

# **Tofaş Türk Otomobil Fabrikası A.Ş.**

**Convenience translation into English of  
condensed consolidated financial statements  
for the interim period 1 January - 30 September 2023  
(Originally issued in Turkish)**

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

**Tofaş Türk Otomobil Fabrikası A.Ş.**  
**Interim condensed consolidated financial statements**  
**for the interim period 1 January - 30 September 2023**

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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 September 2023 and 31 December 2022

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	30 September 2023	31 December 2022
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	3	21,581,002	12,019,197
Trade receivables			
- <i>Related parties</i>	18	7,190,434	10,493,480
- <i>Third parties</i>	5	7,902,026	4,462,272
Receivables from finance sector operations	6	4,250,438	3,033,002
Other receivables		19,742	285
Inventories	7	8,845,087	3,260,010
Prepaid expenses	11	165,770	84,501
Other current assets		9,730	32,456
<b>Total current assets</b>		<b>49,964,229</b>	<b>33,385,203</b>
<b>Non-current assets:</b>			
Receivables from finance sector operations	6	1,016,479	1,775,584
Other receivables		635	460
Investment properties		98,095	98,095
Property, plant and equipment	8	1,847,139	1,740,643
Right of use assets		17,423	15,938
Intangible assets	9	1,514,202	1,512,970
Prepaid expenses	11	197,477	28,377
Deferred tax assets	16	3,274,792	1,818,545
<b>Total non-current assets</b>		<b>7,966,242</b>	<b>6,990,612</b>
<b>Total assets</b>		<b>57,930,471</b>	<b>40,375,815</b>

These consolidated financial statements for the period ended 1 January - 30 September 2023 have been approved for issue by the Board of Directors on 25 October 2023.

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 September 2023 and 31 December 2022

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	30 September 2023	31 December 2022
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Short-term financial liabilities	4	900,000	585,000
Short-term portion of long-term financial liabilities	4	5,789,658	4,485,816
Trade payables			
- <i>Related parties</i>	18	12,710,426	10,545,143
- <i>Third parties</i>	5	10,297,221	8,456,589
Employee benefit liabilities		557,842	283,222
Other payables		25,966	57,031
Contract liabilities		78,452	53,416
Government incentives and grants		1,067	1,067
Deferred income	11	142,473	105,673
Profit and tax liability for the period	16	1,302,416	437,667
Short-term provisions	10	1,618,770	807,450
Other current liabilities	11	506,363	157,582
Other financial liabilities		-	93,818
<b>Total current liabilities</b>		<b>33,930,654</b>	<b>26,069,474</b>
<b>Non-current liabilities:</b>			
Long-term financial liabilities	4	1,667,235	1,888,939
Government incentives and grants		267	1,067
Long-term provisions			
- <i>Provisions for employment termination benefits</i>		1,101,778	1,102,695
<b>Total non-current liabilities</b>		<b>2,769,280</b>	<b>2,992,701</b>
<b>Total liabilities</b>		<b>36,699,934</b>	<b>29,062,175</b>
<b>Equity:</b>			
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			
- <i>Actuarial loss on employment termination benefit obligation</i>		(164,606)	(700,303)
Other comprehensive losses to be reclassified under profit or losses			
- <i>Cumulative losses on hedging</i>		(1,219,852)	(1,135,543)
Restricted reserves		1,013,080	715,678
Retained earnings		8,288,024	3,023,235
Net profit for the year / period		12,465,509	8,562,191
<b>Total equity</b>		<b>21,230,537</b>	<b>11,313,640</b>
<b>Total liabilities and equity</b>		<b>57,930,471</b>	<b>40,375,815</b>

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 September 2023 and 2022  
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)**

		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	Notes	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Revenue	12	68,767,699	42,071,432	26,660,591	16,021,927
Cost of sales (-)	12	(54,052,472)	(34,771,450)	(20,617,049)	(13,108,889)
<b>Gross profit from operations</b>		<b>14,715,227</b>	<b>7,299,982</b>	<b>6,043,542</b>	<b>2,913,038</b>
Revenue from finance sector operations		1,328,919	905,138	499,723	329,145
Expenses from finance sector operations (-)		(964,836)	(697,928)	(368,365)	(251,365)
<b>Gross profit from finance sector operations</b>		<b>364,083</b>	<b>207,210</b>	<b>131,358</b>	<b>77,780</b>
<b>Gross profit</b>		<b>15,079,310</b>	<b>7,507,192</b>	<b>6,174,900</b>	<b>2,990,818</b>
Marketing expenses (-)	13	(2,194,472)	(857,984)	(999,131)	(365,382)
General administrative expenses (-)	13	(971,653)	(505,378)	(377,970)	(196,945)
Research and development expenses (-)	13	(606,738)	(239,181)	(271,284)	(106,943)
Other income from main operations	14	6,039,870	3,511,020	1,832,520	1,249,120
Other expense from main operations (-)	14	(7,168,168)	(3,908,189)	(1,620,660)	(1,338,009)
<b>Operating profit</b>		<b>10,178,149</b>	<b>5,507,480</b>	<b>4,738,375</b>	<b>2,232,659</b>
Income from investing activities		63,591	46,948	23,776	13,412
<b>Operating profit before financial income</b>		<b>10,241,740</b>	<b>5,554,428</b>	<b>4,762,151</b>	<b>2,246,071</b>
Financial income	15	6,732,916	2,394,205	2,379,273	812,852
Financial expense (-)	15	(3,326,679)	(2,912,744)	(1,773,393)	(1,151,424)
<b>Profit before tax</b>		<b>13,647,977</b>	<b>5,035,889</b>	<b>5,368,031</b>	<b>1,907,499</b>
<b>Tax income for the period</b>		<b>(1,182,468)</b>	<b>28,440</b>	<b>(275,312)</b>	<b>151,401</b>
- Tax on (expense) / income	16	(2,796,204)	(355,553)	(1,009,504)	(236,344)
- Deferred tax income / (loss)	16	1,613,736	383,993	734,192	387,745
<b>Net profit for the period</b>		<b>12,465,509</b>	<b>5,064,329</b>	<b>5,092,719</b>	<b>2,058,900</b>
<b>Attributable to:</b>					
Equity holders of the parent		12,465,509	5,064,329	5,092,719	2,058,900
<b>Earnings per share (Kr)</b>	<b>17</b>	<b>24.93</b>	<b>10.13</b>	<b>10.19</b>	<b>4.12</b>

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 September 2023 and 2022**

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

	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
<b>Net profit for the year</b>	<b>12,465,509</b>	<b>5,064,329</b>	<b>5,092,719</b>	<b>2,058,900</b>
<b>Other comprehensive income:</b>				
Other comprehensive income that will not be reclassified to profit or loss				
- (Losses) on remeasurements of defined benefit plans	714,263	(119,287)	158,288	(132,633)
- Taxes relating to remeasurements of defined benefit plans	(178,566)	23,975	(67,371)	26,682
Other comprehensive income that will be reclassified to profit or loss				
- Gains (losses) on cash flow hedges	(105,386)	602,918	236,245	487,467
- Taxes relating to cash flow hedges	21,077	(138,654)	(47,249)	(112,118)
<b>Other comprehensive income/ (expense) (after tax)</b>	<b>451,388</b>	<b>368,952</b>	<b>279,913</b>	<b>269,398</b>
<b>Total comprehensive income / (expense)</b>	<b>12,916,897</b>	<b>5,433,281</b>	<b>5,372,632</b>	<b>2,328,298</b>
<b>Attributable to:</b>				
Non-controlling interests	-	-	-	-
Equity holders of the parent	12,916,897	5,433,281	5,372,632	2,328,298

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 September 2023 and 2022  
(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)**

