

Tofaş Türk Otomobil Fabrikası A.Ş.

**Convenience translation into English of
condensed consolidated financial statements
for the interim period 1 January - 31 March 2022**

(Originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.
Interim condensed consolidated financial statements
for the interim period 1 January - 31 March 2022

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated balance sheets

at 31 March 2022 and 31 December 2021

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	31 March 2022	31 December 2021
ASSETS			
Current assets:			
Cash and cash equivalents	3	4,300,717	4,214,726
Financial assets	4	429	240
Trade receivables			
- Related parties	20	5,282,222	5,660,932
- Third parties	6	2,102,806	1,481,414
Receivables from finance sector operations	7	2,215,765	2,146,646
Other receivables		1,806	690
Inventories	8	3,057,795	2,379,087
Prepaid expenses	13	98,837	72,223
Other current assets	13	26,506	213,590
Total current assets		17,086,883	16,169,548
Non-current assets:			
Receivables from finance sector operations	7	2,344,354	2,235,883
Other receivables		355	332
Investment properties	9	69,285	69,285
Property, plant and equipment	10	1,823,306	1,903,864
Right of use assets		8,838	5,088
Intangible assets	11	1,893,239	1,920,856
Prepaid expenses	13	34,939	22,682
Deferred tax assets	18	1,078,789	1,145,803
Total non-current assets		7,253,105	7,303,793
Total assets		24,339,988	23,473,341

These interim condensed consolidated financial statements for the period ended 1 January - 31 March 2022 have been approved for issue by the Board of Directors on 27 April 2022.

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated balance sheets

at 31 March 2022 and 31 December 2021

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

		<i>Unaudited</i>	<i>Audited</i>
	Notes	31 March 2022	31 December 2021
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	410,000	150,000
Short-term portion of long-term financial liabilities	5	4,722,045	3,988,262
Trade payables			
- Related parties	20	5,829,223	5,083,471
- Third parties	6	4,587,290	3,684,915
Employee benefit liabilities		164,545	173,105
Other payables		195,939	22,921
Contract liabilities		43,057	44,205
Government incentives and grants		4,516	4,516
Deferred income	13	107,227	94,784
Short-term provisions	12	464,479	454,575
Other current liabilities		16,062	6,441
Total current liabilities		16,560,273	13,757,789
Non-current liabilities:			
Long-term financial liabilities	5	3,758,597	3,620,796
Derivative instruments		2,325	2,124
Government incentives and grants		1,005	2,135
Long-term provisions			
- Provisions for employment termination benefits		362,344	347,106
Total non-current liabilities		4,124,271	3,972,161
Total liabilities		20,684,544	17,729,950
Equity:			
Paid-in share capital		500,000	500,000
Adjustment to share capital		348,382	348,382
Other comprehensive losses			
not to be reclassified under profit or losses			
- Actuarial loss on employment termination benefit obligation		(148,788)	(149,799)
Other comprehensive losses			
to be reclassified under profit or losses			
- Cumulative losses on hedging		(1,912,182)	(1,894,105)
Restricted reserves		715,678	398,178
Retained earnings		3,023,235	3,259,419
Net profit for the year		1,129,119	3,281,316
Total equity		3,655,444	5,473,391
Total liabilities and equity		24,339,988	23,473,341

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of profit and loss
for the interim periods ended 31 March 2022 and 2021**

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

		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	1 January - 31 March 2022	1 January - 31 March 2021
Revenue	14	10,634,319	6,446,996
Cost of sales (-)	14	(8,929,821)	(5,619,389)
Gross profit from operations		1,704,498	827,607
Revenue from finance sector operations		267,950	156,183
Expenses from finance sector operations (-)		(206,979)	(117,754)
Gross profit from finance sector operations		60,971	38,429
Gross profit		1,765,469	866,036
Marketing expenses (-)	15	(187,168)	(103,260)
General administrative expenses (-)	15	(132,934)	(104,487)
Research and development expenses (-)		(57,005)	(30,341)
Other income from main operations	16	802,772	640,935
Other expense from main operations (-)	16	(903,353)	(654,994)
Operating profit before financial income		1,287,781	613,889
Income from investing activities		4,771	3,688
Operating profit before financial income		1,292,552	617,577
Financial income	17	468,849	550,848
Financial expense (-)	17	(534,905)	(555,420)
Profit before tax		1,226,496	613,005
Tax income for the period		(97,377)	3,659
- Taxes on income	18	(26,151)	(11,145)
- Deferred tax income	18	(71,226)	14,804
Net profit for the period		1,129,119	616,664
Attributable to:			
Equity holders of the parent		1,129,119	616,664
Earnings per share (Kr)	19	2.26	1.23

