Tofaş Türk Otomobil Fabrikası A.Ş.

Convenience translation into English of condensed consolidated financial statements for the interim period 1 January - 30 June 2019

(Originally issued in Turkish)

Building a better working world

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

Report on Review of Interim Condensed Consolidated Financial Statements

To Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi (the Company) and its subsidiaries (the Group) as of June 30, 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

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

Ethem Kutucular, SMMM
Partner

July 31, 2019
İstanbul, Türkiye

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

Tofaş Türk Otomobil Fabrikası A.Ş.
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as of 30 June 2019 and 31 December 2018
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Limited review	*Audited*
	Notes	**30 June 2019**	**31 December 2018**
ASSETS			
Current assets:			
Cash and cash equivalents	3	2,714,382	1,981,012
Financial assets	4	394,570	404,170
Trade receivables			
- Related parties	20	1,461,805	1,059,907
- Third parties	7	770,694	1,037,437
Receivables from finance sector operations	8	1,146,121	1,277,299
Other receivables		7,054	1,385
Inventories	9	1,079,722	1,076,671
Prepaid expenses	13	67,220	79,105
Current tax assets		1,112	8,143
Other current assets	13	79,115	163,168
Total current assets		**7,721,795**	**7,088,297**
Non-current assets:			
Receivables from finance sector operations	8	840,970	1,015,830
Other receivables		200	173
Investment properties		60,500	60,500
Property, plant and equipment	10	2,211,174	2,247,601
Right of use assets		12,817	-
Intangible assets	11	1,497,626	1,579,461
Prepaid expenses	13	40,233	68,334
Deferred tax assets	18	962,538	941,603
Total non-current assets		**5,626,058**	**5,913,502**
Total assets		**13,347,853**	**13,001,799**

These consolidated financial statements for the period ended 1 January - 30 June 2019 have been approved for issue by the Board of Directors on 31 July 2019.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

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

	Notes	*Limited review* 30 June 2019	*Audited* 31 December 2018
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	433,063	443,876
Short-term portion of long-term financial liabilities	5	2,137,119	2,016,875
Trade payables			
- Related parties	20	2,121,853	1,674,894
- Third parties	7	2,194,107	1,619,089
Employee benefit liabilities		90,813	100,188
Other payables		3,966	16,060
Contract liabilities		22,936	20,189
Derivative instruments	6	-	269
Government incentives and grants		3,121	8,374
Deferred income	13	34,199	36,043
Short-term provisions	12	158,292	156,599
Other current liabilities		5,363	5,249
Total current liabilities		**7,204,832**	**6,097,705**
Non-current liabilities:			
Long-term financial liabilities	5	2,429,105	2,971,301
Derivative instruments	6	12,914	16,786
Government incentives and grants		15,682	13,550
Long-term provisions			
- Provisions for employment termination benefits		172,669	*195,902*
Total non-current liabilities		**2,630,370**	**3,197,539**
Total liabilities		**9,835,202**	**9,295,244**
Equity:			
Paid-in share capital		500,000	500,000
Adjustment to share capital		348,382	348,382
Other comprehensive losses not to be reclassified under profit or losses			
- Actuarial loss on employment termination benefit obligation		*(42,570)*	*(37,990)*
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		*(1,118,152)*	*(1,075,625)*
Restricted reserves		366,881	387,363
Retained earnings		2,724,907	2,254,002
Net profit for the year / period		733,203	1,330,423
Total equity		**3,512,651**	**3,706,555**
Total liabilities and equity		**13,347,853**	**13,001,799**

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of profit and loss
for the interım periods ended 30 June 2019 and 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Limited reviewed	*Not limited reviewed*	*Limited reviewed (Reclassified (Note 2.1.2))*	*Not limited reviewed (Reclassified (Note 2.1.2))*
	Notes	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Revenue	14	9,270,476	5,289,026	9,491,563	5,050,438
Cost of sales (-)	14	(8,085,918)	(4,649,286)	(8,405,033)	(4,427,400)
Gross profit from operations		**1,184,558**	**639,740**	**1,086,530**	**623,038**
Revenue from finance sector operations		249,411	122,777	237,356	119,865
Expenses from finance sector operations (-)		(179,982)	(90,787)	(185,173)	(95,903)
Gross profit from finance sector operations		**69,429**	**31,990**	**52,183**	**23,962**
Gross profit		**1,253,987**	**671,730**	**1,138,713**	**647,000**
General administrative expenses (-)	15	(173,815)	(85,315)	(148,814)	(77,286)
Marketing expenses (-)	15	(162,366)	(83,061)	(172,322)	(97,818)
Research and development expenses (-)		(41,958)	(19,582)	(37,414)	(17,971)
Other income from main operations	16	533,472	301,918	807,842	548,065
Other expense from main operations (-)	16	(580,125)	(323,119)	(940,349)	(620,963)
Operating profit before financial income		**829,195**	**462,571**	**647,656**	**381,027**
Income from investing activities		4,645	4,043	3,205	3,072
Operating profit before financial income		**833,840**	**466,614**	650,861	384,099
Financial income	17	466,240	270,229	304,524	142,854
Financial expense (-)	17	(560,662)	(318,200)	(269,621)	(162,142)
Profit before tax		**739,418**	**418,643**	**685,764**	**364,811**
Tax income for the period		**(6,215)**	**(10,181)**	**7,210**	**3,170**
- Taxes on income	18	(13,926)	(5,149)	(12,787)	(6,780)
- Deferred tax income	18	7,711	(5,032)	19,997	9,950
Net profit for the period		**733,203**	**408,462**	**692,974**	**367,981**
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		733,203	408,462	692,974	367,981
Earnings per share (Kr)	19	**1.47**	**0.82**	**1.39**	**0.74**

Consolidated statements of other comprehensive income for the interim periods ended 30 June 2019 and 2018

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

	Limited reviewed	*Not limited reviewed*	*Limited reviewed*	*Not limited reviewed*
	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Net profit for the year	**733,203**	**408,462**	**692,974**	**367,981**
Other comprehensive income:				
Other comprehensive income not to be reclassified under profit and loss				
- Actuarial gain /(loss) on employment termination benefit obligation	(5,790)	(6,990)	9,506	13,848
- Actuarial gain / (loss) on post employment termination benefit obligation, tax effect	1,210	1,461	(1,991)	(2,900)
Other comprehensive income to be reclassified under profit and loss				
- Gain (losses) on cash flow hedges	(54,541)	(23,116)	(334,361)	(188,246)
- Taxes relating to cash flow hedges	12,014	5,100	71,508	40,304
Other comprehensive (loss)	**(47,107)**	**(23,545)**	**(255,338)**	**(136,994)**
Total comprehensive income	**686,096**	**384,917**	**437,636**	**230,987**
Total comprehensive income attributable to:				
Non-controlling interests	-	-	-	-
Parent company interests	**686,096**	**384,917**	**437,636**	**230,987**

