

Tofaş Türk Otomobil Fabrikası A.Ş.

**Convenience translation into English of
condensed consolidated financial statements
for the interim period 1 January - 30 June 2022
together with independent auditor's
review report**

(Originally issued in Turkish)

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

Report on Review of Interim Condensed Consolidated Financial Statements

To Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi (“the Company”) and its subsidiaries (“the Group”) as of June 30, 2022 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (“TAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying interim condensed consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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



Erdem Tacer, SMMM
Partner

July 26, 2022
İstanbul, Türkiye

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of financial position

as of 30 June 2022 and 31 December 2021

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

		<i>Limited review</i>	<i>Audited</i>
	Notes	30 June 2022	31 December 2021
ASSETS			
Current assets:			
Cash and cash equivalents	3	6,442,442	4,214,726
Financial assets	4	181	240
Trade receivables			
- <i>Related parties</i>	20	7,301,038	5,660,932
- <i>Third parties</i>	7	3,569,673	1,481,414
Receivables from finance sector operations	8	2,442,374	2,146,646
Other receivables		3,157	690
Inventories	9	3,509,656	2,379,087
Prepaid expenses	13	86,038	72,223
Other current assets	13	11,987	213,590
Total current assets		23,366,546	16,169,548
Non-current assets:			
Receivables from finance sector operations	8	2,327,766	2,235,883
Other receivables		389	332
Investment properties		69,285	69,285
Property, plant and equipment	10	1,808,145	1,903,864
Right of use assets		13,033	5,088
Intangible assets	11	1,769,619	1,920,856
Prepaid expenses	13	35,829	22,682
Deferred tax assets	18	1,112,808	1,145,803
Total non-current assets		7,136,874	7,303,793
Total assets		30,503,420	23,473,341

These consolidated financial statements for the period ended 1 January - 31 June 2022 have been approved for issue by the Board of Directors on 26 July 2022.

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of financial position

as of 30 June 2022 and 31 December 2021

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

		<i>Limited review</i>	<i>Audited</i>
	Notes	30 June 2022	31 December 2021
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	520,000	150,000
Short-term portion of long-term financial liabilities	5	4,511,419	3,988,262
Trade payables			
- Related parties	20	7,566,643	5,083,471
- Third parties	7	7,591,603	3,684,915
Employee benefit liabilities		198,651	173,105
Other payables		23,836	22,921
Contract liabilities		43,920	44,205
Government incentives and grants		2,791	4,516
Current income tax liability		79,014	50,594
Deferred income	13	104,622	94,784
Short-term provisions	12	524,905	454,575
Other current liabilities	13	167,979	6,441
Total current liabilities		21,335,383	13,757,789
Non-current liabilities:			
Long-term financial liabilities	5	3,160,922	3,620,796
Derivative instruments	6	713	2,124
Government incentives and grants		1,601	2,135
Long-term provisions			
- Provisions for employment termination benefits		356,428	347,106
Total non-current liabilities		3,519,664	3,972,161
Total liabilities		24,855,047	17,729,950
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			
- Funds for actuarial gain/(loss) on employee termination benefits		(139,161)	(149,799)
Other comprehensive losses			
to be reclassified under profit or losses			
- Hedge reserves		(1,805,190)	(1,894,105)
Restricted reserves		715,678	398,178
Retained earnings		3,023,235	3,259,419
Net profit for the year / period		3,005,429	3,281,316
Total equity		5,648,373	5,743,391
Total liabilities and equity		30,503,420	23,473,341

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of profit and loss
for the interim periods ended 30 June 2022 and 2021
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

		<i>Limited reviewed</i>	<i>Limited reviewed</i>	<i>Limited reviewed</i>	<i>Limited reviewed</i>
	Notes	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Revenue	14	26,049,505	15,415,186	14,011,205	7,564,209
Cost of sales (-)	14	(21,662,561)	(12,732,740)	(12,003,521)	(6,384,132)
Gross profit from operations		4,386,944	2,682,446	2,007,684	1,180,077
Revenue from finance sector operations		575,993	308,043	351,919	195,736
Expenses from finance sector operations (-)		(446,563)	(239,584)	(261,423)	(143,669)
Gross profit from finance sector operations		129,430	68,459	90,496	52,067
Gross profit		4,516,374	2,750,905	2,098,180	1,232,144
General administrative expenses (-)	15	(308,433)	(175,499)	(212,071)	(107,584)
Marketing expenses (-)	15	(492,602)	(305,434)	(245,647)	(142,387)
Research and development expenses (-)	15	(132,238)	(75,233)	(64,969)	(34,628)
Other income from main operations	16	2,261,900	1,459,128	1,061,835	420,900
Other expense from main operations (-)	16	(2,570,180)	(1,666,827)	(1,087,897)	(432,903)
Operating profit before financial income		3,274,821	1,987,040	1,549,431	935,542
Income from investing activities		33,536	28,765	24,069	20,381
Operating profit before financial income		3,308,357	2,015,805	1,573,500	955,923
Financial income	17	1,581,353	1,112,504	945,000	394,152
Financial expense (-)	17	(1,761,320)	(1,226,415)	(1,006,364)	(450,944)
Profit before tax		3,128,390	1,901,894	1,512,136	899,131
Tax income / (expense) for the period		(122,961)	(25,584)	(28,292)	(31,951)
- Taxes on income	18	(119,209)	(93,058)	(35,771)	(24,626)
- Deferred tax income / (expense)	18	(3,752)	67,474	7,479	(7,325)
Net profit for the period		3,005,429	1,876,310	1,483,844	867,180
Attributable to:					
Equity holders of the parent		3,005,429	1,876,310	1,483,844	867,180
Earnings per share (Kır)	19	6.01	3.75	2.97	1.73

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of other comprehensive income
for the interim periods ended 30 June 2022 and 2021**

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

	<i>Limited reviewed</i>		<i>Limited reviewed</i>	
	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Net profit for the year	3,005,429	1,876,310	1,483,844	867,180
Other comprehensive income:				
Other comprehensive income not to be reclassified under profit and loss	10,638	9,628	4,592	5,044
- Actuarial gain /(loss) on employment termination benefit obligation	13,345	12,074	5,804	6,369
- Actuarial gain / (loss) on post employment termination benefit obligation, tax effect	(2,707)	(2,446)	(1,212)	(1,325)
Other comprehensive income to be reclassified under profit and loss	88,915	106,992	(180,766)	(32,926)
- Gain (losses) on cash flow hedges	115,451	138,001	(241,320)	(56,682)
- Taxes relating to cash flow hedges	(26,536)	(31,009)	60,554	23,756
Other comprehensive (loss)	99,553	116,620	(176,174)	(27,882)
Total comprehensive income	3,104,982	1,992,930	1,307,670	839,298
Total comprehensive income attributable to:				
Parent company interests	3,104,982	1,992,930	1,307,670	839,298