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Consolidated statements of other comprehensive income
for the interim periods ended 31 March 2022 and 2021**

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

	<i>Unaudited</i>	<i>Unaudited</i>
	1 January - 31 March 2022	1 January - 31 March 2021
Net profit for the year	1,129,119	616,664
Other comprehensive income:		
Other comprehensive income not to be reclassified under profit and loss		
- Actuarial gain /(loss) on employment termination benefit obligation	1,272	(565)
Taxes relating to other comprehensive income not to be reclassified under profit and loss		
Actuarial gain / (loss) on post employment termination benefit obligation. tax effect	(261)	113
Other comprehensive income to be reclassified under profit and loss	(22,550)	(184,638)
-Losses on hedging		
Taxes relating to other comprehensive income to be reclassified under profit and loss		
-Losses on hedging. tax effect	4,473	36,798
Other comprehensive (loss)	(17,066)	(148,292)
Total comprehensive income	1,112,053	468,372
Total comprehensive income attributable to:		
Non-controlling interests	-	-
Parent company interests	1,112,053	468,372

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of changes in equity

for the interim periods ended 31 March 2022 and 2021

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

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss	Retained earnings			Equity holders of the parent	Total equity
	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		
Balances at 1 January 2021	500,000	348,382	(81,944)	(1,455,424)	369,326	3,004,101	1,784,170	4,468,611	4,468,611
Transfers	-	-	-	-	136,714	1,647,456	(1,784,170)	-	-
Total comprehensive income	-	-	(452)	(147,840)	-	-	616,664	468,372	468,372
Dividends paid	-	-	-	-	(107,862)	(1,392,138)	-	(1,500,000)	(1,500,000)
Balances at 31 March 2021	500,000	348,382	(82,396)	(1,603,264)	398,178	3,259,419	616,664	3,436,983	3,436,983
Balances at 1 January 2022									
Transfers	-	-	-	-	317,500	2,963,816	(3,281,316)	-	-
Total comprehensive income	-	-	1,011	(18,077)	-	-	1,129,119	1,112,053	1,112,053
Dividends paid	-	-	-	-	-	(3,200,000)	-	(3,200,000)	(3,200,000)
Balances at 31 March 2022	500,000	348,382	(148,788)	(1,912,182)	715,678	3,023,235	1,129,119	3,655,444	3,655,444