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of changes in equity
for the interim periods ended 30 June 2019 and 2018
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss	Retained earnings					
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation	Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
Balances at 1 January 2018	**500,000**	**348,382**	**(36,419)**	**(672,364)**	**309,863**	**1,850,757**	**1,282,818**	**3,583,037**	**-**	**3,583,037**
Adjustment to change in accounting policy	-		-	-	-	(2,073)	-	(2,073)	-	(2,073)
Transfers	-		-	-	77,500	1,205,318	(1,282,818)	-	-	-
Total comprehensive income	-		7,515	(262,853)	-	-	692,974	437,636	-	437,636
Dividends paid	-		-	-	-	(800,000)	-	(800,000)	-	(800,000)
Balances at 30 June 2018	**500,000**	**348,382**	**(28,904)**	**(935,217)**	**387,363**	**2,254,002**	**692,974**	**3,218,600**	**-**	**3,218,600**
Balances at 1 January 2019	**500,000**	**348,382**	**(37,990)**	**(1,075,625)**	**387,363**	**2,254,002**	**1,330,423**	**3,706,555**	**-**	**3,706,555**
Transfers	-	-	-	**-**	**75,865**	**1,254,558**	**(1,330,423)**	**-**	-	-
Total comprehensive income	-	-	**(4,580)**	**(42,527)**	**-**	**-**	**733,203**	**686,096**	-	**686,096**
Dividends paid	-	-	-	**-**	**(96,347)**	**(783,653)**	-	**(880,000)**	-	**(880,000)**
Balances at 30 June 2019	**500,000**	**348,382**	**(42,570)**	**(1,118,152)**	**366,881**	**2,724,907**	**733,203**	**3,512,651**	**-**	**3,512,651**

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

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

	Notes	*Limited Reviewed* 30 June 2019	*Limited Reviewed* 30 June 2018
A. Cash flows from operating activities		**2,441,442**	**969,444**
Net profit for the period		733,203	692,974
Adjustments to reconcile profit for the period		**587,149**	**355,264**
- Adjustments related to depreciation and amortization		369,356	380,726
- Adjustments related to interest income	17	(66,213)	(58,534)
- Adjustments related to provision for inventories	9	2,177	7,552
- Gain on sale of property, plant and equipment		(4,645)	(3,206)
- Provision for employment termination benefits		23,689	17,239
- Adjustments related to warranty provisions	12	33,802	49,152
- Adjustments related to doubtful receivables	7,8	22,006	10,536
-Lawsuit provision / cancellation	12	991	2,490
- Adjustments related to interest expense	17	42,089	41,406
- Adjustments for tax losses/ income	18	6,215	(7,210)
- Due date charges on term purchases and sales	16	40,085	6,849
- Adjustments related to unrealized foreign currency differences		243,399	84,657
- Adjustments related to exchange differences of cash and cash equivalents		(125,802)	(176,393)
Changes in net working capital		**1,219,312**	**(4,613)**
- Change in inventories		(5,228)	(370,332)
- Change in trade receivables		379,670	6,564
- Change in receivables from related parties		(401,898)	(84,285)
- Change in other receivables from operating activities		(5,696)	(4,571)
- Change in trade payables		575,018	267,398
- Change in trade payables due to related parties		271,941	277,493
- Adjustments for increase (decrease) in liabilities arising from customer contracts		2,747	14,133
- Change in receivables from finance sector operations		306,038	(28,434)
- Change in prepaid expenses		39,986	(5,370)
- Change in deferred revenue		(1,844)	(14,296)
- Change in government incentives and grants		(3,121)	(4,187)
- Change in other assets from operating activities		84,053	(28,086)
- Change in other liabilities from operating activities		(18,213)	(51,799)
- Change in fair value gains on derivative financial instruments		(4,141)	21,159
Net cash generated from operating activities		**2,539,664**	**1,043,625**
- Income taxes paid		(6,895)	(14,380)
- Payments related to employment termination benefits		(52,712)	(23,517)
- Other cash inflows (outflows)		(38,615)	(36,284)
B. Cash flows from investing activities		**(171,286)**	**482,309**
- Purchases of tangible assets	10	(168,107)	(119,964)
- Purchases of intangible assets		(86,593)	(88,109)
- Proceeds from sale of tangible and intangible assets		10,428	7,826
- Interest received		63,386	69,262
- Change in financial assets		9,600	613,294
C. Cash flows from financing activities		**(1,657,076)**	**(1,863,540)**
- Proceeds from financial liabilities		692,267	369,120
- Bank loans paid		(1,435,694)	(1,414,898)
- Payment of lease liabilities		(2,702)	-
- Dividends paid		(880,000)	(800,000)
- Interest paid		(39,286)	(12,217)
- Other cash inflows (outflows)		8,339	(5,545)
Net (decrease)/ increase in cash and cash equivalents before the foreign exchange differences from cash and cash equivalents		**613,080**	**(411,787)**
D. Effects of foreign exchange differences on cash and cash equivalents		**125,802**	**176,393**
Net change in cash and cash equivalents		**738,882**	**(235,394)**
E. Cash and cash equivalents at the beginning of the period		**1,960,175**	**2,582,067**
Cash and cash equivalents at the end of the period	**3**	**2,699,057**	**2,346,673**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Tofaş Türk Otomobil Fabrikası A.Ş. (the "Company" or "Tofaş") was established in 1968 as a Turkish-Italian cooperation venture. The core business of the Company is manufacturing, exporting and selling passenger cars and light commercial vehicles. Tofaş, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Fiat, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars, except for Mini Cargo and New Doblo, pursuant to license agreements between the Company and Fiat. The Company has been registered with the Turkish Capital Market Board ("CMB") and quoted on the İstanbul Stock Exchange ("ISE") since 1991. The Company conducts a significant portion of its business with affiliates of Koç Holding and Fiat Group (Note 20).

The Company's subsidiaries as of 30 June 2019 and 31 December 2018 which are subject to consolidation are as follows: Rate of ownership of the Company (%)

		Rate of ownership of the Company (%)	
Name of the company	**Operating area**	**30 June 2019**	**31 December 2018**
Koç Fiat Kredi Finansman A.Ş. ("KFK")	Consumer financing	99,9	99.9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100

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

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

	Average		**Period end**	
	30 June 2019	**30 June 2018**	**30 June 2019**	**31 December 2018**
Hourly-rated	5,640	7,198	5,318	6,018
Monthly-rated	1,666	1,749	1,628	1,721
	7,306	**8,947**	**6,946**	**7,739**

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.

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

2.1 Basis of presentation (Continued)

2.1.1 Financial reporting standards (Continued)

In accordance with the decision taken in the CMB meeting held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

2.1.2 Comparatives and adjustment of prior periods' financial statements

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

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

Gain on sale of property, plant and equipment with the net effect of TRY 3,072 which was under other income and expense from operating activities is reclassified under "Investment activities" and there is no effect on the net profit of the period and the related losses of the related taxation.

Loss on hedging amounting to TRY 188,246 which was under financial income is reclassified to financial expense and there is no effect on the net profit of the period and the related losses of the related taxation.

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

Gain on sale of property, plant and equipment with the net effect of TRY 3,205 which was under other income and expense from operating activities is reclassified under "Investment activities" and there is no effect on the net profit of the period and the related losses of the related taxation.