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of changes in equity
for the interim periods ended 30 June 2022 and 31 December 2021
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss	Retained earnings			
	Paid in share capital	Adjustments to share capital	Funds for actuarial gain/(loss) on employee termination benefits	Hedge reserves	Restricted reserves	Retained earnings	Net profit for the period	Total equity
Balances at 1 January 2021	500,000	348,382	(81,944)	(1,455,424)	369,326	3,004,101	1,784,170	4,468,611
Transfers	-	-	-	-	136,714	1,647,456	(1,784,170)	-
Total comprehensive income	-	-	4,592	(180,766)	-	-	1,483,844	1,307,670
Dividends paid	-	-	-	-	(107,862)	(1,392,138)	-	(1,500,000)
Balances at 30 June 2021	500,000	348,382	(77,352)	(1,636,190)	398,178	3,259,419	1,483,844	4,276,281
Balances at 1 January 2022	500,000	348,382	(149,799)	(1,894,105)	398,178	3,259,419	3,281,316	5,743,391
Transfers	-	-	-	-	317,500	2,963,816	(3,281,316)	-
Total comprehensive income	-	-	10,638	88,915	-	-	3,005,429	3,104,982
Dividends paid	-	-	-	-	-	(3,200,000)	-	(3,200,000)
Balances at 30 June 2022	500,000	348,382	(139,161)	(1,805,190)	715,678	3,023,235	3,005,429	5,648,373

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of cash flows
for the interim periods ended 30 June 2022 and 2021
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Limited Reviewed 30 June 2022	Limited Reviewed 30 June 2021
A. Cash flows from operating activities		5,501,267	(221,433)
Net profit for the period		3,005,429	1,483,844
Adjustments to reconcile profit for the period		1,197,773	711,347
- Adjustments related to depreciation and amortization		726,603	511,776
- Adjustments related to interest income	17	(256,086)	(148,741)
- Adjustments related to provision for inventories	9	(1,458)	(1,274)
- Gain on sale of property, plant and equipment		(38,537)	(24,069)
- Provision for employment termination benefits		72,316	13,594
- Adjustments related to warranty provisions	12	181,503	93,348
- Adjustments related to doubtful receivables	7,8	3,082	10,131
- Lawsuit provision / cancellation	12	1,021	3,230
- Adjustments related to interest expense	17	52,010	49,637
- Adjustments for tax losses/ income	18	122,961	28,292
- Due date charges on term purchases and sales	16	(46,343)	8,270
- Adjustments related to unrealized foreign currency differences		867,209	349,516
- Adjustments related to exchange differences of cash and cash equivalents		(480,268)	(182,363)
- Adjustments related to other provisions		(6,240)	-
Changes in net working capital		1,544,455	(2,322,388)
- Inventories		(1,129,111)	(440,129)
- Trade receivables		(1,178,815)	132,797
- Receivables from related parties		(1,640,106)	(359,719)
- Other receivables from operating activities		(2,524)	(2,402)
- Trade payables		3,906,688	(377,435)
- Trade payables due to related parties		1,620,665	(390,206)
- Liabilities arising from customer contracts		(285)	5,006
- Receivables from finance sector operations		(391,287)	(1,001,550)
- Prepaid expenses		(26,962)	(7,126)
- Deferred revenue		9,838	26,325
- Government incentives and grants		(2,259)	(2,258)
- Other assets from operating activities		192,025	114,095
- Other liabilities from operating activities		187,999	(15,884)
- Derivative financial instruments		(1,411)	(3,902)
Net cash generated from operating activities		5,747,657	(127,197)
- Income taxes paid		(90,789)	(16,752)
- Payments related to employment termination benefits		(49,648)	(19,727)
- Other cash inflows (outflows)		(105,953)	(57,757)
B. Cash flows from investing activities		(175,141)	(381,435)
- Purchases of tangible assets	10	(186,339)	(181,182)
- Purchases of intangible assets		(305,232)	(404,616)
- Proceeds from sale of tangible and intangible assets		52,092	37,654
- Change in financial assets		59	366
- Interest received		264,279	166,343
C. Cash flows from financing activities		(3,634,435)	(1,396,247)
- Proceeds from financial liabilities	5	3,229,919	1,597,263
- Bank loans paid	5	(3,545,697)	(1,441,053)
- Payment of lease liabilities	5	(3,019)	(3,550)
- Dividends paid		(3,200,000)	(1,500,000)
- Interest paid		(51,688)	(48,907)
- Other cash flow (changes in blocked deposits)		(63,950)	-
Net (decrease)/ increase in cash and cash equivalents before the foreign exchange differences from cash and cash equivalents		1,691,691	(1,999,115)
D. Effects of foreign exchange differences on cash and cash equivalents		480,268	182,363
Net change in cash and cash equivalents		2,171,959	(1,816,752)
E. Cash and cash equivalents at the beginning of the period		4,195,952	4,227,235
Cash and cash equivalents at the end of the period	3	6,367,911	2,410,483

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 2022**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

Koç Fiat Sigorta Aracılık Hizmetleri A.Ş. was established in May 2022 to provide insurance services.

The Company's subsidiaries as of 30 June 2022 and 31 December 2021 which are subject to consolidation are as follows: Rate of ownership of the Company (%)

Name of the company	Operating area	Rate of ownership of the Company (%)	
		30 June 2022	31 December 2021
Koç Fiat Kredi Finansman A.Ş. ("KFK")	Consumer financing	100	100
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100
Koç Fiat Sigorta Aracılık Hizmetleri A.Ş.	Insurance services	100	-

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

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

	Average		Period end	
	30 June 2022	30 June 2021	30 June 2022	31 December 2021
Hourly-rated	4,738	5,164	4,587	4,955
Monthly-rated	1,496	1,496	1,504	1,527
	6,234	6,660	6,091	6,482

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 2022**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

In accordance with the decision taken in the CMB meeting held on 15 April 2019, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period. With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005. The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards ("TFRS") will apply TAS 29, "Financial Reporting in Hyperinflationary Economies" (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2021. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies, Afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the consolidated financial statements, POA did not make an additional announcement and no adjustment was made to the consolidated financial statements in accordance with TAS 29.

2.1.2 Comparatives and adjustment of prior periods' financial statements

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

2.1.3 Functional and reporting currency

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 2022**

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

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

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. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

2.1.5 Significant accounting judgments, estimates and assumptions

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

- a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered.
- b) A specific credit risk provision for loan impairment has been established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.
- c) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- d) While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost.
- e) The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment (Note 9).
- f) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets (Note 10-11).

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 2022**

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

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

2.1.5 Significant accounting judgments, estimates and assumptions (continued)

- g) Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. In determination of deferred tax asset to be recognized, there are certain assumptions and judgments made about future taxable income to be recognized in the future (Note 18).
- h) The Group capitalized its ongoing development expenditures and assesses whether there is an impairment loss on these capitalized assets.