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss	Retained earnings			
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation	Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit for the period	Total equity
<b>Balances at 1 January 2022</b>	<b>500,000</b>	<b>348,382</b>	<b>(149,799)</b>	<b>(1,894,105)</b>	<b>398,178</b>	<b>3,259,419</b>	<b>3,281,316</b>	<b>5,743,391</b>
Transfers	-	-	-	-	317,500	2,963,816	(3,281,316)	-
Total comprehensive income	-	-	(95,312)	464,264	-	-	5,064,329	5,433,281
Dividends paid	-	-	-	-	-	(3,200,000)	-	(3,200,000)
<b>Balances at 30 September 2022</b>	<b>500,000</b>	<b>348,382</b>	<b>(245,111)</b>	<b>(1,429,841)</b>	<b>715,678</b>	<b>3,023,235</b>	<b>5,064,329</b>	<b>7,976,672</b>
<b>Balances at 1 January 2023</b>	<b>500,000</b>	<b>348,382</b>	<b>(700,303)</b>	<b>(1,135,543)</b>	<b>715,678</b>	<b>3,023,235</b>	<b>8,562,191</b>	<b>11,313,640</b>
Transfers	-	-	-	-	297,402	8,264,789	(8,562,191)	-
Total comprehensive income	-	-	535,697	(84,309)	-	-	12,465,509	12,916,897
Dividends paid	-	-	-	-	-	(3,000,000)	-	(3,000,000)
<b>Balances at 30 September 2023</b>	<b>500,000</b>	<b>348,382</b>	<b>(164,606)</b>	<b>(1,219,852)</b>	<b>1,013,080</b>	<b>8,288,024</b>	<b>12,465,509</b>	<b>21,230,537</b>

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 September 2023 and 2022  
(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)**

		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	30 September 2023	30 September 2022
<b>A. Cash flows from operating activities</b>		<b>10,819,425</b>	<b>8,044,993</b>
Net profit for the period		12,465,509	5,064,329
<b>Adjustments to reconcile profit for the period</b>		<b>1,722,194</b>	<b>1,844,565</b>
- Adjustments related to depreciation and amortization		696,254	1,087,436
- Adjustments related to interest income	15	(2,028,159)	(498,834)
- Adjustments related to provision for inventories	7	(43,381)	8,526
- Gain on sale of property, plant and equipment		(63,592)	(46,948)
- Provision for employment termination benefits		998,860	107,892
- Lawsuit provision / cancellation	10	526	1,534
- Adjustments related to warranty provisions	10	995,612	306,538
- Adjustments related to doubtful receivables	5,6	7,469	1,934
- Adjustments related to interest expense	15	54,679	71,930
- Adjustments for tax losses/ income	16	1,182,468	(28,440)
- Due date charges on term purchases and sales	14	(930,751)	(50,597)
- Adjustments related to unrealized foreign currency differences		953,796	1,445,103
- Adjustments related to exchange differences of cash and cash equivalents		(167,397)	(550,709)
- Adjustments related to other provision		65,810	(10,800)
<b>Changes in net working capital</b>		<b>(900,681)</b>	<b>1,547,121</b>
- Inventories		(5,541,696)	(2,653,305)
- Trade receivables		(647,246)	(243,089)
- Receivables from related parties		3,303,046	(2,145,983)
- Other receivables from operating activities		(19,632)	(3,809)
- Trade payables due to third parties		1,840,632	4,118,313
- Trade payables due to related parties		303,595	2,269,875
- Liabilities arising from customer contracts		25,036	(14)
- Receivables from finance sector operations		(465,869)	(41,734)
- Prepaid expenses		(250,369)	(18,863)
- Deferred revenue		36,800	26,840
- Government incentives and grants		(800)	(3,388)
- Other assets from operating activities		17,304	147,173
- Other liabilities from operating activities		498,518	96,501
- Derivative financial instruments		-	(1,396)
<b>Net cash generated from operating activities</b>		<b>13,287,022</b>	<b>8,456,015</b>
- Income taxes paid		(1,931,455)	(189,652)
- Payments related to employment termination benefits		(285,514)	(73,308)
- Other cash inflows (outflows)		(250,628)	(148,062)
<b>B. Cash flows from investing activities</b>		<b>(736,451)</b>	<b>(625,774)</b>
- Purchases of tangible assets	8	(445,415)	(299,188)
- Purchases of intangible assets		(384,358)	(390,327)
- Proceeds from sale of tangible and intangible assets		93,322	63,682
- Change in financial assets		-	59
<b>C. Cash flows from financing activities</b>		<b>(879,726)</b>	<b>(3,677,997)</b>
- Proceeds from financial liabilities	4	4,579,857	3,502,898
- Bank loans paid	4	(4,237,443)	(4,335,696)
- Payment of lease liabilities	4	(7,633)	(4,589)
- Dividends paid		(3,000,000)	(3,200,000)
- Interest paid		(51,506)	(70,617)
- Interest received		2,019,410	491,982
- Other cash inflows (outflows)		(182,411)	(61,975)
<b>Net decrease in cash and cash equivalents before currency translation differences</b>		<b>9,203,248</b>	<b>3,741,222</b>
<b>D. Effects of currency translation differences on cash and cash equivalents</b>		<b>167,397</b>	<b>550,709</b>
<b>Net change in cash and cash equivalents</b>		<b>9,370,645</b>	<b>4,291,931</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>		<b>11,871,508</b>	<b>4,195,952</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3</b>	<b>21,242,153</b>	<b>8,487,883</b>

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.

### Notes to the condensed consolidated interim financial statements for the interim period ended 30 September 2023

(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.

Fiat Chrysler Automobiles signed a merger agreement with the PSA Group at the end of 2019, in which both companies will have a 50% share. Stellantis N.V. was established by merger in January 2021. A Framework Agreement has been signed on the main principles regarding the commercial activities between the Stellantis Group and the Company, the acquisition of the shares of Stellantis Otomotiv Pazarlama A.Ş., and the cooperation and partnership relations between the Company, the Stellantis Group and the Koç Group (Note 18).

The Company’s subsidiaries as of 30 September 2023 and 31 December 2022 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 September 2023	31 December 2022
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	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 September 2023	30 September 2022	30 September 2023	31 December 2022
Hourly-rated	4,145	4,677	4,241	4,498
Monthly-rated	1,516	1,494	1,573	1,514
	<b>5,661</b>	<b>6,171</b>	<b>5,814</b>	<b>6,012</b>

(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 September 2023**

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

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## **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 4 October 2022, 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 a statement on January 20, 2022, in order to eliminate the hesitations about whether the companies applying Turkish Financial Reporting Standards (TFRS) will apply TAS 29 Financial Reporting in Hyperinflationary Economies in the 2021 financial reporting period. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies (“TAS 29”), and no new explanation has been made by the POA on the application of TAS 29. Considering that no new disclosure has been made as of the date these interim condensed consolidated financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 while preparing the interim condensed consolidated financial statements as of 30 September 2023.

#### ***Going Concern***

The Group has prepared its consolidated financial statements in accordance with the going concern principle.

**Tofaş Türk Otomobil Fabrikası A.Ş.**

**Notes to the condensed consolidated interim financial statements  
for the interim period ended 30 September 2023**

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

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

**2.1 Basis of presentation (Continued)**

**2.1.2 Comparatives and adjustment of prior periods' financial statements**

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

**2.1.3 Functional and reporting currency**

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

**2.1.4 Basis of consolidation**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. 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.

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

### **2.1 Basis of presentation (Continued)**

#### **2.1.5 Significant accounting judgments, estimates and assumptions (Continued)**

- 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 7).
- 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 8-9).
- 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 16).
- h) The Group, recognised development expenditures on an individual project as an intangible asset when the Group can demonstrate below:
- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
  - existence of the intention to complete the intangible asset and use or sell it,
  - existence of the ability to use or sell the intangible asset,
  - reliability of how the intangible asset will generate probable future economic benefits,
  - the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
  - existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense when they are incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period.