Loss on hedging amounting to TRY 334,361 which was under financial income is reclassified to financial expense and there is no effect on the net profit of the period and the related losses of the related taxation.

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

2.1 Basis of presentation (Continued)

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

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

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

2.1.3 Functional and reporting currency

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

2.1.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. Minority shares of Tofaş in subsidiaries were not recognized under non-controlling interest ("Minority interest" or "Non-controlling Interests") since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

2.1.5 Significant accounting judgments, estimates and assumptions

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

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

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.

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

2.1.5 Significant accounting judgments, estimates and assumptions (Continued)

b) A specific credit risk provision for loan impairment has been established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

c) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

d) While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost (Note 12).

e) The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment (Note 9).

f) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets (Note 10-11).

g) Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. In determination of deferred tax asset to be recognized, there are certain assumptions and judgments made about future taxable income to be recognized in the future (Note 18).

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

2.2 Amendments in Turkish Financial Reporting Standards

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

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

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

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

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows. the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to TFRS 3)
- Definition of Material (Amendments to TAS 1 and TAS 8)

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

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

2.3 Summary of significant accounting policies

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

The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 30 June 2019 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 31 December 2018. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2018.

2.4 Changes in significant accounting policies

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

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

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

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

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

Transition to TFRS 16:

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

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

The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. The Group has performed a detailed impact assessment of TFRS 16 in 2018. In summary the impact of TFRS 16 adoption is expected to be, as follows:

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

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

	Buildings	Vehicles	Total
As of 1 January 2019	4,818	10,177	14,995
Depreciation expenses	(482)	(1,696)	(2,178)
As of 30 June 2019	4,336	8,481	12,817

Summary of new accounting policies

Right-of-use assets

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

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

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

Lease liabilities (Financial liabilities)

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

Short-term leases and leases of low-value assets

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

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

	Before Change	The effect of new standard	After Change
Right of use assets	-	12,817	12,817
Deferred tax assets	962,281	257	962,538
Short-term portion of long-term financial liabilities	2,131,716	5,403	2,137,119
Long-term financial liabilities	2,420,525	8,580	2,429,105
Cost of sales (-)	(8,086,049)	131	(8,085,918)
General admin expenses (-)	(174,208)	393	(173,815)
Financial expense (-)	(558,972)	(1,690)	(560,662)
Deferred tax income	7,454	257	7,711
Net profit for the period	734,112	(909)	733,203

Tangible and intangible assets:

The Group amortizes its tangible fixed assets and development expenditures related to development projects by using straight-line method in line with the related project lives. As mentioned in the disclosures on KAP made on May 8, 2019 Egea Group / Tipo and MCV amortization period of car development project has been extended until December 31, 2024. Until 31 December 2018, the amortization date of Egea / Tipo and MCV automobile development projects of the Group is 31 December 2023 and the amortization periods have been extended to 31 December 2024 as of the following day. If these changes were not made, the accumulated depreciation and amortization would be TRY 6,953,151 and the current year depreciation and amortization expenses would be TRY 444,575.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash on hand	15	*16*
Due from banks		
- time deposits	2,668,372	*1,907,120*
- demand deposits	45,995	*73,876*
	2,714,382	**1,981,012**

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

	30 June 2019		31 December 2018	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,327,024	1,00-1,30	1,184,283	1,90-2,30
TRY	1,341,348	23,50-24,60	722,837	23,00-23,25
	2,668,372		**1,907,120**	

As of 30 June 2019, the maturities of time deposits vary between 3 and 32 days (31 December 2018: between 2 and 29 days).

As of 30 June 2019, the cash at banks comprise time and demand deposits amounting to TRY 1,260,382 (31 December 2018: TRY 1,556,962) which are deposited at a bank which is a related party of the Group.

As of 30 June 2019 and 2018, the reserves of cash and cash equivalent in cash flow statement;

	30 June 2019	30 June 2018
Cash and banks	2,714,382	2,385,104
Less: interest accruals	(3,994)	(1,813)
Less: restricted cash	(11,331)	(36,618)
	2,699,057	**2,346,673**

NOTE 4 - FINANCIAL ASSETS

a) Short-term financial assets:

As of 30 June 2019 short-term financial assets of the Group consist of time deposits amounting TRY 393,906 with a maturity of 119 days bearing an interest rate of %1.55. – 1,75 ((31 December 2018: TRY 403,180 with a maturity of 118-119 days bearing an interest rate of %2.65. – 2.90).

b) Available for sale financial investments:

As of 30 June 2019, the Group has available for sale financial investments amounting to TRY 664 (31 December 2018: TRY 990).

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

NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	30 June 2019			31 December 2018		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	60,000	393,042	0,40	67,000	403,876	0,40
Borrowings in TRY (*)	-	40,021	38	-	40,000	38
		433,063			**443,876**	

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

	30 June 2019			31 December 2018		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	1,051,782	14,86-39,38	-	857,278	13,97-39,38
Borrowings in EUR	149,314	978,109	Eurobior + %0,55 Eurobior + %2,90	150,024	904,344	Euribor + %0,55 Euribor + %2,90
Bonds (1,2)	-	101,825	15,86-27,52	-	255,253	14,85 - 18,76
Borrowings in lease liability	-	5,403	-	-	-	-
		2,137,119			**2,016,875**	

c) Long-term financial liabilities

	30 June 2019			31 December 2018		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	240,002	1,572,184	Eurobior +%0,55 Eurobior + %2,90	307,559	1,853,966	Euribor + %0,55 Euribor + %2,90
Borrowings in TRY (*)	-	757,218	14,86-39,38	-	1,014,836	13,97-39,38
Bonds (1,2)	-	91,123	15,86-27,52	-	102,499	14,85 - 18,76
Borrowings in lease liability	-	8,580	-	-	-	-
		2,429,105			**2,971,301**	

(*) The short and long-term bank borrowings which are denominated in TRY amounting to TRY 1,849,000 (31 December 2018, TRY 1,912,114) obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 30 June 2019 and 31 December 2018.

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

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

(2) In accordance with the minutes of Board of Directors meeting held on 9 November 2018, based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 13 June 2019, with a nominal amount of TRY 90,000 and at an interest rate by 27.52%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

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

As of 30 June 2019, TRY 543,470 (31 December 2018: TRY 737,491) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group.

The redemption schedule of the long-term bank borrowings and bonds as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	**31 December 2018**
1-2 years	1,516,766	1,510,881
2-3 years	669,888	1,012,747
3-4 years	233,871	447,673
	2,420,525	**2,971,301**

The carrying amount of loans received from Eximbank in June 2019 is TRY 393,042 (equivalent of EUR 60,000) in the condensed consolidated financial statements (31 December 2018: TRY 403,876 (equivalent of EUR 67,000)).

The Group has obtained a credit by TRY 90,072 (equivalent of EUR 13,750 thousand) (31 December 2018: TRY 110,513 (equivalent of EUR 18,333 thousand)) at 9 December 2014 from European Investment Bank (EIB) with a maturity until 2020 in order to use in "New Sedan R&D" projects as of 31 December 2018.

