	106,400	106,400	106,400	-	-	-
Other current liabilities	6,230	6,230	6,230	-	-	-
	7,664,113	**8,012,404**	**3,603,800**	**1,973,488**	**2,435,116**	**-**

Expected maturities (or per agreement 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)
Derivative financial assets (net)	**23,221**	**2,249,411**	**-**	**-**	**2,249,411**	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	23,221	2,249,411	-	-	2,249,411	-
	23,221	**2,249,411**	**-**	**-**	**2,249,411**	-

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

21. Financial instruments and financial risk management (continued)

31 December 2018

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	5,074,300	5,162,003	57,987	2,303,830	2,800,186	-
Trade payables	3,293,983	3,339,912	2,940,171	399,741	-	-
Bonds	357,752	393,684	55,000	230,817	107,867	-
Employee benefit liabilities	100,188	100,188	100,188	-	-	-
Other payables	16,060	16,060	16,060	-	-	-
	8,842,283	**9,011,847**	**3,169,406**	**2,934,388**	**2,908,053**	**-**

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)	**17,055**	**2,436,553**	**-**	**-**	**2,436,553**	**-**
Derivative cash inflows						
Derivative cash outflows	17,055	2,436,553	-	-	2,436,553	-
	17,055	**2,436,553**	**-**	**-**	**2,436,553**	-

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 realise 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.

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

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.

30 September 2019	**Level 1**	**Level 2**	**Level 3**
Investment property	-	60,500	-
Total assets	**-**	**60,500**	**-**
Derivatives held for trading	-	23,221	-
Total Liabilities	**-**	**23,221**	**-**

31 December 2018	**Level 1**	**Level 2**	**Level 3**
Investment property	-	60,500	-
Total assets	**-**	**60,500**	**-**
Derivatives held for trading	-	17,055	-
Total Liabilities	**-**	**17,055**	**-**

As of 30 September 2019, the Group has not made any transfers between second level and first level, and also between third level and other levels.

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 September 2019.

22. Subsequent events

There is no significant subsequent event to be disclosed.