The Group capitalizes ongoing development expenditures and assesses whether the related asset has an impact on the assets that will increase or decrease the cost of the Company during the useful life of the asset in the subsequent periods and whether there is an impairment of the year. 30 September 2022, and 30 September 2023, no impairment has been identified for capitalized development expenses (Note 9).

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

### **2.2 Amendments in Turkish Financial Reporting Standards**

#### **The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as of September 30, 2023 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, 2023 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 of January 1, 2023 are as follows:**

#### **Amendments to TAS 8 - Definition of Accounting Estimates**

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. 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.

#### **Amendments to TAS 8 - Definition of Accounting Estimates (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.

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

#### **Amendments to TAS 1 - Disclosure of Accounting Policies**

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. 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 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)**

- i) **The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows (Continued)**

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

In August 2021, 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 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 amendments did not have a significant impact on the financial position or performance of the Group.

#### **Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules**

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that TAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception apply immediately and retrospectively upon issue of the amendments. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023.

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

- 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.

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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 (Continued)**

**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**

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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

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. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

The standard is not applicable for the Group and will not have an 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)**

**ii) Standards issued but not yet effective and not early adopted (Continued)**

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

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity’s right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

**Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback**

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

Overall, the Group expects no significant impact on its balance sheet and equity.



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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 (Continued)**

##### **Amendments to TAS 7 and TFRS 7 - Disclosures: Supplier Finance Arrangements**

The amendments issued by POA in September 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by TFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

Overall, the Group expects no significant impact on its balance sheet and equity.

#### **iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following amendments to IAS 21 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

##### **Amendments to IAS 21 - Lack of exchangeability**

In August 2023, IASB issued amendments to IAS 21. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

Overall, the Group expects no significant impact on its balance sheet and equity.

### **2.3 Summary of significant accounting policies**

The condensed consolidated interim financial statements as of and for the period ended 30 September 2023 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 September 2023 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2022. 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 2022.

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**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.

It was resolved to extend the production of the Tipo/Egea model for local distribution and export until 31 December 2025. Based on this decision, the useful life of the production line has been extended.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Cash on hand	-	16
Due from banks		
- <i>time deposits</i>	20,977,042	11,693,259
- <i>demand deposit</i>	334,972	239,356
- <i>blocked demand deposit</i>	268,977	86,566
- <i>blocked time deposit</i>	11	-
	<b>21,581,002</b>	<b>12,019,197</b>

The breakdown of time deposits as of 30 September 2023 and 31 December 2022 is as follows:

	<b>30 September 2023</b>		<b>31 December 2022</b>	
	<b>Amount</b>	<b>Effective interest rate per annum (%)</b>	<b>Amount</b>	<b>Effective interest rate per annum (%)</b>
EUR	10,087,535	0.70-5.00	3,421,493	0.35-2.75
TRY	10,889,506	30.00-44.00	8,271,766	12.00-29.00
	<b>20,977,041</b>		<b>11,693,259</b>	

As of 30 September 2023, the maturities of time deposits vary between 3 and 36 days (31 December 2022: between 3 and 38 days).

As of 30 September 2023, the cash at banks comprise time and demand deposits amounting to TRY 1,365,139 (31 December 2022: TRY 2,802,778) which are deposited at a bank which is a related party of the Group (Note 18).

As of 30 September 2023, the blocked deposit at banks equal to TRY 268,988 (31 December 2022: TRY 86,566). Of this amount, TRY 268,977 (31 December 2022: TRY 86,556) consists of the required reserve amount of the Central Bank of the Turkish Republic.

As of 30 September 2023 and 2022, the reserves of cash and cash equivalent in cash flow statement;

	<b>30 September 2023</b>	<b>30 September 2022</b>
Cash and banks	21,581,002	8,575,483
Less: bloked	(268,977)	(61,975)
Less: interest accruals	(69,872)	(25,625)
	<b>21,242,153</b>	<b>8,487,883</b>

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#### NOTE 4 - FINANCIAL LIABILITIES

##### a) Short-term financial liabilities

	30 September 2023			31 December 2022		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY	-	900,000	17.77-55.49	-	585,000	16.54-33.86
		<b>900,000</b>			<b>585,000</b>	

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

	30 September 2023			31 December 2022		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	3,587,306	16.64-49.46	-	2,774,216	16.64-34.50
Borrowings in EUR	57,610	1,672,447	2.00	58,403	1,164,257	2.00
Bonds <sup>(1,2,3)</sup>	-	520,040	30.00-52.85	-	538,617	20.35-34.50
Borrowings in lease liability	-	9,865	-	-	8,726	-
		<b>5,789,658</b>			<b>4,485,816</b>	

##### c) Long-term financial liabilities

	30 September 2023			31 December 2022		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowing in EUR	28,571	829,443	-	55,924	1,114,834	2.00
Borrowings in TRY (*)	-	-	-	-	760,550	16.64-34.50
Bonds <sup>(1,2,3)</sup>	-	822,894	39.00-52.85	-	-	-
Borrowings in lease liability	-	14,898	-	-	13,555	-
		<b>1,667,235</b>			<b>1,888,939</b>	

(\*) As of September 30, 2023, short and long-term bank borrowings totaling TRY 4,487,306 (31 December 2022: TRY 4,119,766) which are denominated in obtained of loans taken by the KFK, consolidated subsidiary, to finance consumer financing loans.

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**NOTE 4 - FINANCIAL LIABILITIES (Continued)**

- (1) In accordance with the minutes of Board of Directors meeting held on 6 September 2022 based on the required authorization of the Capital Markets Law, the Group issued 13-month maturity bonds on 13 January 2023 nominal amount of TRY 450,000 and at an interest rate by 30.00%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Ak Yatırım Menkul Değerler A.Ş.
- (2) In accordance with the minutes of Board of Directors meeting held on 24 February 2023 based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 3 August 2023 with a nominal amount of TRY 500,000 and at an interest rate by 39.00%. 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 24 February 2023 based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 7 September 2023 with a nominal amount of TRY 290,000 and at an interest rate by 52.85%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Ak Yatırım Menkul Değerler A.Ş.

As of 30 September 2023, TRY 738,270 (31 December 2022: TRY 506,263) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 18).

The redemption schedule of the long-term bank borrowings and bonds as of 30 September 2023 and 31 December 2022 is as follows:

	<b>30 September 2023</b>	<b>31 December 2022</b>
1-2 years	1,652,337	1,875,384
	<b>1,652,337</b>	<b>1,875,384</b>

The movement of financial liabilities as of 30 September 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
1 January	6,959,755	7,759,058
Effect of cash flows	342,414	(832,798)
Unrealized foreign exchange differences	1,059,182	842,185
Payments in TFRS 16 – lease liabilities	(7,633)	(4,589)
Change in accrual of interest	3,175	1,313
<b>30 September</b>	<b>8,356,893</b>	<b>7,765,169</b>

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 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 1,626,040 (equivalent of EUR 56,011 thousand) as of 31 September 2023. (31 December 2022: TRY 1,481,208 (equivalent of EUR 74,302))

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 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 875,850 (equivalent of EUR 30,170 thousand) as of 31 September 2023. (31 December 2022: TRY 797,883 (equivalent of EUR 40,025))

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**NOTE 5 - TRADE RECEIVABLES AND PAYABLES**

**a) Trade receivables**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Trade receivables	8,078,458	4,801,503
Doubtful trade receivables	14,555	15,504
Less: provision for doubtful receivables	(12,844)	(12,913)
Less: unearned credit finance income	(178,143)	(341,822)
	<b>7,902,026</b>	<b>4,462,272</b>

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

	<b>2023</b>	<b>2022</b>
1 January	12,913	12,508
Current year provision	(69)	(595)
<b>30 September</b>	<b>12,844</b>	<b>11,913</b>

Collaterals received related with trade receivables

As of 30 September 2023, the letter of guarantees amounting to TRY 1,116,000 cheque of guarantees amounting to TRY 2,224 mortgages amounting to TRY 5,328 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 7,475,645 respectively (31 December 2022: letter of guarantees amounting to TL 469,000 guarantee, mortgages amounting to TL 41,973 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TL 3,998,067 respectively).