The Company has obtained a working capital loan from HSBC PLC on 31 March 2014 amounting to TRY 54,589 (equivalent of EUR 8,333 thousand) (31 December 2018: TRY 75,350 (equivalent of EUR 12,499 thousand)) which has a maturity until 2020.

NOTE 5 - FINANCIAL LIABILITIES (Continued)

The Group signed the long-term external financing amounting by EUR 250 million with HSBC Bank plc, J.P. Morgan Limited, Societe General and BNP Paribas as authorized regulators and HSBC Bank plc, J.P Morgan Limited/ JPMorganChase Bank N.A London Branch, Societe General and BNP Paribas Fortis SA/NV as creditor, HSBC Bank Plc as coordinator corporation and BNP Paribas Fortis SA/NV as per procuration on 17 February 2015, the carrying amount of aforementioned loan which is used on Doblo FL and US projects investments in the consolidated balance sheet is TRY 584,883 (equivalent of EUR 89.285) (31 December 2018: TRY 645,857 (equivalent of EUR 107,142)).

At 11 August 2015, a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank, A Branch Of Ing-Diba Ag as creditor, HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 200,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months, which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 2.4%. As of 30 June 2019 the remaining amount is TRY 705,460 (the equivalent of EUR 107,692 thousand). (31 December 2018: TRY 741,907 (equivalent of EUR 123,076)).

At 26 May 2017 a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank, A Branch Of Ing-Diba Ag as creditor, HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 70,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months, which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 1.91%. As of 30 June 2019 the remaining amount is TRY 291,803 (the equivalent of EUR 44,545 thousand).

The Group signed the loan agreement amounting to EUR 200 million with European Bank for Reconstruction and Development, HSBC Bank Plc and Bank of America, N.A., London Branch as authorized regulators and as per procuration of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, Yearly total cost will be 6 months Euribor + 2.3%. EUR100 million of the total loan has been used as of 5 November 2015 and the remaining EUR 100 million is used on March 2016. The remaining balance of the loan which is used Egea Hatchback and Station Wagon projects investments as of 30 June 2019 is TRY 705,460 (EUR 107,692 thousand in equivalent in TRY) (31 December 2018: TRY 741,907 (equivalent of EUR 123,076 thousand).

The Group signed the loan agreement amounting to EUR 44,300 thousand with Citibank NA Jersey for, MCV FL project as of 24 May 2016. Yearly total cost will be 5 years Euribor + 1.80%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 116,078 (equivalent of EUR 17,720 thousand) as of 30 June 2019 (31 December 2018: TRY133,520 (equivalent of EUR 22,150 thousand).

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

NOT 6 – DERIVATIVE ASSETS AND LIABILITIES

	30 June 2019				31 December 2018			
	Fair value				Fair value			
	Purchase contract amount	**Sale contract amount**	**Assets**	**Liabilities**	Purchase contract amount	Sale contract amount	**Assets**	**Liabilities**
Cash Flow Hege								
Interest rate swap	**2,287,608**	**2,287,608**	**-**	**12,914**	2,436,553	2,436,553	-	17,055
	2,287,608	**2,287,608**	**-**	**12,914**	2,436,553	2,436,553	-	17,055

The Group has swap transactions that consist of repayments of borrowings with fixed interest rate and repayments of borrowings with floating interest rate in order to hedge its cash flow risk as of 30 June 2019 (31 December 2018: None).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	30 June 2019	**31 December 2018**
Trade receivables	786,180	1,061,316
Doubtful trade receivables	11,173	8,628
Less: provision for doubtful receivables	(10,794)	(8,410)
Less: unearned credit finance income	(15,865)	(24,097)
	770,694	**1,037,437**

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

	2019	**2018**
1 January	8,410	7,146
Expected loss provision	(162)	-
Current year provision	2,546	3,263
30 June	**10,794**	**10,409**

Collaterals received related with trade receivables

As of 30 June 2019, the letter of guarantees amounting to TRY 76,267 guarantee cheques and notes amounting to TRY 2,274 mortgages amounting to TRY 40,248 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 707,976 respectively (31 December 2018: letter of guarantees amounting to TRY 121,066, guarantee cheques and notes amounting to TRY 2,274, mortgages amounting to TRY 40,428 and direct debit system limit amounting to TRY 776,299).

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

b)Trade payables

	30 June 2019	31 December 2018
Trade payables	2,229,716	1,662,085
Less: not accrued credit finance expense	(35,609)	(42,996)
	2,194,107	**1,619,089**

NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	30 June 2019	31 December 2018
Short-term consumer financing loans	1,102,458	1,256,948
Non-performing loans	109,620	81,272
	1,212,078	**1,338,220**
Provision for specific loan impairment	(64,876)	(50,136)
Provision for general loan impairment	(1,081)	(10,785)
Total	**1,146,121**	**1,277,299**
Long-term consumer financing loans	862,290	1,026,248
Provision for general loan impairment	(21,320)	(10,418)
Total	**840,970**	**1,015,830**

As of 30 June 2019, TRY denominated loans originated by the Group bear interest rates ranging between %0,01- %3,29 per month (31 December 2018: between %0,01 - %3,29).

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

Years	30 June 2019	31 December 2018
1 to 2 years	562,930	634,955
2 to 3 years	236,913	314,056
3 to 4 years	39,846	66,680
4 years and more	1,281	139
	840,970	**1,015,830**

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

NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movements in the allowance for loan impairment are as follows:

	2019	2018
1 January	71,339	66,512
Current year provision	19,622	7,273
Recoveries from loans under follow-up	(3,684)	(3,308)
30 June	**87,277**	**70,477**

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. As of 30 June 2019, the fair value of guarantees obtained for the consumer loans amounting to TRY 2,446,171 (31 December 2018: TRY 2,823,106). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY 48,356 (31 December 2018: TRY 32,331) as of 30 June 2019.

NOTE 9 – INVENTORIES

	30 June 2019	31 December 2018
Raw materials	308,451	286,344
Work-in-progress	205,814	241,445
Finished goods	162,407	167,045
Imported vehicles	76,280	193,379
Spare parts	83,002	89,948
Goods in transit	275,215	127,780
Less: provision for impairment on inventories	(31,447)	(29,270)
Total	**1,079,722**	**1,076,671**

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

	2019	2018
1 January	29,270	28,518
Current year provision, net	2,177	7,552
30 June	**31,447**	**36,070**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

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

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	511,106	5,232,926	667,254	77,919	12,750	51,568	6,553,523
Accumulated depreciation	(244,267)	(3,572,936)	(424,320)	(55,776)	(8,623)	-	(4,305,922)
Net book value	**266,839**	**1,659,990**	**242,934**	**22,143**	**4,127**	**51,568**	**2,247,601**
1 January 2019, net book value							
Additions	-	-	289	784	-	167,034	168,107
Disposals	-	(1,780)	(621)	(10,879)	-	-	(13,280)
Disposal - Depreciation	-	1,245	578	5,673	-	-	7,496
Transfers	2,165	82,120	14,596	22,133	8	(121,022)	-
Depreciation charge for the period	(5,265)	(161,478)	(26,127)	(5,678)	(202)	-	(198,750)
30 June 2019, net book value	**263,739**	**1,580,097**	**231,649**	**34,176**	**3,933**	**97,580**	**2,211,174**
As of 30 June 2019							
Cost	513,271	5,313,266	681,518	89,957	12,758	97,580	6,708,350
Accumulated depreciation	(249,532)	(3,733,169)	(449,869)	(55,781)	(8,825)	-	(4,497,176)
30 June 2019, net book value	**263,739**	**1,580,097**	**231,649**	**34,176**	**3,933**	**97,580**	**2,211,174**

As of 30 June 2019, there are no pledges or collaterals on property, plant and equipment (31 December 2018: None).