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of cash flows
for the interim periods ended 31 March 2022 and 2021
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Unaudited 31 March 2022	Unaudited 31 March 2021
A. Cash flows from operating activities:		2,479,560	(242,714)
Net profit for the period		1,129,119	616,664
Adjustments to reconcile profit for the period		595,013	334,767
- Depreciation and amortization		349,850	247,241
- Adjustments related to interest income	17	(168,156)	(96,340)
- Adjustments related to provision for inventories	8	4,227	(1,097)
- Gain on sale of property, plant and equipment		(4,772)	(3,688)
- Provision for employment termination benefits		38,109	13,914
- Adjustments related to warranty provisions	12	64,242	33,685
- Adjustments related to doubtful receivables	7	1,251	10,182
- Adjustments related to other provisions		(5,966)	-
- Adjustments related to interest expense	17	24,063	29,711
- Lawsuit provisions / cancellations	12	755	1,678
- Adjustments for tax losses/ income	18	97,377	(3,659)
- Deferred financial expenses from credit purchases / sales, net	16	(16,343)	27,309
- Adjustments related to unrealized (loss) / gain on foreign currency differences		391,659	153,427
- Adjustments related to exchange differences of cash and cash equivalents		(181,283)	(77,596)
Changes in net working capital		887,009	(1,132,591)
- Change in inventories		(682,935)	(291,556)
- Change in receivables from third parties		(301,803)	329,559
- Change in receivables from related parties		378,710	162,097
- Change in other receivables from operating activities		(1,139)	(3,578)
- Change in trade payables due to third parties		902,375	(952,619)
- Change in trade payables due to related parties		442,506	89,029
- Change in receivables from finance sector operations		(178,841)	(740,990)
- Change in prepaid expenses		(38,871)	(3,114)
- Change in deferred revenue		12,443	15,506
- Change in government incentives and grants		(1,130)	(1,129)
- Change in other assets from operating activities		182,551	115,880
- Change in other liabilities from operating activities		174,090	144,922
- Change in fair value gains on derivative financial instruments		201	(347)
- Adjustments for increase (decrease) in liabilities arising from customer contracts		(1,148)	3,749
Net cash generated from operating activities		2,611,141	(181,160)
- Income taxes paid		(60,855)	(13,167)
- Payments related to employment termination benefits		(21,598)	(14,831)
- Other cash outflows		(49,128)	(33,556)
B. Cash flows from investing activities		(50,359)	(262,230)
- Purchases of tangible assets	10	(54,410)	(114,527)
- Purchases of intangible assets		(191,066)	(272,362)
- Proceeds from sale of tangible assets		9,345	7,189
- Interest received		185,961	117,145
- Change in financial investing		(189)	325
C. Cash flows from financing activities		(2,506,688)	(794,788)
- Proceeds from financial liabilities	5	2,420,636	1,039,139
- Bank loans paid	5	(1,701,121)	(324,217)
- Payment of lease liabilities	5	(1,277)	(1,776)
- Dividend paid		(3,200,000)	(1,500,000)
- Interest paid		(24,926)	(7,934)
Net increase / (decrease) in cash and cash equivalents before currency translation differences		(77,487)	(1,299,732)
D. Effects of currency translation differences on cash and cash equivalents		181,283	77,596
Net change in cash and cash equivalents		103,796	(1,222,136)
E. Cash and cash equivalents at the beginning of the period		4,195,952	4,227,235
Cash and cash equivalents at the end of the period	3	4,299,748	3,005,099

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2022**

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company’s subsidiaries as of 31 March 2022 and 2021 which are subject to consolidation are as follows: Rate of ownership of the Company (%)

Name of the company	Operating area	Rate of ownership of the Company (%)	
		31 March 2022	31 March 2021
Koç Fiat Kredi Finansman A.Ş. (“KFK”)	Consumer financing	100	99.9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100

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

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

	Average		Period end	
	31 March 2022	31 March 2021	31 March 2022	31 December 2021
Hourly-rated	4,882	5,230	4,852	4,955
Monthly-rated	1,497	1,503	1,490	1,527
	6,379	6,733	6,342	6,482

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2022**

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

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

2.1 Basis of presentation (Continued)

2.1.1 Financial reporting standards (Continued)

The consolidated financial statements of the Group are prepared as per the CMB announcement of 15 April 2019 relating to financial statements presentations.

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

2.1.2 Comparatives and adjustment of prior periods' financial statements

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

2.1.3 Functional and reporting currency

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

2.1.4 Basis of consolidation

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2022**

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

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

2.1.5 Significant accounting judgments, estimates and assumptions

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. As of 31 March 2022, the amount of guarantee expense is TRY 64,242 (31 March 2021: TRY 33,685) (Note 12).
- b) A specific credit risk provision for loan impairment has been established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant. As of 31 March 2022, general provisions for finance loans amounted to TRY 30,921 (31 December 2021: TRY 31,019) has been booked in the consolidated financial statements (Note 7).
- c) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- d) While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost.
- e) The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment.
- f) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.
- g) Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. In determination of deferred tax asset to be recognized, there are certain assumptions and judgments made about future taxable income to be recognized in the future. Deferred tax asset is recorded for the periods ending as of 31 March 2022 and 31 December 2021 since the assumptions used regarding that the Company has taxable profit in following periods
- ı) The Group capitalizes ongoing development expenditures and assesses whether the related asset has an impact on the assets that will increase or decrease the cost of the Company during the useful life of the asset in the subsequent periods and whether there is an impairment of the year.