**b) Trade payables**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Trade payables	10,433,487	8,920,141
Less: not accrued credit finance expense	(136,266)	(463,552)
	<b>10,297,221</b>	<b>8,456,589</b>

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**NOTE 6- RECEIVABLES FROM FINANCE SECTOR OPERATIONS**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Short-term consumer financing loans	4,271,397	3,046,586
Non-performing loans	62,286	61,854
	<b>4,333,683</b>	<b>3,108,440</b>
Provision for specific loan impairment	(52,305)	(55,626)
Provision for general loan impairment	(30,940)	(19,812)
	<b>4,250,438</b>	<b>3,033,002</b>
Long-term consumer financing loans	1,024,142	1,788,352
Provision for general loan impairment	(7,663)	(12,768)
<b>Total</b>	<b>1,016,479</b>	<b>1,775,584</b>

As of 30 September 2023, TRY denominated loans originated by the Group bear interest rates ranging between %0.01- %7.00 per month (31 December 2022: between %0.01 - %4.12).

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

<b>Years</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
1 to 2 years	935,216	1,388,189
2 to 3 years	81,005	329,736
3 to 4 years	258	57,659
<b>Total</b>	<b>1,016,479</b>	<b>1,775,584</b>

Movements in the allowance for loan impairment are as follows:

	<b>2023</b>	<b>2022</b>
1 January	88,206	91,502
Current year provision	7,538	2,529
Recoveries from loans under follow-up	(4,836)	(6,775)
<b>30 September</b>	<b>90,908</b>	<b>87,256</b>

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 September 2023, the fair value of guarantees obtained for the consumer loans amounting to TRY 6,494,898 (31 December 2022: TRY 6,183,738), 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 8,686 (31 December 2022: TRY 8,844) as of 30 September 2023.

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**NOTE 7 – INVENTORIES**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Goods in transit	4,156,516	478,128
Raw materials	2,730,299	1,542,548
Imported vehicles	670,334	62,047
Spare parts	558,458	268,001
Finished goods	432,348	491,129
Work-in-progress	402,364	566,770
Less: provision for impairment on inventories	(105,232)	(148,613)
<b>Total</b>	<b>8,845,087</b>	<b>3,260,010</b>

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

	<b>2023</b>	<b>2022</b>
1 January	(148,613)	(50,156)
Current year provision, net	43,381	(8,526)
<b>30 September</b>	<b>(105,232)</b>	<b>(58,682)</b>

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#### NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation for nine months period ended 30 September 2023 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
<b>As of 1 January</b>							
Cost	567,401	6,075,208	885,492	248,569	27,087	31,067	7,834,824
Accumulated depreciation	(297,025)	(5,034,706)	(659,768)	(90,657)	(12,025)	-	(6,094,181)
<b>Net book value</b>	<b>270,376</b>	<b>1,040,502</b>	<b>225,724</b>	<b>157,912</b>	<b>15,062</b>	<b>31,067</b>	<b>1,740,643</b>
Additions	-	937	924	26.756	966	415,834	445,416
Disposals	(19)	(27,696)	(4,371)	(38.996)	-	-	(71,082)
Disposal – Depreciation	14	27,682	4,306	9.351	-	-	41,353
Transfers	14,686	71,316	129,394	71.551	445	(287,392)	-
Depreciation charge for the period	(9,204)	(204,895)	51,316	(42.046)	(1,730)	-	(309,191)
<b>30 September 2023, net book value</b>	<b>275,853</b>	<b>907,846</b>	<b>304,661</b>	<b>184,528</b>	<b>14,742</b>	<b>159,509</b>	<b>1,847,139</b>
<b>As of 30 September 2023</b>							
Cost	582,068	6,119,765	1,011,437	307,880	28,497	159,509	8,209,156
Accumulated depreciation	(306,215)	(5,211,919)	(706,777)	(123,352)	(13,754)	-	(6,362,017)
<b>30 September 2023, net book value</b>	<b>275,853</b>	<b>907,846</b>	<b>304,660</b>	<b>184,528</b>	<b>14,743</b>	<b>159,509</b>	<b>1,847,139</b>

As of 30 September 2023, there are no pledges or collaterals on property, plant and equipment (30 September 2022: None),

As of 30 September 2023, there is insurance coverage amounting to TRY 20,357,960 on property, plant and equipment (30 September 2022: TRY 14,338,560).



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**NOTE 8 – PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
<b>As of 1 January</b>							
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)
<b>Net book value</b>	<b>250,716</b>	<b>1,341,650</b>	<b>206,294</b>	<b>52,923</b>	<b>5,057</b>	<b>47,225</b>	<b>1,903,865</b>
Additions	-	2,306	4,604	5,837	11,120	275,321	299,188
Disposals	-	(1,779)	(755)	(26,191)	-	-	(28,725)
Disposal – Depreciation	-	1,765	736	9,490	-	-	11,991
Transfers	8,635	92,363	43,556	100,206	73	(244,833)	-
Depreciation charge for the period	(8,656)	(328,505)	(52,842)	(20,883)	(898)	-	(411,784)
<b>30 September 2022, net book value</b>	<b>250,695</b>	<b>1,107,800</b>	<b>201,593</b>	<b>121,382</b>	<b>15,352</b>	<b>77,713</b>	<b>1,774,535</b>
<b>As of 30 September 2022</b>							
Cost	544,661	6,028,121	843,967	201,709	26,831	77,713	7,723,002
Accumulated depreciation	(293,966)	(4,920,321)	(642,374)	(80,327)	(11,479)	-	(5,948,467)
<b>30 September 2022, net book value</b>	<b>250,695</b>	<b>1,107,800</b>	<b>201,593</b>	<b>121,382</b>	<b>15,352</b>	<b>77,713</b>	<b>1,774,535</b>

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#### NOTE 9 – INTANGIBLE ASSETS

The movements of intangibles for the period as of 30 September 2023 and 2022, are as follows:

	License fees and development costs	Other	Total
<b>As of 1 January</b>			
Cost	5,919,836	223,929	6,143,765
Accumulated amortization	(4,485,261)	(145,534)	(4,630,795)
<b>Net book value</b>	<b>1,434,575</b>	<b>78,395</b>	<b>1,512,970</b>
Additions	361,252	35,023	396,275
Amortization charge for the period	(378,075)	(16,968)	(395,043)
<b>30 September 2023, net book value</b>	<b>1,417,752</b>	<b>96,450</b>	<b>1,514,202</b>
<b>As of 30 September 2023</b>			
Cost	6,281,087	258,953	6,540,040
Accumulated amortization	(4,863,336)	(162,502)	(5,025,838)
<b>30 September 2023, net book value</b>	<b>1,417,751</b>	<b>96,451</b>	<b>1,514,202</b>
	License fees and development costs	Other	Total
<b>As of 1 January</b>			
Cost	5,406,334	182,529	5,588,863
Accumulated amortization	(3,538,073)	(129,934)	(3,668,007)
<b>Net book value</b>	<b>1,868,261</b>	<b>52,595</b>	<b>1,920,856</b>
Additions	387,636	11,277	398,913
Amortization charge for the period	(671,146)	(10,655)	(681,801)
<b>30 September 2022, net book value</b>	<b>1,584,751</b>	<b>53,217</b>	<b>1,637,968</b>
<b>As of 30 September 2022</b>			
Cost	5,793,970	193,806	5,987,776
Accumulated amortization	(4,209,219)	(140,589)	(4,349,808)
<b>30 September 2022, net book value</b>	<b>1,584,751</b>	<b>53,217</b>	<b>1,637,968</b>