As of 30 June 2019, there is insurance coverage amounting to TRY 10,082,182 on property, plant and equipment (30 June 2018: TRY 7,149,870).

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	462,845	5,076,831	612,861	77,123	12,623	15,325	6,257,608
Accumulated depreciation	(235,129)	(3,234,845)	(379,527)	(50,661)	(7,427)	-	(3,907,589)
Net book value	**227,716**	**1,841,986**	**233,334**	**26,462**	**5,196**	**15,325**	**2,350,019**
1 January 2018, net book value							
Additions	-	-	62	780	46	119,076	119,964
Disposals	-	(4,696)	(2,017)	(7,141)	-	-	(13,854)
Disposal - Depreciation	-	4,519	1,790	2,925	-	-	9,234
Transfers	12,464	63,452	13,712	9,506	-	(99,134)	-
Depreciation charge for the period	(4,535)	(167,594)	(24,968)	(5,305)	(670)	-	(203,072)
30 June 2018, net book value	**235,645**	**1,737,667**	**221,913**	**27,227**	**4,572**	**35,267**	**2,262,291**
As of 30 June 2018							
Cost	475,309	5,135,587	624,618	80,268	12,669	35,267	6,363,718
Accumulated depreciation	(239,664)	(3,397,920)	(402,705)	(53,041)	(8,097)	-	(4,101,427)
30 June 2018, net book value	**235,645**	**1,737,667**	**221,913**	**27,227**	**4,572**	**35,267**	**2,262,291**

As of 30 June 2018 there are no pledges or collaterals on property, plant and equipment (31 December 2017: None).

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

NOTE 11 - INTANGIBLE ASSETS

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

	Licenses fee and development costs	Other	Total
As of 1 January			
Cost	3,647,513	144,276	3,791,789
Accumulated amortization	(2,118,750)	(93,578)	(2,212,328)
Net book value	**1,528,763**	**50,698**	**1,579,461**
1 January 2019, net book value			
Additions	90,585	2,024	92,609
Amortization charge for the period	(169,013)	(5,431)	(174,444)
30 June 2019, net book value	**1,450,335**	**47,291**	**1,497,626**
As of 30 June 2019			
Cost	3,738,098	146,300	3,884,398
Accumulated amortization	(2,287,763)	(99,009)	(2,386,772)
30 June 2019, net book value	**1,450,335**	**47,291**	**1,497,626**

	Licenses fee and development costs	Other	Total
As of 1 January			
Cost	3,427,131	117,031	3,544,162
Accumulated amortization	(1,755,879)	(84,418)	(1,840,297)
Net book value	**1,671,252**	**32,613**	**1,703,865**
1 January 2018, net book value			
Additions	95,807	1,269	97,076
Amortization charge for the period	(182,189)	(4,432)	(186,621)
30 June 2018, net book value	**1,584,870**	**29,450**	**1,614,320**
As of 30 June 2018			
Cost	3,522,938	118,300	3,641,238
Accumulated amortization	(1,938,068)	(88,850)	(2,026,918)
30 June 2018, net book value	**1,584,870**	**29,450**	**1,614,320**

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

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	30 June 2019	31 December 2018
Provision for warranty claims	143,143	147,956
Provision for legal cases	9,350	8,359
Other	5,799	284
	158,292	**156,599**

Movement of the warranty provision is as follows:

	2019	2018
1 January	147,956	135,401
Paid during the period	(38,615)	(38,262)
Increase during the period	33,802	49,152
The effect of TFRS 15	-	(6,491)
30 June	**143,143**	**139,800**

Movement of the provision for litigation is as follows:

	2019	2018
1 January	8,359	7,754
Increase during the period	991	2,490
30 June	**9,350**	**10,244**

Litigations against the Group

As of 30 June 2019 the total amount of outstanding legal claims brought against the Group is TRY 13,743 (31 December 2018: TRY 15,092). The Group has reflected a reserve amounting to TRY 9,350 (31 December 2018: TRY 8,359) in the financial statements.

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

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

Guarantees provided by the Group:

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019			31 December 2018		
	TRY equivalent	EUR	TRY	TRY equivalent	EUR	TRY
A, Total amount of guarantees provided by the Company on behalf of itself	699,306	62,000	293,163	458,629	37,000	235,593
B, Total amount of guarantees provided on behalf of the associates accounted				-	-	-
under full consolidation method	-	-	-			
C, Provided on behalf of third parties in order to maintain operating activities				-	-	-
(to secure third party payables)	-	-	-	-	-	-
D, Other guarantees given	-	-	-			
i) Total amount of guarantees given	-	-	-	-	-	-
on behalf of the parent Company	-	-	-	-	-	-
i) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C				-	-	-
ii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	**699,306**	**62,000**	**293,163**	**458,629**	**37,000**	**235,593**

As of 30 June 2019 and 31 December 2018, the ratio of guarantees given by the Group on behalf of third parties or on behalf of its parent/associates to total equity is zero.

Other

As of 30 June 2019 the Group has realized USD 3,009,334,680 of export commitments numbered 2017/D1-03216 dated 23 May 2017 to be realized in connection with the export incentive certificates amounting to USD 3,055,356,251.27. The Group has realized USD 1,866,984,580 of export commitments in connection with the export incentive certificates amounting to USD 1,445,920,978.53 (document has expired, in the closing stage). The Group has realized USD 3,237,972,000 of export commitments numbered 2018/D1-02520 dated 18 April 2018 to be realized until 17 October 2019 in connection with the export incentive certificates amounting to USD 2,608,898,536. In connection with the export incentive certificates amounting to USD 1,760,949,630 the Group has realized USD 943,184,817.57.

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

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

a) Other current assets

	30 June 2019	31 December 2018
Value Added Tax ("VAT")	73,002	
Accrued Social Security Institution Incentives	61	
Other	6,052	
	79,115	

b) Short-term prepaid expenses

	30 June 2019	31 December 2018
Credit commission expenses (*)	32,481	
Advances given	1,867	
Other	32,872	
	67,220	

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

c) Non-current prepaid expenses

As of 30 June 2019, TRY 40,233 (31 December 2018: TRY 68,334) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 29,479 (31 December 2018, TRY 67,110).

d) Deferred income

As of June 30, 2019, TRY 34,199 of the deferred income amounting to TRY 19,426 (December 31, 2018: TRY 36,043) consists of the received intelligence income in advance of the KFK, consumer receivables amounting to TRY 7,498, amounting TRY 7,275 is advances received.