2.2 Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as of June 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. 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, 2022 are as follows:**

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

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

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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.

Amendments to TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

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

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

Amendments to TAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

2.3 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the period ended 30 June 2022 have been prepared in accordance of TAS 34. The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 30 June 2022 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2021. 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 2021.

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**Notes to the condensed consolidated interim financial statements
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

2.4 Changes in significant accounting policies

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Cash on hand	14	11
Due from banks		
- <i>time deposits</i>	6,128,511	4,122,844
- <i>demand deposits</i>	249,967	91,871
- <i>demand blocked deposits</i>	63,950	-
	6,442,442	4,214,726

The breakdown of time deposits as of 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022		31 December 2021	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,878,478	0.70-2.10	534,916	0.03-0.25
TRY	4,250,033	13.00-26.30	3,587,928	15.50-24.75
	6,128,511		4,122,844	

As of 30 June 2022, the maturities of time deposits vary between 1 and 36 days (31 December 2021: between 3 and 38 days).

As of 30 June 2022, the cash at banks comprise time and demand deposits amounting to TRY 1,594,698 (31 December 2021: TRY 1,939,244) which are deposited at a bank which is a related party of the Group (Note 20).

As of 30 June 2022, there are demand blocked deposits amounting to TRY 63,950. TRY 62,700 of this amount consists of the reserve requirement amount of the Central Bank of the Republic of Turkey, and TRY 1,250 consists of the blocked capital related to Koç Fiat Sigorta, the newly established company of KFK (31 December 2021: none).

As of 30 June 2022 and 2021, the reserves of cash and cash equivalent in cash flow statement;

	30 June 2022	30 June 2021
Cash and banks	6,442,442	2,415,455
Less: interest accruals	(10,581)	(4,972)
Less: blocked deposits	(63,950)	-
	6,367,911	2,410,483

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**Notes to the condensed consolidated interim financial statements
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS

Financial assets to fair value through profit or loss

As of 30 June 2022, the Group has available for sale financial investments amounting to TRY 181 (31 December 2021: TRY 240).

NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	30 June 2022			31 December 2021		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	520,000	20.42-33.86	-	150,000	20.48
		520,000			150,000	

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

	30 June 2022			31 December 2021		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	2,001,805	12.65-36.49	-	1,467,743	10.92-22.94
Borrowings in EUR			Euribor + %0.55			Euribor + %0.55
	100,699	1,764,465	Euribor + %2.50	142,754	2,095,952	Euribor + %2.50
Bonds ^(1,2,3,4,5,6,7)	-	738,871	17.90-32.50	-	420,815	17.9-20.80
Borrowings in lease liability	-	6,278	-	-	3,752	-
		4,511,419			3,988,262	

c) Long-term financial liabilities

	30 June 2022			31 December 2021		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	83,866	1,469,517	Euribor + %0.55 - Euribor + %2.50	112,044	1,645,065	Euribor + %0.55 Euribor + %2.50
Borrowings in TRY (*)	-	1,537,988	12.65 – 36.49	-	1,898,956	17.33-26.25
Bonds ^(1,2,3,4,5,6,7)	-	140,863	32.50	-	70,094	20.35
Borrowings in lease liability	-	12,554	-	-	6,681	-
		3,160,922			3,620,796	

(*) The short and long-term bank borrowings which are denominated in obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 30 June 2022 and 31 December 2021.

⁽¹⁾ In accordance with the minutes of Board of Directors meeting held on 28 December 2020 based on the required authorization of the Capital Markets Law. the Group issued 18-month maturity bonds on 12 March 2021 nominal amount of TRY 75,000 and at an interest rate by 17.95%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

- (2) In accordance with the minutes of Board of Directors meeting held on 28 December 2020 based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 29 July 2021 with a nominal amount of TRY 65,000 and at an interest rate by 20.35%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (3) In accordance with the minutes of Board of Directors meeting held on 8 September 2021 based on the required authorization of the Capital Markets Law, the Group issued 13-month maturity bonds on 5 November 2022 with a nominal amount of TRY 150,000 and at an interest rate by 17.90%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (4) In accordance with the minutes of Board of Directors meeting held on 8 September 2021 based on the required authorization of the Capital Markets Law, the Group issued 6-month maturity bonds on 19 January 2022 with a nominal amount of TRY 150,000 and at an interest rate by 23.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (5) In accordance with the minutes of Board of Directors meeting held on 8 September 2021 based on the required authorization of the Capital Markets Law, the Group issued 12-month maturity bonds on 26 January 2022 with a nominal amount of TRY 140,000 and at an interest rate by 24.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (6) In accordance with the minutes of Board of Directors meeting held on 8 April 2021 based on the required authorization of the Capital Markets Law, the Group issued 6-month maturity bonds on 22 June 2022 with a nominal amount of TRY 100,000 and at an interest rate by 27.30%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (7) In accordance with the minutes of Board of Directors meeting held on 8 April 2021 based on the required authorization of the Capital Markets Law, the Group issued 13-month maturity bonds on 22 June 2022 with a nominal amount of TRY 140,000 and at an interest rate by 32.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

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

As of 30 June 2022, TRY 702,465 (31 December 2021: TRY 627,966) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 20).

The redemption schedule of the long-term bank borrowings and bonds as of 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022	31 December 2021
1-2 years	2,392,109	2,298,478
2-3 years	756,259	1,315,637
	3,148,368	3,614,115

The movement of financial liabilities as of 30 June 2022 and 2021 is as follows:

	30 June 2022	30 June 2021
1 January	7,759,058	6,689,785
Effect of cash flows	(315,778)	156,210
Unrealized foreign exchange differences	751,758	590,836
Changes in TFRS 16 – lease liabilities	(3,019)	(3,550)
Change in accrual of interest	322	730
30 June	8,192,341	7,434,011

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

At 28 August 2015, a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank, A Branch Of Ing-Diba Ag as creditor, HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 200,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months, which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 2.4%. As of 30 June 2022, the remaining amount is TRY 269,586 (the equivalent of EUR 15,385 thousand) (31 December 2021: TRY 451,768 (equivalent of EUR 30,769 thousand)).

At 26 May 2017 a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank, A Branch Of Ing-Diba Ag as creditor, HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 70,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months, which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 1.91%. As of 30 June 2022, the remaining amount is TRY 111,758 (the equivalent of EUR 6,378 thousand). (31 December 2021: TRY 186,868 (equivalent of EUR 12,728 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 procurement of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 2.3%. EUR100 million of the total loan has been used as of 5 November 2015 and the remaining EUR 100 million is used on 15 March 2016. The remaining balance of the loan which is used Egea Hatchback and Station Wagon projects investments as of 30 June 2022 is TRY 269,570 (the equivalent of EUR 15,384 thousand) (31 December 2021: TRY 452,187 (equivalent of EUR 30,798 thousand)).