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#### NOTE 10 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	30 September 2023	31 December 2022
Provision for warranty claims	1,416,525	671,541
Provision for legal cases	20,227	19,701
Other	182,018	116,208
<b>Total</b>	<b>1,618,770</b>	<b>807,450</b>

Movement of the warranty provision is as follows:

	2023	2022
1 January	671,541	371,172
Paid during the period	(250,628)	(148,062)
Increase during the period	995,612	306,538
<b>30 September</b>	<b>1,416,525</b>	<b>529,648</b>

Movement of the provision for litigation is as follows:

	2023	2022
1 January	19,701	18,167
Increase during the period	526	1,534
<b>30 September</b>	<b>20,227</b>	<b>19,701</b>

#### Litigations against the Group

As of 30 September 2023, the total amount of outstanding legal claims brought against the Group is TRY 28,037 (31 December 2022: TRY 26,987). The Group has reflected a reserve amounting to TRY 20,227 (31 December 2022: TRY 19,701) in the financial statements.

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**NOTE 10 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**Guarantees provided by the Group:**

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 30 September 2023 and 31 December 2022 is as follows:

	30 September 2023			31 December 2022		
	TRY equivalent	EUR	TRY	TRY equivalent	EUR	TRY
A, Total amount of guarantees provided by the Company on behalf of itself	942,030	2,000	883,969	664,999	2,000	625,129
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	-	-	-	-	-	-
<b>Total</b>	<b>942,030</b>	<b>2,000</b>	<b>883,969</b>	<b>664,999</b>	<b>2,000</b>	<b>625,129</b>

As of 30 September 2023 and 31 December 2022, the ratio of guarantees given by the Group on behalf of third parties or on behalf of its parent/associates to total equity is zero.

**Other**

As of 30 September 2023 the Group has realized USD 2,907,361,693.95 of export commitments numbered 2021/D1-01051 and dated 4 March 2021 to be realized until 7 August 2023 in connection with the export incentive certificates amounting to USD 3,288,142,000 thousand. The Group has realized USD 1,491,478,056.88 thousand of export commitments in connection with the export incentive certificates amounting to USD 1,950,181,000 thousand.

Furthermore, the Group has realized USD 76,355,723.56 thousand of export commitments numbered 2023/D1-01035 and dated 21 February 2023 to be realized until 21 February 2024 in connection with the export incentive certificates amounting to USD 1,673,006,000 thousand. The Group has realized USD 22,892,170.50 thousand of export commitments in connection with the export incentive certificates amounting to USD 961,490,840.00 thousand.

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**NOTE 11 – PREPAID EXPENSES AND INCOMES, OTHER ASSETS AND LIABILITES**

**a) Short-term prepaid expenses**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Advances given	72,162	35,871
Dealer expense	19,992	560
Credit commission expenses (*)	14,249	16,042
Insurance expense	4,672	16,501
Other	54,695	15,527
	<b>165,770</b>	<b>84,501</b>

(\*) As of September 30, 2023 and December 31, 2022, credit commission expenses consist of credit insurance fees paid by the Group to banks and credit commissions paid in advance to its dealers.

**b) Non-current prepaid expenses**

As of 30 September 2023, TRY 197,477 (31 December 2022: TRY 28,377) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 195,860 (31 December 2022: TRY 25,501).

**c) Deferred income**

As of 30 September 2023, TRY 142,473 (31 December 2022: TRY 105,673) of the deferred income amounting to TRY 32,871 (31 December 2022: TRY 40,592) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TRY 38,545 (KFK) (31 December 2022: TRY 23,087). Amounting TRY 71,057 (Fermas) (31 December 2022: TRY 41,994) is advances received.

**d) Other non-current liabilities**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Tax payables	347,382	117,254
Other	158,981	40,328
<b>Total</b>	<b>506,363</b>	<b>157,582</b>

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## NOTE 12 – REVENUE AND COST OF SALES

### a) Net satışlar

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Domestic sales	53,076,845	21,080,230	20,303,619	8,416,270
Export sales	13,809,359	20,237,116	5,470,741	7,232,043
Other income from operational activities	1,881,495	754,086	886,231	373,614
	<b>68,767,699</b>	<b>42,071,432</b>	<b>26,660,591</b>	<b>16,021,927</b>

### b) Production and sales quantities

	Production		Sales	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022

#### Manufactured vehicles

Egea	78,154	56,320	77,433	52,391
Egea Hatchback	39,800	34,087	39,379	33,409
MCV	38,205	31,977	38,106	31,830
Doblo	9,885	57,851	11,414	58,930
Egea Stationwagon	8,354	6,278	8,289	6,239
	<b>174,398</b>	<b>186,513</b>	<b>174,621</b>	<b>182,799</b>

	Import		Sales	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022

#### Imported vehicles

Ducato	4,322	1,060	4,245	1,064
New Doblo	2,901	-	2,897	-
Jeep	2,545	1,619	2,369	1,597
Alfa Romeo	1,962	263	1,815	262
Scudo	1,327	-	1,134	-
Fiat 500	1,132	62	1,111	99
Ulysse	812	-	811	-
Maserati	489	174	470	174
Panda Futura	110	44	110	38
Ferrari	23	28	23	27
Transit sales	13	7	13	7
	<b>15,636</b>	<b>3,257</b>	<b>14,998</b>	<b>3,268</b>

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**NOTE 12 – REVENUE AND COST OF SALES (Continued)**

**c) Cost of sales**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Direct material expense	(38,527,709)	(30,135,198)	(13,689,496)	(11,533,838)
Direct labor expense	(798,441)	(511,888)	(300,440)	(235,508)
Depreciation and amortization Expense	(613,702)	(1,031,513)	(212,242)	(338,736)
Other production expenses	(1,695,827)	(1,057,793)	(670,371)	(450,640)
<b>Total cost of production</b>	<b>(41,635,679)</b>	<b>(32,736,392)</b>	<b>(14,872,549)</b>	<b>(12,558,722)</b>
Change in work-in-process	(164,407)	(182,060)	(24,627)	(257,467)
Change in finished goods	(58,782)	830,546	28,519	818,827
Cost of merchandise sold	(12,193,553)	(2,683,333)	(5,748,392)	(1,111,367)
Cost of other sales	(51)	(211)	-	(160)
	<b>(54,052,472)</b>	<b>(34,771,450)</b>	<b>(20,617,049)</b>	<b>(13,108,889)</b>

**NOTE 13 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Marketing expenses	(2,194,472)	(857,984)	(999,131)	(365,382)
General administrative expenses	(971,653)	(505,378)	(377,970)	(196,945)
Research and development expenses	(606,738)	(239,181)	(271,284)	(106,943)
	<b>(3,772,863)</b>	<b>(1,602,543)</b>	<b>(1,648,385)</b>	<b>(669,270)</b>

**a) Marketing Expenses**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Warranty expenses	(995,631)	(306,538)	(482,112)	(125,035)
Transportation and insurance expenses	(606,557)	(238,023)	(278,165)	(121,344)
Personnel expenses	(340,031)	(165,657)	(132,713)	(73,812)
Advertisement expenses	(76,454)	(47,865)	(34,901)	(11,779)
Travel expenses	(13,727)	(7,514)	(6,842)	(3,440)
Depreciation and amortization expenses	(4,951)	(3,926)	(1,704)	(1,367)
Other	(157,121)	(88,461)	(62,694)	(28,605)
	<b>(2,194,472)</b>	<b>(857,984)</b>	<b>(999,131)</b>	<b>(365,382)</b>