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

NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April- 30 June 2018
Export sales	7,053,249	4,034,339	7,285,657	3,845,934
Domestic sales	2,118,502	1,199,239	2,113,984	1,152,637
Other income	98,725	55,448	91,922	51,867
	9,270,476	**5,289,026**	**9,491,563**	**5,050,438**

b) Production and sales quantities

		Production		Sales
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Manufactured vehicles				
New Doblo	41,195	60,510	41,307	59,010
Egea	31,625	29,335	32,075	31,249
Egea Hatchback	22,354	29,858	22,226	29,617
MCV	21,672	31,112	21,727	30,059
Egea Stationwagon	15,085	24,323	15,058	24,092
Linea	-	-	-	1,461
	131,931	**175,138**	**132,393**	**175,488**

				Import
	30 June 2019	**30 June 2018**	**30 June 2019**	**30 June 2018**
Imported vehicles				
Ducato	447	710	525	1,186
Jeep	236	1,828	892	1,331
Panda Futura	50	55	42	50
Fiat 500	36	366	423	429
Transit sales	36	-	36	17
Maserati	17	31	24	28
Ferrari	13	9	13	9
Alfa Romeo	-	311	189	103
Fullback	-	3	-	8
Grande Punto	-	2	-	78
Fiat Spider	-	-	-	5
	835	**3,315**	**2,144**	**3,244**

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

NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	**1 January - 30 June 2019**	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Direct material expense	(6,803,984)	(4,141,216)	(7,140,536)	(3,916,418)
Depreciation and amortization expense	(349,794)	(142,724)	(365,670)	(185,673)
Direct labor expense	(123,210)	(67,913)	(140,068)	(68,900)
Other production expenses	(283,928)	(152,501)	(250,901)	(125,153)
Total cost of production	**(7,560,916)**	**(4,504,354)**	**(7,897,175)**	**(4,296,144)**
Change in work-in-process	(35,631)	49,472	(65,829)	55,464
Change in finished goods	(4,638)	67,517	69,449	79,924
Cost of merchandise sold	(484,643)	(261,866)	(510,975)	(266,502)
Cost of other sales	(90)	(55)	(503)	(142)
	(8,085,918)	**(4,649,286)**	**(8,405,033)**	**(4,427,400)**

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

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Marketing expenses	(162,366)	(83,061)	(172,322)	(97,818)
General administrative expenses	(173,815)	(85,315)	(148,814)	(77,286)
Research and development expenses	(41,958)	(19,582)	(37,414)	(17,971)
	(378,139)	**(187,958)**	**(358,550)**	**(193,075)**

a) Marketing Expenses

	1 January - 30 June 2019	**1 April - 30 June 2019**	**1 January - 30 June 2018**	**1 April - 30 June 2018**
Personnel expenses	(45,079)	(22,772)	(34,168)	(16,597)
Warranty expenses	(33,802)	(18,823)	(49,152)	(28,928)
Transportation and insurance expenses	(28,236)	(13,269)	(30,976)	(17,648)
Advertisement expenses	(27,020)	(13,224)	(28,095)	(18,197)
Exhibition-fair expenses	(3,053)	(3,053)	(2,393)	(1,715)
Depreciation and amortization expenses	(2,073)	(543)	(2,087)	(1,100)
Other	(23,103)	(11,377)	(25,451)	(13,633)
	(162,366)	**(83,061)**	**(172,322)**	**(97,818)**

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

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

b) General and administrative expenses

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expense	(69,354)	(33,739)	(59,682)	(29,723)
IT expenses	(22,299)	(10,315)	(17,748)	(9,535)
Depreciation and amortization expenses	(16,002)	(8,854)	(12,969)	(6,294)
Outsourcing expenses	(15,801)	(8,488)	(14,466)	(7,009)
Insurance expenses	(5,076)	(2,569)	(3,269)	(1,634)
Travel expenses	(4,561)	(2,550)	(3,730)	(1,936)
Duties, taxes and levies	(3,130)	(993)	(3,007)	(1,063)
Other	(37,592)	(17,807)	(33,943)	(20,092)
	(173,815)	**(85,315)**	**(148,814)**	**(77,286)**

NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange gains on operating activities	377,808	223,115	699,634	491,309
Interest income on operating activities	134,933	72,722	82,788	44,112
Other	20,731	6,081	25,420	12,644
	533,472	**301,918**	**807,842**	**548,065**

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange loss on operating activities	(357,217)	(195,838)	(824,509)	(551,218)
Interest expense on operating activities	(175,018)	(100,483)	(89,637)	(47,889)
Other	(47,890)	(26,798)	(26,203)	(21,856)
	(580,125)	**(323,119)**	**(940,349)**	**(620,963)**

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

NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange gains	400,027	235,347	240,225	119,155
Interest income	66,213	34,882	58,534	18,770
Gain on derivative financial instruments	-	-	5,765	4,929
Total financial income	**466,240**	**270,229**	**304,524**	**142,854**
Foreign exchange losses	(513,686)	(297,002)	(227,055)	(139,045)
Interest expenses	(42,089)	(22,552)	(41,406)	(22,517)
Loss on derivative financial instruments	(3,727)	1,100	-	-
Other	(1,160)	254	(1,160)	(580)
Total financial expenses	**(560,662)**	**(318,200)**	**(269,621)**	**(162,142)**
Net financial income / (expenses)	**(94,422)**	**(47,971)**	**34,903**	**(19,288)**

NOTE 18 - TAX ASSETS AND LIABILITIES

General

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

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

In addition, temporary taxes are levied at a rate of 22% (22% for taxation periods of 2018, 2019 and 2020) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of June 30, 2019 and December 31, 2018, the tax provision has been set aside under the current tax legislation.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statements of financial position accounts prepared. Deferred tax is calculated using tax rates that are currently in effect as of the date of the statement of financial position.

As of 1January 2019, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for the deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

General

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

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

Tax assets and liabilities

Corporation tax

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

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article institutions in 2018, 2019 and the taxation period in 2020 (related to corporate defined special accounting period (for the fiscal periods starting within the year) will be applied as 22% for the corporate earnings (2018 - 20%). Institutional tax rate is applied to the income of corporations in the net income which will be deducted from the commercial income according to the tax legislation and deduction of the exemptions and discounts in the tax laws. The corporate tax is declared until the evening of the thirtieth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month.