The Group signed the loan agreement amounting to EUR 130,000 thousand with Akbank AG for MCA investment as of 16 March 2020. Yearly total cost will be 4 years Euribor + 2,00 %. As of 30 June 2022, the remaining amount is TRY 1,627,594 (the equivalent of EUR 92,888 thousand) (31 December 2021: TRY 1,636,433 (equivalent of EUR 111,458)).

The Group signed the loan agreement amounting to EUR 70,000 thousand with TEB for MCA investment as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2%. As of 30 June 2022, the remaining amount is TRY 876,623 (the equivalent of EUR 50,029 thousand) (31 December 2021: TRY 881,612 (equivalent of EUR 60,045)).

The Group signed the loan agreement amounting to EUR 10,000 thousand with HSBC Bank A.Ş. for financing purpose as of 30 September 2020. Yearly total cost will be until December 2022 Euribor + 2,10%. As of 30 June 2022, the remaining amount is TRY 43,805 (the equivalent of EUR 2,500 thousand) (31 December 2021: TRY 73,416 (equivalent of EUR 5,000))

The Group signed the loan agreement amounting to EUR 8,000 thousand with İşbank AG for financing purpose as of 2 March 2021. Yearly total cost will be until December 2022 Euribor + 2,50 %. As of 30 June 2022, the remaining amount is TRY 35,044 (the equivalent of EUR 2,000 thousand). (the equivalent of EUR 2,500 thousand) (31 December 2021: TRY 58,733 (equivalent of EUR 4,000))

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NOT 6 – DERIVATIVE ASSETS AND LIABILITIES

	30 June 2022				31 December 2021			
			Fair value				Fair value	
	Purchase contract amount	Sale contract amount	Assets	Liabilities	Purchase contract amount	Sale contract amount	Assets	Liabilities
<i>Cash Flow Hedge</i>								
Interest rate swap	711,354	711,354	-	713	1,090,392	1,090,392	-	2,124
	711,354	711,354	-	713	1,090,392	1,090,392	-	2,124

The Group has swap transactions that consist of repayments of borrowings with fixed interest rate and repayments of borrowings with floating interest rate in order to hedge its cash flow risk as of 30 June 2022 and 31 December 2021.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	30 June 2022	31 December 2021
Trade receivables	3,783,196	1,536,121
Doubtful trade receivables	14,504	14,504
Less: provision for doubtful receivables	(11,914)	(12,508)
Less: unearned credit finance income	(216,113)	(56,703)
	3,569,673	1,481,414

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

	2022	2021
1 January	12,508	12,478
Current year provision	(594)	-
30 June	11,914	12,478

Collaterals received related with trade receivables

As of 30 June 2022, the letter of guarantees amounting to TRY 469,300 mortgages amounting to TRY 41,973 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 2,604,453 respectively (As of 31 December 2021, the letter of guarantees amounting to TRY 284,112 guarantee cheques and notes amounting to TRY 2,224 mortgages amounting to TRY 41,973 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 1,687,550 respectively.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

b)Trade payables

	30 June 2022	31 December 2021
Trade payables	7,927,803	3,777,652
Less: not accrued credit finance expense	(336,200)	(92,737)
	7,591,603	3,684,915

NOTE 8- RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	30 June 2022	31 December 2021
Short-term consumer financing loans	2,451,661	2,152,380
Non-performing loans	64,666	69,859
	2,516,327	2,222,239
Provision for specific loan impairment	(57,127)	(60,483)
Provision for general loan impairment	(16,826)	(15,110)
Total	2,442,374	2,146,646
Long-term consumer financing loans	2,344,628	2,251,792
Provision for general loan impairment	(16,862)	(15,909)
Total	2,327,766	2,235,883

As of 30 June 2022, TRY denominated loans originated by the Group bear interest rates ranging between %0.01 - %3.59 per month (31 December 2021: between %0.01 - %3.09).

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

Years	30 June 2022	31 December 2021
1 to 2 years	1,432,553	1,334,676
2 to 3 years	702,639	756,038
3 to 4 years	192,574	145,139
4 years and more	-	30
Total	2,327,766	2,235,883

Movements in the allowance for loan impairment are as follows:

	30 June 2022	30 June 2021
1 January	91,502	88,156
Current year provision	3,676	10,131
Recoveries from loans under follow-up	(4,363)	(4,407)
30 June	90,815	93,880

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NOTE 8- RECEIVABLES FROM FINANCE SECTOR OPERATIONS (continued)

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. As of 30 June 2022, the fair value of guarantees obtained for the consumer loans amounting to TRY 6,315,079 (31 December 2021: TRY 5,558,899). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY 8,551 (31 December 2021: TRY 11,101) as of 30 June 2022.

NOTE 9 – INVENTORIES

	30 June 2022	31 December 2021
Raw materials	1,799,442	851,840
Goods in transit	729,290	744,732
Work-in-progress	457,954	382,552
Finished goods	299,652	287,951
Spare parts	242,775	147,730
Imported vehicles	29,241	14,438
Less: provision for impairment on inventories	(48,698)	(50,156)
Total	3,509,656	2,379,087

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

	30 June 2022	30 June 2021
1 January	(50,156)	(54,832)
Current year provision, net	1,458	1,274
30 June	(48,698)	(53,558)

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

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**Notes to the condensed consolidated interim financial statements
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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation for six months period ended 30 June 2022 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	536,026	5,935,231	796,562	121,855	15,639	47,225	7,452,538
Accumulated depreciation	(285,310)	(4,593,581)	(590,268)	(68,932)	(10,582)	-	(5,548,673)
Net book value	250,716	1,341,650	206,294	52,923	5,057	47,225	1,903,865
Additions	-	-	859	-	62	185,418	186,339
Disposals	-	(1,681)	(569)	(20,585)	-	-	(22,835)
Disposal - Depreciation	-	1,679	566	7,035	-	-	9,280
Transfers	1,302	50,866	18,723	85,115	73	(156,079)	-
Depreciation charge for the period	(5,752)	(216,029)	(34,453)	(11,807)	(463)	-	(268,504)
30 June 2022, net book value	246,266	1,176,485	191,420	112,681	4,729	76,564	1,808,145
As of 30 June 2022							
Cost	537,328	5,984,416	815,575	186,385	15,774	76,564	7,616,042
Accumulated depreciation	(291,062)	(4,807,931)	(624,155)	(73,704)	(11,045)	-	(5,807,897)
30 June 2022, net book value	246,266	1,176,485	191,420	112,681	4,729	76,564	1,808,145

As of 30 June 2022, there are no pledges or collaterals on property, plant and equipment (30 June 2021: None).