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**NOTE 13 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)**

**b) General and administrative expenses**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Personnel expense	(504,942)	(240,158)	(199,645)	(104,420)
Repair, maintenance and repair expenses	(93,858)	(44,473)	(32,623)	(18,940)
Depreciation and amortization expense	(68,910)	(38,767)	(25,892)	(15,763)
Outsourcing expenses	(78,015)	(29,284)	(26,287)	(11,037)
Insurance expenses	(31,851)	(11,606)	(13,149)	(4,718)
Duties, taxes and levies	(22,025)	(11,825)	(6,473)	(3,925)
Travel expenses	(12,686)	(7,625)	(3,648)	(2,879)
Other	(159,366)	(121,640)	(70,252)	(35,263)
	<b>(971,653)</b>	<b>(505,378)</b>	<b>(377,970)</b>	<b>(196,945)</b>

**c) Research and development expenses**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Personnel expense	(375,943)	(130,966)	(155,887)	(63,392)
Outsourced R&D expenses	(117,612)	(39,729)	(69,938)	(16,259)
Transportation and travel expenses	(20,211)	(5,703)	(8,322)	(2,535)
Depreciation and amortization expenses	(12,476)	(13,231)	(4,334)	(4,967)
Energy Costs	(6,807)	(6,815)	(2,598)	(3,101)
Other	(73,689)	(43,187)	(30,205)	(16,689)
	<b>(606,738)</b>	<b>(239,181)</b>	<b>(271,284)</b>	<b>(106,943)</b>



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**NOTE 14 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Foreign exchange gains on operating activities	3,111,072	1,679,383	882,340	381,851
Interest income on operating activities	2,792,439	1,761,638	945,016	852,788
Other	136,359	69,999	5,164	14,481
	<b>6,039,870</b>	<b>3,511,020</b>	<b>1,832,520</b>	<b>1,249,120</b>
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Foreign exchange loss on operating activities	(5,058,390)	(2,108,605)	(1,147,027)	(494,968)
Interest expense on operating activities	(1,861,688)	(1,711,041)	(399,567)	(848,534)
Other	(248,090)	(88,543)	(74,066)	5,493
	<b>(7,168,168)</b>	<b>(3,908,189)</b>	<b>(1,620,660)</b>	<b>(1,338,009)</b>

**NOTE 15 - FINANCIAL INCOME AND EXPENSES**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Foreign exchange gains	4,704,757	1,895,371	1,540,734	570,104
Interest income	2,028,159	498,834	838,539	242,748
<b>Total financial income</b>	<b>6,732,916</b>	<b>2,394,205</b>	<b>2,379,273</b>	<b>812,852</b>
Foreign exchange losses	(3,269,904)	(2,768,136)	(1,755,301)	(1,060,915)
Interest expenses	(54,679)	(71,930)	(16,906)	(19,920)
Other	(2,096)	(72,678)	(1,186)	(70,589)
<b>Total financial expenses</b>	<b>(3,326,679)</b>	<b>(2,912,744)</b>	<b>(1,773,393)</b>	<b>(1,151,424)</b>
<b>Net financial income/(expenses)</b>	<b>3,406,237</b>	<b>(518,539)</b>	<b>605,880</b>	<b>(338,572)</b>

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## **NOTE 16 - 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.

Amendments were made to the Corporate Tax Law No. 5520 with a Law published in the Official Gazette dated 15 July 2023. According to this, the corporate tax rate has been increased from 20% to 25%, starting from the declarations that will be submitted as of 1 October 2023. Besides, the 1-point discount applied for corporate tax rate to the earnings of exporting institutions exclusively from exports has been changed to 5 points. In addition, starting from 15 July 2023; 50% tax exception stipulated for immovable assets' sales gains in the Law No. 5520 has been abolished with the amendment. However, the 50% tax exemption ratio will be applied as 25% for the sales of immovable assets of the entities acquired before 15 July 2023. (31 December 2022: 23%)

As of September 30, 2023 and December 31, 2022, 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.

### **Tax Advantages Obtained Under the Investment Incentive System:**

The Group's earnings from investments tied to an incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operational, until the investment contribution amount is reached. In this context, tax advantage amounting to TL 512,926 (31 December 2022: TL 242,295) that the Group will benefit from in the foreseeable future as of 30 September 2023 is reflected in the consolidated financial statements as a deferred tax asset. As a result of the recognition of the said tax advantage as of 30 September 2023, deferred tax income amounting to TL 270,631 has been realized in the consolidated profit or loss statement for the period from 1 January to 30 September 2023.

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#### NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

##### Tax Advantages Obtained Under the Investment Incentive System (Continued)

Deferred tax assets are recognized when it is determined that taxable income is likely to occur in the coming years. In cases where taxable income is likely to occur, deferred tax assets are calculated over deductible temporary differences, tax losses and tax advantages vested in indefinite-lived investment incentives that allow reduced corporate tax payments. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives in the consolidated financial statements on long-term plans and evaluates the recoverability of deferred tax assets related to these investment incentives as of each balance sheet date, based on business models that include taxable profit estimations. It is foreseen that the deferred tax assets in question will be recovered within 5 years from the balance sheet date.

In the sensitivity analysis carried out as of 30 September 2023, when the inputs in the basic macroeconomic and sectoral assumptions that make up the business plans are increased/decreased by 10%, the recovery period of deferred tax assets regarding investment incentives, which is foreseen as 5 years, has not changed.

For the years ended 30 September 2023 and 2022, the analysis of the tax expense in the profit or loss is as follows:

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Current tax expense	(2,796,204)	(355,553)	(1,009,504)	(236,344)
Deferred tax income / (expense)	1,613,736	383,993	734,192	387,745
	<b>(1,182,468)</b>	<b>28,440</b>	<b>(275,312)</b>	<b>151,401</b>

  

	30 September 2023	31 December 2022
Current corporate tax	2,796,204	761,698
Less: prepaid corporate tax	(1,493,788)	(324,031)
<b>Profit and tax liability for the period /Prepaid income tax</b>	<b>1,302,416</b>	<b>437,667</b>

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#### **NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)**

##### **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 25% (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 25% on their quarterly financial profits (23% for the taxation periods of 2022, 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 September 30, 2023 and December 31, 2022, taxes payable is netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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**NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)**

For the years ended 30 September 2023 and 2022, the analysis of the tax expense in the profit or loss is as follows:

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Current tax expense	(2,796,204)	(355,553)	(1,009,504)	(236,344)
Deferred tax income / (expense)	1,613,736	383,993	734,192	387,745
	<b>(1,182,468)</b>	<b>28,440</b>	<b>(275,312)</b>	<b>151,401</b>
			<b>30 September 2023</b>	<b>31 December 2022</b>
Current corporate tax			2,796,204	761,698
Less: prepaid corporate tax			(1,493,788)	(324,031)
<b>Profit and tax liability for the period /Prepaid income tax</b>			<b>1,302,416</b>	<b>437,667</b>

**b) Deferred tax assets and liabilities**

The breakdown of temporary differences and the resulting deferred tax assets as of 30 September 2023 and 31 December 2022, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Property, plant and equipment and intangibles	8,020,649	5,449,693	2,005,162	1,089,939
Unused investment incentive allowances (*)	1,431,949	644,808	512,926	242,295
Warranty provisions	1,416,525	671,541	354,131	134,305
Provision for employment termination benefits and unused vacation	1,157,585	1,134,647	289,396	226,929
Inventories	156,380	203,711	39,095	40,742
Contract liabilities	78,452	53,416	19,613	13,354
Deferred income	79,786	55,280	19,947	(2,298)
Land valuations	(145,370)	(145,370)	(36,342)	(14,537)
Other	362,673	433,047	70,864	87,816
<b>Deferred tax assets, net</b>	<b>12,558,629</b>	<b>8,500,773</b>	<b>3,274,792</b>	<b>1,818,545</b>