Corporations declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, until the 17th day of the second month following that period and pay till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the prepaid tax amount remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

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

15% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Corporation tax

Turkish tax legislation does not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaries included in the scope of consolidation. On the statement of financial position as of June 30, 2019 and December 31, 2018, taxes payable is netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Current year corporate tax	(13,926)	(5,149)	(12,787)	(6,780)
Less: prepaid corporate tax (-)	7,711	(5,032)	19,997	9,950
Prepaid income tax	**(6,215)**	**(10,181)**	**7,210**	**3,170**

b) Deferred tax assets and liabilities

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Reduced corporate tax (*)	2,413,310	2,244,811	1,125,511	1,066,002
Provision for employee termination benefits and unused vacation	184,094	206,432	38,526	43,190
Warranty provisions	143,143	147,956	30,592	31,651
Inventories	43,269	50,584	9,519	11,128
Contract liabilities	22,936	20,189	5,046	4,442
Deferred income	18,803	21,923	4,137	4,823
Property, plant and equipment and intangibles	(1,160,115)	(1,023,470)	(240,287)	(211,985)
Other	(113,948)	(98,659)	(10,506)	(7,648)
Deferred tax assets, net			**962,538**	**941,603**

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

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	2019	**2018**
Deferred tax asset at 1 January	941,603	769,448
Deferred tax income	7,711	19,997
Other comprehensive income	13,224	69,517
Net gain / (loss) on post-employment termination benefit obligation attributable to equity	*1,210*	*(1,991)*
Net gain / (loss) on cash flow hedging attributable to equity (*)	*12,014*	*71,508*
As of 30 June	**962,538**	**858,962**

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

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

	1 January - 30 June 2019	**1 January - 30 June 2018**
Profit before tax	739,418	685,764
Income tax charge at effective tax rate (22%)	(162,672)	(150,868)
Non-deductible expenses	956	(389)
Research and development incentive expenditures during the period	21,208	19,217
Effect of investment incentive, net	73,981	29,661
Used and earned investment incentive	59,509	111,307
Other	803	(1,718)
	(6,215)	**7,210**

NOTE 19 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 30 June 2019 and 2018, the weighted average number of shares outstanding is 50,000,000,000 and as of 30 June 2019 and 2018 earnings per share is Kr 1,47 and 1,39 respectively.

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	30 June 2019	31 December 2018
Yapı ve Kredi Bank A.Ş. (deposit) [1]	1,260,382	1,556,962
Yapı ve Kredi Bank A.Ş. (financial loan) [1]	(543,470)	(737,491)

Trade receivables due from related parties	30 June 2019	31 December 2018
Fiat [2]	**1,159,534**	570,692
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	**304,465**	501,049
Other [1]	**1,282**	4,009
Less: Unearned credit finance income	**(3,476)**	(15,843)
	1,461,805	**1,059,907**

Trade payables due to related parties	30 June 2019	31 December 2018
Fiat [2]	**2,031,756**	1,573,080
Other [1]	**92,373**	104,461
Less: Unearned credit finance expense	**(2,276)**	(2,647)
	2,121,853	**1,674,894**

Related party transactions

Sales

	1January– 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Fiat [2]	6,814,255	4,056,499	7,143,034	3,769,885
Otokoç Otomotiv Tic. ve San. A.Ş. [1]	823,508	454,619	822,630	429,811
Other [1]	21,479	10,966	79,792	12,378
	7,659,242	**4,522,084**	**8,045,456**	**4,212,074**

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

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

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

Domestic goods and services purchases

	1January– 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Ram Dış Ticaret A.Ş. (1)	168,097	107,876	204,725	96,202
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	76,764	51,546	48,239	31,921
Magneti Marelli Mako Elektrik Sanayi ve Ticaret A.Ş. (1)	67,577	21,436	106,365	55,378
Matay Otomotiv Yan Sanayi ve Tic. A.Ş. (1)	48,223	15,103	55,607	28,653
Zer Merkezi Hiz. Ve Tic. A.Ş. (1)	48,112	31,244	66,051	41,791
Plastiform Plastik San. Tic. A.Ş. (1)	29,316	13,538	26,252	14,129
Sistemi Comandi Meccanici Otomotiv Sanayi ve Ticaret A.Ş. (1)	23,230	13,398	23,736	12,873
Magneti Marelli Süspansiyon Sistemleri Tic. Ltd. Şti. (1)	14,432	4,480	22,133	12,221
Koç Holding (2) (*)	13,002	10,017	5,411	2,706
Setur Servis Turistik A.Ş. (1)	4,919	1,975	9,091	5,887
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.(1)	8,254	5,410	4,481	2,436
Opet Fuchs Madeni Yağlar Tic. A.Ş. (1)	8,125	3,595	7,088	3,951
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. (1)	6,029	3,449	6,224	3,437
Other (1)	19,021	12,078	26,517	7,753
	535,101	**295,145**	**611,920**	**319,338**

(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:

	1January– 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Fiat (2)	3,766,784	2,245,107	4,350,337	2,302,081
Diğer (1)	16,829	2,326	26,049	14,198
	3,783,613	**2,247,433**	**4,376,386**	**2,316,279**

Interest income from related parties, for the three-month period ended 30 June 2019 is TRY 10,596 (30 June 2018: TRY 30,849).

Salaries and similar benefits paid to the top management consisting of 31 persons (30 June 2018: 32 persons) for the three-month period of 2019 is TRY 13,919 (30 June 2018: TRY 8,052).

Furthermore, as of 30 June 2019, wholly owned subsidiary KFK has sold through related party the exclusive issuance of bonds and treasury bills to related parties. It is accounted under other financial liabilities with a carrying amount of TRY 93,430 (31 December 2018: TRY 282,535).

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Credit risk

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

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

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

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

Types of credit exposed by types of financial instruments;

	Trade receivables					
30 June 2019	**Related parties**	**Other parties**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Receivables from finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D) [1]	**1,461,805**	**770,694**	**7,054**	**2,714,382**	**394,570**	**1,987,091**
- Maximum risk secured by guarantee [2]	33,700	793,245	-	-	-	2,473,989
A. Net book value of financial assets neither overdue nor impaired	1,457,926	716,753	7,054	2,714,382	394,570	1,912,633
- Maximum risk secured by guarantee	33,700	758,539	-	-	-	2,444,572
B. Net book value of assets overdue but not impaired	3,879	53,562	-	-	-	29,714
- Maximum risk secured by guarantee	-	34,706	-	-	-	29,417
C. Net book value of impaired assets	-	379	-	-	-	44,744
- Overdue (gross book value)	-	11,173	-	-	-	109,620
- Impairment (-)	-	(10,794)	-	-	-	(64,876)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	48,356
D. Off- balance sheet items having credit risk	-	-	-	-	-	-

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

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount
(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers

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

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

Aging analysis of trade receivables

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

30 June 2019	Trade receivables
1- 30 days past due	18,031
1- 3 months past due	27,143
3- 12 months past due	32,621
1- 5 years past due	9,360
Total	87,155
31 December 2018	
1- 30 days past due	29,164
1- 3 months past due	21,221
3- 12 months past due	32,796
1- 5 years past due	7,223
	90,404

Amount secured with guarantees

As of 30 June 2019, TRY 3,430 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2018: TRY 1,379), As of 30 June 2019, the Group's payables to Fiat amount to TRY 2,031,756 (31 December 2018: TRY 1,573,080).

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

As explained in detail in Note 5, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Doblo and Mini Cargo are guaranteed by Fiat through future purchases. As of 30 June 2019, loans obtained related with Doblo vehicle project have entirely been repaid. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Egea Station wagon/Hatchback vehicles is undertaken by Fiat.