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2022**

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

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

2.2 Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as of March 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

- Amendments to TFRS 3 – Reference to the Conceptual Framework
- Amendments to TAS 16 – Proceeds before intended use
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

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

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

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities
- Amendments to TAS 8 - Definition of Accounting Estimates
- Amendments to TAS 1 - Disclosure of Accounting Policies
- Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

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

2.3 Summary of significant accounting policies

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

2.4 Changes in significant accounting policies

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

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2022**

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

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Cash on hand	13	11
Due from banks		
- time deposits	4,184,225	4,122,844
- demand deposits	116,479	91,871
	4,300,717	4,214,726

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

	31 March 2022		31 December 2021	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,978,699	0.30-0.60	534,916	0.03-0.25
TRY	2,205,526	16.25-18.00	3,587,928	15.50-24.75
	4,184,225		4,122,844	

As of 31 March 2022, the maturities of time deposits vary between 1 and 39 days (31 December 2021: between 3 and 38 days).

As of 31 March 2022, the cash at banks comprise time and demand deposits amounting to TRY 1,254,437 (31 December 2021: TRY 1,939,244) which are deposited at a bank which is a related party of the Group (Note 20).

As of 31 March 2022 and 2021, the reserves of cash and cash equivalent in cash flow statement;

	31 March 2022	31 March 2021
Cash and banks	4,300,717	3,006,868
Less: interest accruals	(969)	(1,769)
	4,299,748	3,005,099

As of 31 March 2022, the Company does not have any worth of restricted cash consists of required reserve balance of the Central Bank of Turkish Republic.

NOTE 4 - FINANCIAL ASSETS

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

As of 31 March 2022, the Group has financial assets to fair value through profit or loss amounting to TRY 429 (31 December 2021: TRY 240).

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

Tofaş Türk Otomobil Fabrikası A.Ş.

**Notes to the condensed consolidated interim financial statements
for the interim period ended 31 March 2022**

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

NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	31 March 2022			31 December 2021		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	410,000	20.42-29.40	-	150,000	20.48
		410,000			150,000	

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

	31 March 2021			31 December 2021		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	-	1,570,933	10.92-31.50	-	1,467,743	10.92-22.94
Borrowings in EUR	143,461	2,339,641	-	142,754	2,095,952	Euribor +%0.55
Borrowings in lease liability	-	5,110	-	-	3,752	Euribor + %2.50
Bonds ^(1,2,3,4,5,6)	-	806,361	17.90-24.50	-	420,815	17.9-20.80
		4,722,045			3,988,262	

c) Long-term financial liabilities

	31 March 2021			31 December 2020		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	112,601	1,836,425	Euribor +%0.55	112,044	1,645,065	Euribor+%0.55
Borrowings in TRY (*)	-	1,912,950	Euribor +%2.50	-	1,898,956	Euribor+%2.90
Borrowings in lease liability	-	9,222	10.92-31.50	-	6,681	17.33-26.25
Bonds ^(1,2,3,4,5,6)	-	-	-	-	70,094	-
		3,758,597			3,620,796	20.35

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

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

- (1) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 24-months maturity bonds on 12 March 2021, with a nominal amount of TRY 75,000 and at an interest rate by 17.95%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (2) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 12-months maturity bonds on 13 April 2021, with a nominal amount of TRY 200,000 and at an interest rate by 20.80%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Garanti Yatırım Menkul Kıymetler A.Ş.
- (3) In accordance with the minutes of Board of Directors meeting held on 28 December 2020, based on the required authorization of the Capital Markets Law, the Group issued 18-months maturity bonds on 29 July 2021, with a nominal amount of TRY 65,000 and at an interest rate by 20.35%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.
- (4) In accordance with the minutes of Board of Directors meeting held on 08 September 2021, based on the required authorization of the Capital Markets Law, the Group issued 13-months maturity bonds on 05 October 2021, with a nominal amount of TRY 150,000 and at an interest rate by 17.90%. The bonds have been sold to qualified investors by the closed issuance method through the agency of İş Yatırım Menkul Değerler A.Ş.
- (5) In accordance with the minutes of Board of Directors meeting held on 08 September 2021, based on the required authorization of the Capital Markets Law, the Group issued 6-months maturity bonds on 19 January 2022, with a nominal amount of TRY 150,000 and at an interest rate by 23.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of İş Yatırım Menkul Değerler A.Ş.
- (6) In accordance with the minutes of Board of Directors meeting held on 08 September 2021, based on the required authorization of the Capital Markets Law, the Group issued 12-months maturity bonds on 26 January 2022, with a nominal amount of TRY 140,000 and at an interest rate by 24.50%. The bonds have been sold to qualified investors by the closed issuance method through the agency of İş Yatırım Menkul Değerler A.Ş.