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

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**NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)**

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

	<b>30 September 2023</b>	<b>30 September 2022</b>
Deferred tax asset at 1 January	1,818,545	1,145,803
Deferred tax income / (expense)	1,613,736	383,993
Associated with other comprehensive income statement	(157,489)	(114,679)
- <i>Net gain / (loss) on post-employment termination benefit obligation attributable to equity</i>	(178,566)	23,975
- <i>Net gain / (loss) on cash flow hedging attributable to equity (*)</i>	21,077	(138,654)
<b>Deferred tax assets as of 30 September</b>	<b>3,274,792</b>	<b>1,415,117</b>

(\*) 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 September 2023 and 2022 is as follows:

	<b>30 September 2023</b>	<b>30 September 2022</b>
Profit before tax	13,647,977	5,035,889
Income tax charge at effective tax rate (25%) (2022: 23%)	(3,411,994)	(1,158,254)
Non-deductible expenses	(2,406)	(37,811)
Research and development incentive expenditures during the period	217,512	107,471
Effect of investment incentive, net	1,187,877	573,911
Tax expense on revaluation of assets	-	53,378
Used and earned investment incentive	270,631	19,158
Other	555,912	470,587
<b>30 September</b>	<b>(1,182,468)</b>	<b>28,440</b>

**NOTE 17 - EARNINGS PER SHARE**

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 30 September 2023 and 2022, the weighted average number of shares outstanding is 50,000,000,000 and as of 30 September 2023 and 2022 earnings per share is Kr 24.93 and 10.13 respectively.

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**NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

**Related party balances**

<b>Deposit and financial loan balances from related parties</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Yapı ve Kredi Bank A.Ş., (deposit) <sup>(1)</sup>	1,365,139	2,802,778
Yapı ve Kredi Bank A.Ş., (financial loan) <sup>(1)</sup>	(738,270)	(506,263)
<b>Trade receivables due from related parties</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Stellantis Europe S.P.A. <sup>(2)</sup>	3,996,278	7,762,735
Otokoç Otomotiv Tic. ve San. A.Ş., <sup>(1)</sup>	3,203,760	2,715,801
Other <sup>(1)</sup>	67,223	115,791
Less: Deferred credit finance income	(76,827)	(100,847)
	<b>7,190,434</b>	<b>10,493,480</b>
<b>Trade payables due to related parties</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Stellantis Europe S.P.A. <sup>(2)</sup>	12,352,201	10,001,951
Other <sup>(1)</sup>	396,214	564,032
Less: Deferred credit finance expense	(37,989)	(20,840)
	<b>12,710,426</b>	<b>10,545,143</b>

**Related party transactions**

**Sales**

	<b>1 January - 30 September 2023</b>	<b>1 January - 30 September 2022</b>	<b>1 July - 30 September 2023</b>	<b>1 July - 30 September 2022</b>
Otokoç Otomotiv Tic. ve San. A.Ş. <sup>(1)</sup>	18,288,761	7,968,392	6,704,018	3,355,822
Stellantis Europe S.P.A. <sup>(2)</sup>	13,789,951	19,406,965	5,644,767	7,033,502
Other <sup>(1)</sup>	348,325	400,244	272,036	335,537
	<b>32,427,037</b>	<b>27,775,601</b>	<b>12,620,821</b>	<b>10,724,861</b>

(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 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**Domestic goods and services purchases**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Ram Dış Ticaret A.Ş. (1)	1,087,209	1,453,882	416,227	754,973
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	598,417	305,865	283,342	149,899
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	563,341	304,724	281,053	147,936
Plastiform Plastik San. Tic. A.Ş. (1)	145,169	108,107	42,885	45,079
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	113,191	56,771	77,736	31,588
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. (1)	90,557	79,537	25,663	32,717
Opet Fuchs Madeni Yağlar Tic. A.Ş. (1)	65,670	43,242	21,352	16,660
Opet Petrolculuk A.Ş.	55,375	49,119	26,831	20,127
Koç Holding A.Ş. (2) (*)	50,336	59,538	8,885	10,751
Setur Servis Turistik A.Ş. (1)	34,581	17,440	23,342	7,851
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. (1)	9,590	15,902	2,391	4,361
Diğer (1)	51,849	22,675	20,683	7,408
	<b>2,865,285</b>	<b>2,516,802</b>	<b>1,230,390</b>	<b>1,229,350</b>

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

(2) Represents the joint ventures.

(\*) Balance represents invoices issued by Koç Holding A.Ş., which provides counselee service such as finance, legal, planning, tax including personnel and senior management expenses to Group Companies according to the framework of "11- Group Services" of General Communiqué Serial No. 1 on Disguised Profit Distribution through Transfer Pricing.

**Foreign trade good, material and service purchase:**

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Stellantis Europe S.P.A.	28,487,192	17,697,600	12,106,833	6,671,477
Diğer	2,075	2,937	1,176	916
	<b>28,489,267</b>	<b>17,700,537</b>	<b>12,108,009</b>	<b>6,672,393</b>

Interest income from related parties, for the nine-month period ended 30 September 2023 is TRY 408,871 (30 September 2022: TRY 478,245).

Salaries and similar benefits paid to the top management consisting of 30 persons (30 September 2022: 29 persons) for the three-month period of 2023 is TRY 61,496 (30 September 2022: TRY 33,099).

Furthermore, as of 30 September 2023, 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 63,024 (31 December 2022: TRY 75,100).



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## NOTE 19 - 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.

Types of credit exposed by types of financial instruments;

30 September 2023	Trade receivables					Receivables from finance operations
	Related parties	Other Parties	Other receivables	Bank deposits	Derivative instruments	
<b>Maximum credit risk exposure as of reporting date (A+B+C+D) <sup>(1)</sup></b>	<b>7,190,434</b>	<b>7,902,026</b>	<b>20,377</b>	<b>21,581,002</b>	<b>-</b>	<b>5,266,917</b>
- Maximum risk secured by guarantee <sup>(2)</sup>	33,200	7,094,198	-	-	-	5,266,917
<b>A. Net book value of financial assets neither overdue nor impaired</b>	<b>7,020,034</b>	<b>7,773,172</b>	<b>20,377</b>	<b>21,581,002</b>	<b>-</b>	<b>5,218,199</b>
- Maximum risk secured by guarantee	33,200	7,094,198	-	-	-	5,218,199
-General loan provisions	-	-	-	-	-	(38,603)
<b>B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Maximum risk secured by guarantee	-	-	-	-	-	-
<b>C. Net book value of assets overdue but not impaired</b>	<b>170,400</b>	<b>127,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,737</b>
- Maximum risk secured by guarantee	-	-	-	-	-	38,350
<b>D. Net book value of impaired assets</b>	<b>-</b>	<b>1,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,981</b>
- Overdue (gross book value)	-	14,555	-	-	-	62,286
- Impairment (-)	-	(12,844)	-	-	-	(52,305)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	8,686
<b>E. Off- balance sheet items having credit risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Financial risk management objectives and policies (Continued)**

**Credit risk (Continued)**

31 December 2022	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) <sup>(1)</sup>	10,493,480	4,462,272	745	12,019,181	-	4,808,586
- Maximum risk secured by guarantee <sup>(2)</sup>	33,200	4,218,992	-	-	-	4,808,586
<b>A. Net book value of financial assets neither overdue nor impaired</b>	<b>10,436,721</b>	<b>4,446,365</b>	<b>745</b>	<b>12,019,181</b>	-	<b>4,787,145</b>
- Maximum risk secured by guarantee	33,200	4,218,992	-	-	-	-
- Provision for general loan impairment	-	-	-	-	-	(32,580)
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	56,759	13,316	-	-	-	15,213
- Maximum risk secured by guarantee	-	-	-	-	-	15,061
D. Net book value of impaired assets	-	2,591	-	-	-	6,228
- Overdue (gross book value)	-	15,504	-	-	-	61,854
- Impairment (-)	-	(12,913)	-	-	-	(55,626)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	8,844
E. Off- balance sheet items having credit risk	-	-	-	-	-	-