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation for six months period ended 30 June 2021 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	522,418	5,690,746	744,986	93,911	15,269	54,688	7,122,018
Accumulated depreciation	(265,622)	(4,210,075)	(532,091)	(67,049)	(9,698)	-	(5,084,535)
Net book value	256,796	1,480,671	212,895	26,862	5,571	54,688	2,037,483
Additions	-	-	351	3,732	46	177,053	181,182
Disposals	-	(6,861)	(5,103)	(23,727)	-	-	(35,691)
Disposal - Depreciation	-	6,719	4,455	10,932	-	-	22,106
Transfers	1,189	91,576	17,281	50,550	-	(160,596)	-
Depreciation charge for the period	(5,637)	(186,578)	(29,357)	(8,148)	(435)	-	(230,155)
30 June 2021, net book value	252,348	1,385,527	200,522	60,201	5,182	71,145	1,974,925
As of 30 June 2021							
Cost	523,607	5,775,461	757,515	124,466	15,315	71,145	7,267,509
Accumulated depreciation	(271,259)	(4,389,934)	(556,993)	(64,265)	(10,133)	-	(5,292,584)
30 June 2021, net book value	252,348	1,385,527	200,522	60,201	5,182	71,145	1,974,925

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NOTE 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 30 June 2022 and 2021, are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January			
Cost	5,406,334	182,529	5,588,863
Accumulated amortization	(3,538,073)	(129,934)	(3,668,007)
Net book value	1,868,261	52,595	1,920,856
Additions	306,456	5,002	311,458
Amortization charge for the period	(455,805)	(6,890)	(462,695)
30 June 2022, net book value	1,718,912	50,707	1,769,619
As of 30 June 2022			
Cost	5,712,790	187,530	5,900,320
Accumulated amortization	(3,993,877)	(136,824)	(4,130,701)
30 June 2022, net book value	1,718,913	50,706	1,769,619

	Licenses fee and development costs	Other	Total
As of 1 January			
Cost	4,666,749	165,988	4,832,737
Accumulated amortization	(2,835,561)	(116,892)	(2,952,453)
Net book value	1,831,188	49,096	1,880,284
Additions	407,923	2,639	410,562
Amortization charge for the period	(278,569)	(6,238)	(284,807)
30 June 2021, net book value	1,960,542	45,497	2,006,039
As of 30 June 2021			
Cost	5,074,672	168,627	5,243,299
Accumulated amortization	(3,114,130)	(123,130)	(3,237,260)
30 June 2021, net book value	1,960,542	45,497	2,006,039

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NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	30 June 2022	31 December 2021
Provision for warranty claims	446,721	371,172
Provision for legal cases	19,188	18,167
Other	58,996	65,236
Total	524,905	454,575

Movement of the warranty provision is as follows:

	30 June 2022	30 June 2021
1 January	371,172	258,478
Paid during the period	(105,954)	(57,757)
Increase during the period	181,503	93,348
30 June	446,721	294,069

Movement of the provision for litigation is as follows:

	30 June 2022	30 June 2021
1 January	18,167	14,878
Increase during the period	1,021	3,230
30 June	19,188	18,108

Litigations against the Group

As of 30 June 2022, the total amount of outstanding legal claims brought against the Group is TRY 26,285 (31 December 2021: TRY 25,165). The Group has reflected a reserve amounting to TRY 19,188 (31 December 2021: TRY 18,167) in the financial statements.

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

Guarantees provided by the Group:

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022			31 December 2021		
	TRY equivalent	EUR	TRY	TRY equivalent	EUR	TRY
A. Total amount of guarantees provided by the Company on behalf of itself	447,561	2,000	412,517	171,433	2,000	142,068
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-
i) Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
iii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	447,561	2,000	412,517	171,433	2,000	142,068

As of 30 June 2022 and 31 December 2021, the ratio of guarantees given by the Group on behalf of third parties or on behalf of its parent/associates to total equity is zero.

Other

As of 30 June 2022 the Group has realized USD 2,831,515,000 of export commitments numbered 2020/D1-03216 to be realized until 21 February 2022 in connection with the export incentive certificates amounting to USD 2,600,296,881 thousand. The Group has realized USD 1,771,268,790 thousand of export commitments in connection with the export incentive certificates amounting to USD 1,325,068,795 thousand.

Furthermore, the Group has realized USD 2,074,942,000 thousand of export commitments numbered 2021/D1-02520 to be realized until 3 September 2022 in connection with the export incentive certificates amounting to USD 1,553,989,510 thousand. The Group has realized USD 1,271,540,300 thousand of export commitments in connection with the export incentive certificates amounting to USD 879,645,417 thousand.

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

a) Other current assets

	30 June 2022	31 December 2021
Value Added Tax ("VAT")	122	198,669
Other	11,865	14,921
	11,987	213,590

b) Short-term prepaid expenses

	30 June 2022	31 December 2021
Credit commission expenses (*)	26,911	35,078
Advances given	12,821	17,191
Insurance Expense	4,691	7,087
Other	41,615	12,867
	86,038	72,223

(*) Credit commission expenses are composed of the credit insurance fees paid to banks and credit commission given to dealers in advance by Group as of 30 June 2022 and 31 December 2021.

c) Non-current prepaid expenses

As of 30 June 2022, TRY 35,829 (31 December 2021: TRY 22,682) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 28,275 (31 December 2021, TRY 16,435).

d) Deferred income

As of June 30, 2022, TRY 104,622 (December 31, 2021, TRY 94,784) of the deferred income amounting to TRY 55,901 (December 31, 2021: TRY 59,460) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TRY 13,868 (December 31, 2021: TRY 13,601), amounting TRY 34,853 (December 31, 2021: TRY 21,723) is advances received.

e) Other non-current liabilities

	30 June 2022	31 December 2021
VAT payables	152,469	-
Other	15,510	6,441
Total	167,979	6,441

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NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Export sales	13,005,073	7,092,550	7,033,769	3,506,301
Domestic sales	12,663,960	8,156,313	6,668,682	3,878,046
Other income	380,472	166,323	308,754	179,862
	26,049,505	15,415,186	14,011,205	7,564,209

b) Production and sales quantities

	Production		Sales	
	1 January - 30 June 2022	1 January - 30 June 2021	1 January - 30 June 2022	1 January - 30 June 2021

Manufactured vehicles

New Doblo	40,221	37,073	40,692	36,734
Egea	34,172	41,710	34,218	40,707
Egea Hatchback	22,053	26,678	21,975	26,308
MCV	18,313	14,765	18,266	13,886
Egea Stationwagon	3,513	6,071	3,505	6,060
	118,272	126,297	118,656	123,695

	Import		Sales	
	1 January - 30 June 2022	1 January - 30 June 2021	1 January - 30 June 2022	1 January - 30 June 2021

Imported vehicles

Ducato	585	1,644	567	1,697
Jeep	1,373	1,085	1,365	1,953
Fiat 500	62	129	99	459
Alfa Romeo	33	110	33	143
Panda Futura	26	44	26	109
Maserati	63	36	65	34
Ferrari	23	21	22	21
Transit sales	-	3	-	3
	2,165	3,072	2,177	4,419