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

As of 31 March 2022, TRY 643,339 (31 December 2021: TRY 627,996) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 20).

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

	31 March 2022	31 December 2021
1-2 years	2,310,095	2,298,478
2-3 years	1,439,280	1,315,637
	3,749,375	3,614,115

The movement of financial liabilities as of 31 March 2022 and 2021 is as follows:

	2022	2021
1 January	7,759,058	6,689,785
Effect of cash flows	719,515	714,922
Unrealized foreign exchange differences	414,209	338,065
Cash flows on payments arising from TFRS 16 lease agreements	(1,277)	(1,776)
Change in accrual of interest	(863)	21,777
31 March	8,890,642	7,762,773

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NOTE 5 - FINANCIAL LIABILITIES (Continued)

At 11 August 2015, a loan agreement has been signed between the Company and HSBC Bank PLC and Ing Bank. A Branch Of Ing-Diba Ag as creditor. HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 200,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months. which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 2.4%. As of 31 March 2022 the remaining amount is TRY 502,810 (the equivalent of EUR 30,831 thousand). (31 December 2021: TRY 451,768 (the equivalent of EUR 30,769)).

At 26 May 2017 a loan agreement has been signed between the Company and HSBC Bank PLC and Ing Bank. A Branch Of Ing-Diba Ag as creditor. HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 70,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months. which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 1.91%. As of 31 March 2022 the remaining amount is TRY 207,836 (the equivalent of EUR 12,744 thousand). (31 December 2021: TRY 186,868 (the equivalent of EUR 12,728)).

The Group signed the loan agreement amounting to EUR 200 million with European Bank for Reconstruction and Development. HSBC Bank Plc and Bank of America. N.A.. London Branch as authorized regulators and as per procuration of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022. Yearly total cost will be 6 months Euribor + 2.3%. EUR 100 million of the total loan has been used as of 5 November 2015 and the remaining 100.000 Euro is used on March 2016. The remaining balance of the loan which is used Egea Hatchback and Station Wagon projects investments as of 31 March 2022 is TRY 504,963 (EUR 30,963 thousand in equivalent in TRY) (31 December 2021: TRY 452,187 (equivalent of EUR 30,798 thousand)).

The Group signed the loan agreement amounting to EUR 130,000 thousand with Akbank AG for, MCA investment as of 16 March 2020. Yearly total cost will be 4 years Euribor + 2.00 %. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 1,826,693 (equivalent of EUR 112,008 thousand) as of 31 March 2022. (31 December 2021: TRY 1,636,433 (equivalent of EUR 111,458))

The Group signed the loan agreement amounting to EUR 70,000 thousand with TEB for, MCA investment as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2.00 %. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 983,995 (equivalent of EUR 60,336 thousand) as of 31 March 2022. (31 December 2021: TRY 881,612 (equivalent of EUR 60,045))

The Group signed the loan agreement amounting to EUR 10,000 thousand with HSBC Bank A.Ş. for, financing purpose as of 30 September 2020. Yearly total cost will be until December 2022 Euribor + 1.30%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 81,967 (equivalent of EUR 5,026 thousand) as of 31 March 2022. (31 December 2021: TRY 73,416 (equivalent of EUR 5,000))

The Group signed the loan agreement amounting to EUR 8,000 thousand with İşbank AG for, financing purpose as of 2 March 2021. Yearly total cost will be until December 2022 Euribor + 2.50%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 65,642 (equivalent of EUR 4,025 thousand) as of 31 March 2022. (31 December 2021: TRY 58,733 (equivalent of EUR 4,000)).

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 March 2022	31 December 2021
Trade receivables	2,207,162	1,536,121
Doubtful trade receivables	14,504	14,504
Less: provision for doubtful receivables	(12,508)	(12,508)
Less: unearned credit finance income	(106,352)	(56,703)
	2,102,806	1,481,414

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

	2022	2021
1 January	12,508	12,478
Current year provision	-	-
31 March	12,508	12,478

Collaterals received related with trade receivables

As of 31 March 2022, the letter of guarantees amounting to TRY 216,440 guarantee cheques and notes amounting to TRY 2,224, mortgages amounting to TRY 41,973 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY 1,920,187 respectively (31 December 2021: letter of guarantees amounting to TRY 284,112 guarantee cheques and notes amounting to TRY 2,224, mortgages amounting to TRY 41,973 and direct debit system limit amounting to TRY 1,687,550).