Aging analysis of receivables

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

30 September 2023	Receivables
1- 30 days past due	106,297
1- 3 months past due	172,155
3- 12 months past due	41,163
1- 5 years past due	16,667
<b>Total</b>	<b>336,282</b>
31 December 2022	Receivables
1- 30 days past due	18,932
1- 3 months past due	14,440
3- 12 months past due	34,218
1- 5 years past due	17,698
<b>Total</b>	<b>85,288</b>

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Financial risk management objectives and policies (Continued)**

***Credit risk (Continued)***

As of 30 September 2023, TRY 120,406 of total past due trade receivables of the Group is due from the Group’s related party, Stellantis Group (31 December 2022: TRY 8,307). As of 30 September 2023, the Group’s payables to Stellantis Group amount to TRY 12,352,201 (31 December 2022: TRY 10,001,951).

***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 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

30 September 2023	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	4,129,790	1	142,256	-
2a. Monetary financial assets (including cash, bank accounts)	10,131,695	1,479	347,607	-
2b. Non-monetary financial assets	4,501,959	-	155,077	-
3. Other	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>18,763,444</b>	<b>1,480</b>	<b>644,940</b>	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	202,106	-	6,962	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>202,106</b>	-	<b>6,962</b>	-
<b>9. Total assets (4+8)</b>	<b>18,965,550</b>	<b>1,480</b>	<b>651,902</b>	-
10. Trade payables	(13,302,925)	(7,329)	(451,327)	(1)
11. Financial liabilities	(1,672,447)	-	(57,610)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>(14,975,372)</b>	<b>(7,329)</b>	<b>(508,937)</b>	<b>(1)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(829,443)	-	(28,571)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>(829,443)</b>	-	<b>(28,571)</b>	-
<b>18. Total liabilities (13+17)</b>	<b>(15,804,815)</b>	<b>(7,329)</b>	<b>(537,508)</b>	<b>(1)</b>
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>3,160,735</b>	<b>(5,849)</b>	<b>114,394</b>	<b>(1)</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)</b>	<b>(1,543,330)</b>	<b>(5,849)</b>	<b>(47,645)</b>	<b>(1)</b>
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	14,593,978	-	604,271	88,065
24. Import	30,834,045	11,266	1,263,294	67,600

(\*) 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 September 2023 is TRY 526,153 long foreign currency position.

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)-**

31 December 2022	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	7,730,965	7	387,804	-
2a. Monetary financial assets (including cash, bank accounts)	3,451,208	50	173,077	-
2b. Non-monetary financial assets	489,946	-	24,577	-
3. Other	1,691	-	85	-
<b>4. Current assets (1+2+3)</b>	<b>11,673,810</b>	<b>57</b>	<b>585,543</b>	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	29,367	-	1,473	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>29,367</b>	-	<b>1,473</b>	-
<b>9. Total assets (4+8)</b>	<b>11,703,177</b>	<b>57</b>	<b>587,016</b>	-
10. Trade payables	(10,072,284)	(1,281)	(504,055)	(2)
11. Financial liabilities	(1,164,257)	-	(58,403)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>(11,236,541)</b>	<b>(1,281)</b>	<b>(562,458)</b>	<b>(2)</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,114,834)	-	(55,924)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>(1,114,834)</b>	-	<b>(55,924)</b>	-
<b>18. Total liabilities (13+17)</b>	<b>(12,351,375)</b>	<b>(1,281)</b>	<b>(618,382)</b>	<b>(2)</b>
19. Net asset / (liability) position of off- balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
<b>20. Net foreign currency asset/(liability) position (9+18+19)</b>	<b>(648,198)</b>	<b>(1,224)</b>	<b>(31,366)</b>	<b>(2)</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)</b>	<b>(1,167,511)</b>	<b>(1,224)</b>	<b>(57,416)</b>	<b>(2)</b>
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	30,485,676	-	1,733,617	8,315
24. Import	29,184,801	20,646	1,641,054	31,016

(\*) 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 2022 is TL 1,109,404.

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 30 September 2023 and 31 December 2022:

	30 September 2023			
	Profit/loss Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(16,013)	16,013	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>(16,013)</b>	<b>16,013</b>	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(138,316)	138,316	(207,363)	207,363
5- Amount hedged for EUR risk (-)	207,363	(207,363)	-	-
<b>6- EUR net effect (4+5)</b>	<b>69,047</b>	<b>(69,047)</b>	<b>(207,363)</b>	<b>207,363</b>
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability	(3)	3	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
<b>9 Other exchange rates net effect (7+8)</b>	<b>(3)</b>	<b>3</b>	-	-
<b>Total (3+6+9)</b>	<b>53,031</b>	<b>(53,031)</b>	<b>(207,363)</b>	<b>207,363</b>
	31 December 2022			
	Profit/loss Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(2,289)	2,289	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>(2,289)</b>	<b>2,289</b>	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(114,458)	114,422	(227,828)	227,828
5- Amount hedged for EUR risk (-)	227,828	(227,828)	-	-
<b>6- EUR net effect (4+5)</b>	<b>113,370</b>	<b>(113,370)</b>	<b>(227,828)</b>	<b>227,828</b>
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability	(4)	4	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
<b>9 Other exchange rates net effect (7+8)</b>	<b>(4)</b>	<b>4</b>	-	-
<b>Total (3+6+9)</b>	<b>111,077</b>	<b>(111,077)</b>	<b>(227,828)</b>	<b>227,828</b>

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**Liquidity risk**

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

**30 September 2023**

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)
<b>Non-derivative financial liabilities</b>					
Bank loans	6,989,196	7,680,958	3,493,624	3,357,891	829,443
Lease liabilities	24,763	83,848	35,912	33,038	14,898
Trade payables	23,007,647	23,188,064	23,187,414	650	-
Bonds	1,342,934	1,982,898	-	746,781	1,236,117
Employee benefit liabilities	557,842	557,842	557,842	-	-
Other payables	25,966	25,966	25,966	-	-
	<b>31,948,348</b>	<b>33,519,576</b>	<b>27,300,758</b>	<b>4,138,360</b>	<b>2,080,458</b>

**31 December 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)
<b>Non-derivative financial liabilities</b>					
Bank loans	6,398,857	7,007,071	844,581	4,061,810	2,100,680
Lease liabilities	22,281	31,266	2,526	15,185	13,555
Trade payables	19,001,732	19,189,567	19,189,563	4	-
Bonds	538,617	596,053	259,651	336,402	-
Employee benefit liabilities	283,222	283,222	283,222	-	-
Other payables	57,031	57,031	57,031	-	-
	<b>26,301,740</b>	<b>27,164,210</b>	<b>20,636,574</b>	<b>4,413,401</b>	<b>2,114,235</b>

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**NOTE 19 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

***Capital management policy***

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

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 30 September 2023.

Consolidated net financial debt/total equity ratio as of 30 September 2023 and 31 December 2022 is as follows;

	<b>30 September 2023</b>	<b>31 December 2022</b>
Total borrowing	8,356,893	6,959,755
Cash and cash equivalent (-)	(21,581,002)	(12,019,197)
Net financial debt	(13,224,109)	(5,059,442)
Equity	21,230,537	11,313,638
<b>Net financial debt/total equity multiplier</b>	<b>(62%)</b>	<b>(45%)</b>

**NOTE 20 - SUBSEQUENT EVENTS**

None.