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NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Direct material expense	(18,601,360)	(11,300,662)	(10,117,581)	(5,699,450)
Depreciation and amortization expense	(692,777)	(358,110)	(484,231)	(249,914)
Direct labor expense	(276,380)	(150,572)	(167,129)	(87,282)
Other production expenses	(341,041)	(177,954)	(300,022)	(155,459)
Total cost of production	(19,911,558)	(11,987,298)	(11,068,963)	(6,192,105)
Change in work-in-process	75,402	34,044	(51,859)	59,055
Change in finished goods	11,701	204,668	221,838	332,998
Cost of merchandise sold	(1,571,966)	(841,032)	(1,104,244)	(583,799)
Cost of other sales	(266,140)	(143,122)	(293)	(281)
	(21,662,561)	(12,732,740)	(12,003,521)	(6,384,132)

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

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Marketing expenses	(492,602)	(305,434)	(245,647)	(142,387)
General administrative expenses	(308,433)	(175,499)	(212,071)	(107,584)
Research and development expenses	(132,238)	(75,233)	(64,969)	(34,628)
	(933,273)	(556,166)	(522,687)	(284,599)

a) Marketing Expenses

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Warranty expenses (Note 12)	(181,503)	(117,261)	(93,348)	(59,663)
Personnel expenses	(91,845)	(46,942)	(52,492)	(25,124)
Transportation and insurance expenses	(116,679)	(75,137)	(50,146)	(27,539)
Advertisement expenses	(36,086)	(25,763)	(25,456)	(16,686)
Depreciation and amortization expenses	(2,559)	(1,286)	(2,708)	(1,365)
Exhibition-fair expenses	(4,074)	(2,711)	(1,110)	(609)
Other	(59,857)	(36,334)	(20,387)	(11,401)
	(492,603)	(305,434)	(245,647)	(142,387)

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

b) General and administrative expenses

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Personnel expense	(135,738)	(65,260)	(85,519)	(42,741)
Repair and maintenance expenses	(25,533)	(13,695)	(16,616)	(8,540)
Depreciation and amortization expenses	(23,004)	(12,905)	(20,020)	(10,789)
Outsourcing expenses	(18,247)	(10,364)	(16,448)	(9,128)
Duties, taxes and levies	(7,900)	(4,156)	(6,269)	(2,254)
Insurance expenses	(6,888)	(3,571)	(6,016)	(3,071)
Travel expenses	(4,746)	(2,678)	(1,678)	(823)
Other	(86,377)	(62,870)	(59,504)	(30,238)
	(308,433)	(175,499)	(212,071)	(107,584)

c) Research and development expenses

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Personnel expense	(67,574)	(37,242)	(34,695)	(17,047)
IT expenses	(20,676)	(12,469)	(8,271)	(4,345)
Depreciation and amortization expenses	(8,264)	(4,453)	(4,817)	(2,467)
Transportation and Travel expenses	(3,168)	(2,327)	(1,683)	(1,029)
Other	(32,556)	(18,742)	(15,503)	(9,740)
	(132,238)	(75,233)	(64,969)	(34,628)

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NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Foreign exchange gains on operating activities	1,297,532	836,767	810,849	261,864
Interest income on operating activities	908,850	589,261	214,287	141,033
Other	55,518	33,100	36,699	18,003
	2,261,900	1,459,128	1,061,835	420,900
	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Foreign exchange loss on operating activities	(1,613,637)	(1,046,476)	(837,305)	(300,756)
Interest expense on operating activities	(862,507)	(559,261)	(222,557)	(121,994)
Other	(94,036)	(61,090)	(28,035)	(10,153)
	(2,570,180)	(1,666,827)	(1,087,897)	(432,903)

NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Foreign exchange gains	1,325,267	1,024,574	789,330	341,751
Interest income	256,086	87,930	148,741	52,401
Gain on derivative financial instruments	-	-	6,929	-
Total financial income	1,581,353	1,112,504	945,000	394,152
Foreign exchange losses	(1,707,221)	(1,197,424)	(951,955)	(429,299)
Interest expenses	(52,010)	(27,947)	(49,637)	(19,926)
Other	(2,089)	(1,044)	(4,772)	(1,719)
Total financial expenses	(1,761,320)	(1,226,415)	(1,006,364)	(450,944)
Net financial income / (expenses)	(179,967)	(113,911)	(61,364)	(56,792)

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NOTE 18 - TAX ASSETS AND LIABILITIES

Income tax and deferred tax

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

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

In addition, temporary taxes are levied at a rate of 23% (31 December 2021: 25%), over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of June 30, 2022 and December 31, 2021, 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.

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

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

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Tax assets and liabilities

Corporation tax

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

The corporate tax rate in Turkey is 20% (However, it will be applied as 23% for the corporate earnings of the institutions for the 2022 taxation periods, and 20% for the year 2023 and beyond.) The corporate tax rate is the addition of the expenses that are not considered to be deductible in accordance with the tax laws to the commercial income of the corporations. is applied to the net corporate income to be found as a result of deducting the exceptions and deductions in the tax laws. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid until the end of the relevant month.

Companies calculate a provisional tax of 23% on their quarterly financial profits (25% for the taxation periods of 2021, 20% for the year 2023 and beyond) and declare until the 17th day of the second month following that period and pay it until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or set off against any other financial debt to the government.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax.

Turkish tax legislation does not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaries included in the scope of consolidation. On the statement of financial position as of June 30, 2022 and December 31, 2021, taxes payable is netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

For the years ended 30 June 2022 and 2021, the analysis of the tax expense in the profit or loss is as follows:

	1 January - 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Current year corporate tax	(119,209)	(93,058)	(35,771)	(24,626)
Less: prepaid corporate tax (-)	(3,752)	67,474	7,479	(7,325)
	(122,961)	(25,584)	(28,292)	(31,951)
		30 June 2022	31 December 2021	
Current corporate tax		119,209		113,178
Less: prepaid corporate tax		(40,195)		(62,584)
Profit and tax liability for the period		79,014		50,594

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 30 June 2022 and 31 December 2021, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Unused investment incentive allowances (*)	1,985,665	1,887,183	763,824	866,423
Provision for employee termination benefits and unused vacation	375,788	365,494	76,318	74,580
Warranty provisions	446,721	371,172	91,021	77,163
Inventories	100,294	83,610	22,065	19,230
Contract liabilities	43,920	44,205	8,920	11,051
Deferred income	4,390	6,379	897	(488)
Property, plant and equipment and intangibles	731,549	289,599	146,855	61,530
Land valuations	(116,560)	(116,560)	(11,656)	(11,656)
Other	66,098	207,300	14,564	47,970
Deferred tax assets, net	3,637,865	3,138,382	1,112,808	1,145,803