b) Trade payables

	31 March 2022	31 December 2021
Trade payables	4,726,830	3,777,652
Less: not accrued credit finance expense	(139,540)	(92,737)
	4,587,290	3,684,915

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NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 March 2022	31 December 2021
Short-term consumer financing loans	2,222,670	2,152,380
Non-performing loans	67,620	69,859
	2,290,290	2,222,239
Provision for specific loan impairment	(59,743)	(60,483)
Provision for general loan impairment	(14,782)	(15,110)
	2,215,765	2,146,646
Long-term consumer financing loans	2,360,493	2,251,792
Provision for general loan impairment	(16,139)	(15,909)
	2,344,354	2,235,883

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

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

Years	31 March 2022	31 December 2021
1 to 2 years	1,425,569	1,334,676
2 to 3 years	751,015	756,038
3 to 4 years	167,765	145,139
4 years and more	5	30
	2,344,354	2,235,883

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NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movements in the allowance for loan impairment are as follows:

	31 March 2022	31 March 2021
1 January	91,502	88,156
Current year provision	1,251	10,182
Recoveries from loans under follow-up	(2,089)	(2,625)
31 March	90,664	95,713

The Group has obtained pledge rights as a guarantee for its consumer financing loans. up to total amount of receivables. depending on the agreement between the Group and the consumers. As of 31 March 2022. the fair value of guarantees obtained for the consumer loans amounting to TRY 5,904,081 (31 December 2021: TRY 5,558,899). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY 9,669 (31 December 2021: TRY 11,101) as of 31 March 2022.

NOTE 8 – INVENTORIES

	31 March 2022	31 December 2021
Raw materials	1,413,273	851,840
Goods in transit	943,199	744,732
Work-in-progress	423,915	382,552
Spare parts	194,982	147,730
Finished goods	95,003	287,951
Imported vehicles	41,806	14,438
Less: provision for impairment on inventories	(54,383)	(50,156)
Total	3,057,795	2,379,087

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

	2022	2021
1 January	(50,156)	(54,832)
Current year provision, net	(4,227)	1,097
31 March	(54,383)	(53,735)

NOTE 9 - INVESTMENT PROPERTIES

For the interim period ended 31 March 2022 and 2021, the movement of investment properties is as follows:

	2022	2021
1 January, net book value	69,285	69,000
31 March, net book value	69,285	69,000

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NOTE 10 - PROPERTY. PLANT AND EQUIPMENT

The movement of property. plant and equipment and the accumulated depreciation for three months period ended 31 March 2022 is as follows:

	Land. land Improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January 2022							
Cost	536,026	5,935,231	796,562	121,855	15,639	47,224	7,452,538
Accumulated depreciation	(285,310)	(4,593,581)	(590,268)	(68,933)	(10,581)	-	(5,548,674)
Net book value	250,716	1,341,650	206,294	52,922	5,058	47,224	1,903,864
1 January 2021 net book value							
Additions	-	-	462	-	62	53,886	54,410
Disposals	-	-	(13)	(5,987)	-	-	(6,000)
Disposal - Depreciation	-	-	10	1,417	-	-	1,427
Transfers	564	24,423	11,350	4,759	-	(41,096)	-
Depreciation charge for the period	(2,872)	(106,117)	(16,883)	(4,293)	(230)	-	(130,395)
31 March 2022. net book value	248,408	1,259,956	201,220	48,818	4,890	60,014	1,823,306
As of 31 March 2022							
Cost	536,590	5,959,654	808,361	120,626	15,701	60,014	7,500,947
Accumulated depreciation	(288,182)	(4,699,698)	(607,141)	(71,808)	(10,812)	-	(5,677,641)
31 March 2022. net book value	248,408	1,259,956	201,220	48,818	4,890	60,014	1,823,306

As of 31 March 2022, there are no pledges or collaterals on property. plant and equipment (31 December 2021: None).