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

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

30 June 2019	**TRY equivalent (functional currency)**	**USD**	**EUR**	**Other**
1. Trade receivables	1,174,514	108	179,201	-
2a. Monetary financial assets (including cash, bank accounts)	1,727,484	26	263,687	-
2b Non-monetary financial assets	46,877	-	7,156	-
3. Other	4,245	-	648	-
4. Current assets (1+2+3)	**2,953,120**	**134**	**450,692**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	44,722	-	6,827	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**44,722**	**-**	**6,827**	**-**
9. Total assets (4+8)	**2,997,842**	**134**	**457,519**	**-**
10. Trade payables	(2,133,914)	(1,782)	(324,188)	-
11. Financial liabilities	(1,371,153)	-	(209,314)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(15,702)	-	(2,397)	-
13. Current liabilities (10+11+12)	**(3,520,769)**	**(1,782)**	**(535,899)**	**-**
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,572,181)	-	(240,002)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(1,572,181)**	**-**	**(240,002)**	**-**
18. Total liabilities (13+17)	**(5,092,950)**	**(1,782)**	**(775,901)**	**-**
19. Net asset / (liability) position of off-balance sheet derivative instruments	**-**	**-**	**-**	**-**
(19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount				
20. Net foreign currency asset/(liability) position (9+18+19)	**(2,095,108)**	**(1,648)**	**(318,382)**	**-**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	**(2,171,005)**	**(1,648)**	**(329,968)**	**-**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	7,084,647	-	1,110,155	631
24. Import	3,959,023	9,008	609,715	818

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 30 June 2019 is TRY 252,819 long foreign currency position.

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

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

31 December 2018	**TRY equivalent (functional currency)**	**USD**	**EUR**	**Other**
1. Trade receivables	567,414	89	94,052	-
2a. Monetary financial assets (including cash, bank accounts)	1,591,761	6	264,056	-
2b. Non-monetary financial assets	136,227	-	22,599	-
3. Other	9,018	-	1,496	-
4. Current assets (1+2+3)	**2,304,420**	**95**	**382,203**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	60,280	-	10,000	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	**60,280**	**-**	**10,000**	**-**
9. Total assets (4+8)	**2,364,700**	**95**	**392,203**	**-**
10. Trade payables	(1,544,337)	(1,088)	(255,244)	(2)
11. Financial liabilities	(1,308,221)	-	(217,024)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(645)	-	(107)	-
13. Current liabilities (10+11+12)	**(2,853,203)**	**(1,088)**	**(472,375)**	**(2)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,853,966)	-	(307,559)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(1,853,966)**	**-**	**(307,559)**	**-**
18. Total liabilities (13+17)	**(4,707,169)**	**(1,088)**	**(779,934)**	**(2)**
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**(2,342,469)**	**(993)**	**(387,731)**	**(2)**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	**(2,538,331)**	**(993)**	**(420,223)**	**(2)**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	14,517,284		2,585,665	
24. Import	8,283,269	5,207	1,493,744	132

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

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

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

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 30 June 2019 and 31 December 2018:

	30 June 2019			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TRY:				
1- USD net asset/liability	(948)	948	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(948)**	**948**	**-**	**-**
In case 10% appreciation of EUR against TRY:				
4- EUR net asset/liability	(216,152)	216,152	-	-
5- Amount hedged for EUR risk (-)	268,622	(268,622)	-	-
6- EUR net effect (4+5)	**52,470**	**(52,470)**	**-**	**-**
In case 10% appreciation of other exchange rates against TRY				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
Total (3+6+9)	**51,522**	**(51,522)**	**-**	**-**

	31 December 2018			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation of USD against TRY:				
1- USD net asset/liability	(522)	522	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(522)**	**522**	**-**	**-**
In case 10% appreciation of EUR against TRY:				
4- EUR net asset/liability	(253,310)	253,310	-	-
5- Amount hedged for EUR risk (-)	278,330	(278,330)	-	-
6- EUR net effect (4+5)	**25,020**	**(25,020)**	**-**	**-**
In case 10% appreciation of other exchange rates against TRY				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	**-**	**-**	**-**	**-**
Total (3+6+9)	**24,498**	**(24,498)**	**-**	**-**

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

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

Interest rate risk

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

As of 30 June 2019 and 31 December 2018, the effect of +/- 0,5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	1 January - 30 June 2019	**1 January - 31 December 2018**
Change in interest rates	**0,50**	0,50
Effect on net income before for taxes	**(383)**	(456)

Liquidity risk

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

30 June 2019

Expected maturities	**Book value**	**Total cash outflow per agreement (=I+II+III+IV)**	**Less than 3 months (I)**	**Between 3-12 months (II)**	**Between 1 - 5 years (III)**	**Over 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	4,792,356	5,152,412	395,118	2,174,882	2,582,412	-
Lease liabilities	13,983	13,983	1,351	4,052	8,580	-
Trade payables	4,315,960	4,353,575	3,162,811	1,190,764	-	-
Bonds	192,948	255,186	6,176	134,305	114,705	-
Employee benefit liabilities	90,813	90,813	90,813	-	-	-
Other payables	3,966	3,966	3,966	-	-	-
	9,410,026	9,869,935	3,660,235	3,504,003	2,705,697	

Expected maturities (or maturities per agreement)	**Book value**	**Total cash outflow per agreement (=I+II+III+IV)**	**Less than 3 months (I)**	**Between 3-12 months (II)**	**Between 1 - 5 years (III)**	**Over 5 years (IV)**
Derivative financial assets (net)	12,914	2,287,608	-	-	2,287,608	**-**
Derivative cash inflows	**-**	**-**	**-**	**-**	**-**	**-**
Derivative cash outflows	12,914	2,287,608	-		2,287,608	-
	12,914	**2,287,608**	**-**		**2,287,608**	**-**

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

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

31 December 2018

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	5,074,300	5,162,003	57,987	2,303,830	2,800,186	-
Trade payables	3,293,983	3,339,912	2,940,171	399,741	-	-
Bonds	357,752	393,684	55,000	230,817	107,867	-
Employee benefit liabilities	100,188	100,188	100,188	-	-	-
Other payables	16,060	16,060	16,060	-	-	-
	8,842,283	**9,011,847**	**3,169,406**	**2,934,388**	**2,908,053**	**-**

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	**17,055**	**2,436,553**	**-**	**-**	**2,436,553**	**-**
Derivative cash inflows						
Derivative cash outflows	17,055	2,436,553	-	-	2,436,553	-
	17,055	**2,436,553**	**-**	**-**	**2,436,553**	**-**

Fair values of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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

30 June 2019	Level 1	Level 2	Level 3
Investment property	-	-	-
Total assets	**-**	**-**	**-**
Derivatives held for trading	-	12,914	-
Total Liabilities	**-**	**12,914**	**-**

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

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

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

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

Capital management policy

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

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 30 June 2019.

Consolidated net financial debt/total equity ratio as of 30 June 2019 and 31 December 2018 is as follows;

	30 June 2019	31 December 2018
Total borrowing	4,999,287	5,432,052
Cash and cash equivalent	(2,714,382)	(1,981,012)
Net financial debt	2,284,905	3,451,040
Equity	3,512,651	3,706,555
Net financial debt/total equity multiplier	**65%**	**%93**

NOTE 22 - SUBSEQUENT EVENTS

None.