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

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 30 June 2022	1 January 30 June 2021
Deferred tax asset at 1 January	1,145,803	1,099,727
Deferred tax income	(3,752)	7,479
Other comprehensive income	(29,243)	59,342
<i>Net gain / (loss) on post-employment termination benefit obligation attributable to equity</i>	<i>(2,707)</i>	<i>(1,212)</i>
<i>Net gain / (loss) on cash flow hedging attributable to equity (*)</i>	<i>(26,536)</i>	<i>60,554</i>
As of 30 June	1,112,808	1,166,548

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

The analysis of tax expense accounted for under the statement of profit or loss for the interim period ended 30 June 2022 and 2021 is as follows:

	1 January - 30 June 2022	1 January - 30 June 2021
Profit before tax	3,128,390	1,512,136
Income tax charge at effective tax rate (23%) (2021: %25)	(719,530)	(378,034)
Non-deductible expenses	(1,654)	(579)
Research and development incentive expenditures during the period	68,823	75,454
Effect of investment incentive, net	529,236	233,868
Used and earned investment incentive	(102,599)	48,557
Tax expense on revaluation of assets	9,586	-
Other	93,177	(7,558)
	(122,961)	(28,292)

NOTE 19 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 30 June 2022 and 2021 the weighted average number of shares outstanding is 50.000.000.000 and as of 30 June 2022 and 2021 earnings per share is Kr 6.01 and 2.97 respectively.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	30 June 2022	31 December 2021
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	1,594,698	1,939,244
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(702,465)	(627,966)

Trade receivables due from related parties	30 June 2022	31 December 2021
FCA Italy SPA ⁽²⁾	5,502,636	4,815,594
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	1,871,316	865,653
Other ⁽¹⁾	9,841	5,333
Less: Unearned credit finance income	(82,755)	(25,648)
	7,301,038	5,660,932

Trade payables due to related parties	30 June 2022	31 December 2021
FCA Italy SPA ⁽²⁾	7,210,067	4,860,844
Other ⁽¹⁾	363,519	225,468
Less: Unearned credit finance expense	(6,943)	(2,841)
	7,566,643	5,083,471

Related party transactions

Sales

	1 January– 30 June 2022	1 January - 30 June 2021
FCA Italy SPA (2)	12,373,463	6,616,606
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	4,612,570	2,305,528
Other (1)	64,707	71,690
	17,050,740	8,993,824

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

(2) Represents the joint ventures.

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

Domestic goods and services purchases

	1 January– 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
Ram Dış Ticaret A.Ş. ⁽¹⁾	698,909	434,376	264,533	149,283
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	156,788	15,472	141,316	71,316
Zer Merkezi Hiz. Ve Tic. A.Ş. ⁽¹⁾	155,966	73,451	82,515	44,621
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	63,028	27,758	35,270	19,675
Koç Holding ^{(2) (*)}	48,787	39,327	9,460	5,452
Sistemi Comandi Meccanici Otomotiv Sanayi ve Ticaret A.Ş. ⁽¹⁾	46,819	16,025	30,794	16,620
Opet Petrolculuk A.Ş.	28,993	21,749	7,244	7,244
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	25,183	13,901	11,282	9,413
Opet Fuchs Madeni Yağlar Tic. A.Ş. ⁽¹⁾	26,582	16,497	10,085	5,629
Akpa Dayanıklı Tüketim Lpg ve Akaryocytes Ürünleri Paz. A.Ş. ⁽¹⁾	11,541	10,391	1,150	525
Setur Servis Turistik A.Ş. ⁽¹⁾	9,589	8,484	1,105	783
Other ⁽¹⁾	15,267	(2,145)	13,122	5,970
	1,287,452	679,576	607,876	336,531

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

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

Foreign trade good, material and service purchase:

	1 January – 30 June 2022	1 April - 30 June 2022	1 January - 30 June 2021	1 April - 30 June 2021
FCA Italy SPA ⁽²⁾	11,026,123	4,734,597	6,291,526	3,383,430
Other ⁽¹⁾	2,021	585	1,436	252
	11,028,144	4,735,182	6,292,962	3,383,682

Interest income from related parties, for the six-month period ended 30 June 2022 is TRY 257,746 (30 June 2021: TRY 153,968).

Salaries and similar benefits paid to the top management consisting of 29 persons (30 June 2021: 30 persons) for the six-month period of 2022 is TRY 21,551 (30 June 2021: TRY 14,855).

Furthermore, as of 30 June 2022, wholly owned subsidiary KFK has sold through related party the exclusive issuance of bonds and treasury bills to related parties. It is accounted under other financial liabilities with a carrying amount of TRY 167,151 (31 December 2021: TRY 91,431).

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Credit risk

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

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

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

Types of credit exposed by types of financial instruments;

Trade receivables						
30 June 2022	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⁾	7,301,038	3,569,673	3,546	6,442,428	181	4,770,140 6,315,079
- Maximum risk secured by guarantee ⁽²⁾	33,200	4,754,670	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	7,274,845	3,541,397	3,546	6,442,428	181	4,738,431 6,291,151
- Maximum risk secured by guarantee	33,200	4,754,670	-	-	-	-
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	26,193	25,686	-	-	-	24,170 23,928
- Maximum risk secured by guarantee	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	7,539 64,666 (57,127)
- Overdue (gross book value)	-	2,590	-	-	-	-
- Impairment (-)	-	14,504	-	-	-	-
- Net value under guarantee	-	(11,914)	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	-	8,551 -

Trade receivables						
31 December 2021	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	Receivables from finance operations
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	5,660,932	1,481,414	1,022	4,214,715	240	4,382,529 5,558,899
- Maximum risk secured by guarantee ⁽²⁾	33,700	1,422,904	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	5,652,707	1,463,430	1,022	4,214,715	240	4,350,817 5,536,563
- Maximum risk secured by guarantee	33,700	1,422,904	-	-	-	-
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	8,224	11,132	-	-	-	22,336 22,336
- Maximum risk secured by guarantee	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	9,376 69,859 (60,483)
- Overdue (gross book value)	-	1,996	-	-	-	-
- Impairment (-)	-	14,504	-	-	-	-
- Net value under guarantee	-	(12,508)	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	-	11,101 -

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

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

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

Aging analysis of receivables

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

30 June 2022	Receivables
1- 30 days past due	44,525
1- 3 months past due	9,691
3- 12 months past due	11,284
1- 5 years past due	10,548
Total	76,048

31 December 2021	Receivables
1- 30 days past due	18,929
1- 3 months past due	5,456
3- 12 months past due	13,866
1- 5 years past due	3,441
	41,692

As of 30 June 2022, TRY 7,301 of total past due trade receivables of the Group is due from the Group's related party, Stellantis Group (31 December 2021: TRY 4,839). As of 30 June 2022, the Group's payables to Stellantis Group amount to TRY 7,214,030 (31 December 2021: TRY 4,860,844).

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.

According to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo and Mini Cargo are guaranteed by Stellantis Group through future purchases. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Egea Station wagon/Hatchback vehicles is undertaken by Stellantis Group.

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

30 June 2022	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	5,511,279	-	314,533	-
2a. Monetary financial assets (including cash, bank accounts)	1,903,519	99	108,541	-
2b. Non-monetary financial assets	734,448	-	41,916	-
3. Other	3,904	-	223	-
4. Current assets (1+2+3)	8,153,150	99	465,213	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	27,514	-	1,570	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	27,514	-	1,570	-
9. Total assets (4+8)	8,180,664	99	466,783	-
10. Trade payables	(7,604,761)	(4,391)	(429,818)	(6)
11. Financial liabilities	(1,764,457)	-	(100,699)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(9,369,218)	(4,391)	(530,517)	(6)
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,469,511)	-	(83,866)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1,469,511)	-	(83,866)	-
18. Total liabilities (13+17)	(10,838,729)	(4,391)	(614,383)	(6)
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)	(2,658,065)	(4,292)	(147,600)	(6)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	(3,420,027)	(4,292)	(191,086)	(6)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	13,311,371	-	761,493	1,308
24. Import	12,189,468	8,378	737,804	4,814

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Stellantis Group. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 30 June 2022 is TRY 187,372 short foreign currency position.

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

31 December 2021	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	4,821,667	-	328,400	-
2a. Monetary financial assets (including cash, bank accounts)	554,988 749,929	36 -	37,768 51,077	- -
2b. Non-monetary financial assets	5,048	-	344	-
3. Other	6,131,632	36	417,589	-
4. Current assets (1+2+3)	-	-	-	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	22,036	-	1,501	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	22,036	-	1,501	-
8. Non-current assets (5+6+7)	6,153,668	36	419,090	-
9. Total assets (4+8)	(5,147,858)	(4,901)	(346,256)	(24)
10. Trade payables	(2,095,956)	-	(142,754)	-
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(7,243,814)	(4,901)	(489,010)	(24)
13. Current liabilities (10+11+12)	-	-	-	-
14. Trade payables	(1,645,067)	-	(112,044)	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	(1,645,067)	-	(112,044)	-
17. No n-current liabilities (14+15+16)	(8,888,881)	(4,901)	(601,054)	(24)
18. Total liabilities (13+17)	-	-	-	-
19. Net asset / (liability) position of off- balance sheet derivative instruments (19a-19b)	- -	- -	- -	- -
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	(2,735,213)	(4,865)	(181,964)	(24)
20. Net foreign currency asset/(liability) position (9+18+19)	-	-	-	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	(3,507,178)	(4,865)	(234,542)	(24)
22. Total fair value of financial instruments used for foreign currency hedging	- 14,897,618	- -	- 1,380,167	- 1,835
23. Export	12,620,855	9,260	1,210,476	2,199
24. Import	-	-	-	-

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Stellantis Group. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 December 2021 is TRY 235,338.

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 30 June 2022 and 31 December 2021:

	30 June 2022			
	Profit/loss			Equity
	Appreciation of foreign Currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(7,167)	7,167	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(7,167)	7,167	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(334,823)	334,823	-	-
5- Amount hedged for EUR risk (-)	323,265	(323,265)	-	-
6- EUR net effect (4+5)	(11,558)	11,558	-	-
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	(12)	12	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	(12)	12	-	-
Total (3+6+9)	(18,737)	18,737	-	-
	31 December 2021			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(6,314)	6,314	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(6,314)	6,314	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(344,362)	344,362	-	-
5- Amount hedged for EUR risk (-)	369,726	(369,726)	-	-
6- EUR net effect (4+5)	25,364	(25,364)	-	-
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	(42)	42	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	(42)	42	-	-
Total (3+6+9)	19,008	(19,008)	-	-

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

Interest rate risk

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

As of 30 June 2022 and 31 December 2021, the effect of +/- 0,5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	1 January - 30 June 2022	1 January - 31 December 2021
Change in interest rates	0.50	0.50
Effect on net income before for taxes	(76)	(299)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions. The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one-year column.

30 June 2022

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	7,293,775	8,214,880	728,909	3,999,500	3,486,471	-
Lease liabilities	18,832	34,359	2,561	19,244	12,554	-
Trade payables	15,158,246	15,504,154	15,504,150	4	-	-
Bonds	879,734	987,789	800,793	186,996	-	-
Employee benefit liabilities	198,651	198,651	198,651	-	-	-
Other payables	23,836	23,836	23,836	-	-	-
	23,573,074	24,963,669	17,258,900	4,205,744	3,499,025	-

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)	713	711,354	-	711,354	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	713	711,354	-	711,354	-	-
	713	711,354	-	711,354	-	-

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

31 December 2021

Expected maturities	Book value	Total cash outflow per agreement	Less than 3 months	Between		Over 5
		(=I+II+III+IV)	(I)	3-12 months (II)	Between 1 - 5 years (III)	years (IV)
Non-derivative financial liabilities						
Bank loans	7,257,716	8,168,922	604,033	3,488,611	4,076,278	-
Lease liabilities	10,433	13,779	1,775	5,326	6,678	-
Trade payables	8,768,386	8,852,410	8,851,960	450	-	-
Bonds	490,909	551,902	6,713	460,402	84,787	-
Employee benefit liabilities	173,105	173,105	173,105	-	-	-
Other payables	22,921	22,921	22,921	-	-	-
	16,711,916	17,783,039	9,660,507	3,954,789	4,167,743	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement	Less than 3 months	Between		Over 5
		(=I+II+III+IV)	(I)	3-12 months (II)	Between 1 - 5 years (III)	years (IV)
Derivative financial assets (net)	2,124	1,090,392	-	-	1,090,392	-
Derivative cash inflows						
Derivative cash outflows	2,124	1,090,392	-	-	1,090,392	-
	2,124	1,090,392	-	-	1,090,392	-

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

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

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values. The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term. The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

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NOT 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

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

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

As of 30 June 2022 ve 31 December 2021 The fair value of financial assets and liabilities are shown below;

30 June 2022	Level 1	Level 2	Level 3
Investment property	-	69,285	-
Total assets	-	69,285	-
Derivatives held for trading	-	713	-
Total Liabilities	-	713	-
31 December 2021	Level 1	Level 2	Level 3
Investment property	-	69,285	-
Total assets	-	69,285	-
Derivatives held for trading	-	2,124	-
Total Liabilities	-	2,124	-

As of 30 June 2022, the Group has not made any transfers between second level and first level, and also between third level and other levels.

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 30 June 2022**

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

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

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions.

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 30 June 2022.

Consolidated net financial debt/total equity ratio as of 30 June 2022 and 31 December 2021 is as follows;

	30 June 2022	31 December 2021
Total borrowing	8,192,341	7,759,058
Cash and cash equivalent	(6,442,442)	(4,214,726)
Net financial debt	1,749,899	3,544,332
Equity	5,648,373	5,743,391
Net financial debt/total equity multiplier	31%	62%

NOTE 22 - SUBSEQUENT EVENTS

None.