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NOTE 10 - PROPERTY. PLANT AND EQUIPMENT (Continued)

The movement of property. plant and equipment and the accumulated depreciation for three months period ended 31 March 2022 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January 2021							
Cost	522,418	5,690,746	744,986	93,911	15,269	54,688	7,122,018
Accumulated depreciation	(265,622)	(4,210,075)	(532,091)	(67,049)	(9,698)	-	(5,084,535)
Net book value	256,796	1,480,671	212,895	26,862	5,571	54,688	2,037,483
1 January 2020. net book value							
Additions	-	-	163	1,425	4	112,935	114,527
Disposals	-	(6,766)	(5,073)	(4,759)	-	-	(16,598)
Disposal - Depreciation	-	6,643	4,432	2,022	-	-	13,097
Transfers	240	57,386	5,887	25,385	-	(88,898)	-
Depreciation charge for the period	(2,797)	(92,303)	(14,488)	(3,255)	(217)	-	(113,060)
31 March 2021 net book value	254,239	1,445,631	203,816	47,680	5,358	78,725	2,035,449
As of 31 March 2021							
Cost	522,658	5,741,366	745,963	115,962	15,273	78,725	7,219,947
Accumulated depreciation	(268,419)	(4,295,735)	(542,147)	(68,282)	(9,915)	-	(5,184,498)
31 March 2021 net book value	254,239	1,445,631	203,816	47,680	5,358	78,725	2,035,449

As of 31 March 2022, there are no pledges or collaterals on property, plant and equipment (31 December 2021: None).

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NOTE 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 31 March 2022 and 2021, are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January 2022			
Cost	5,406,334	182,529	5,588,863
Accumulated amortization	(3,538,073)	(129,934)	(3,668,007)
Net book value	1,868,261	52,595	1,920,856
1 January 2021, net book value			
Additions	191,355	2,275	193,630
Amortization charge for the period	(217,869)	(3,378)	(221,247)
31 March 2022, net book value	1,841,747	51,492	1,893,239
As of 31 March 2021			
Cost	5,597,689	184,804	5,782,493
Accumulated amortization	(3,755,942)	(133,312)	(3,889,254)
31 March 2022, net book value	1,841,747	51,492	1,893,239

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

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NOTE 12 - PROVISIONS. CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 March 2022	31 December 2021
Provision for warranty claims	386,287	371,172
Provision for legal cases	18,922	18,167
Other	59,270	65,236
	464,479	454,575

Movement of the warranty provision is as follows:

	2022	2021
1 January	371,172	258,478
Paid during the period	(49,127)	(33,556)
Increase during the period	64,242	33,685
31 March	386,287	258,607

Movement of the provision for litigation is as follows:

	2022	2021
1 January	18,167	14,878
Increase during the period	755	1,678
31 March	18,922	16,556

Litigations against the Group

As of 31 March 2022, the total amount of outstanding legal claims brought against the Group is TRY 25,920 (31 December 2021: TRY 25,165). The Group has reflected a reserve amounting to TRY 18,922 (31 December 2021: TRY 18,167) in the financial statements.

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

Guarantees provided by the Group:

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

	31 March 2022			31 December 2021		
	TL equivalent	EUR	TL	TL equivalent	EUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	365,700	2,000	333,082	171,433	2,000	142,068
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-
i) Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
iii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	365,700	2,000	333,082	171,433	2,000	142,068

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

Other

As of 21 February 2022 the Group has realized USD 2,831,515,000 of export commitments numbered 2019/D1-04978 dated 2 September 2019 to be realized in connection with the export incentive certificates amounting to USD 2,600,296,881. In connection with the export incentive certificates amounting to USD 1,324,995,294 the Group has realized USD 1,771,268,790.

The Group has realized USD 1,838,142,000 of export commitments numbered 2021/D1-01051 dated 4 March 2021 to be realized until 3 September 2022 in connection with the export incentive certificates amounting to USD 1,163,242,607.46. In connection with the export incentive certificates amounting to USD 1,052,680,500 the Group has realized USD 670,518,339.

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

a) Other current assets

	31 March 2022	31 December 2021
Value Added Tax ("VAT")	15,094	198,669
Other	11,412	14,921
Total	26,506	213,590

b) Short-term prepaid expenses

	31 March 2022	31 December 2021
Credit commission expenses	32,113	35,078
Advances Given	27,192	17,191
Prepaid insurance expenses	5,191	7,087
Other	34,341	12,867
Total	98,837	72,223

c) Non-current prepaid expenses

As of 31 March 2022, TRY 34,939 (31 December 2021: TRY 22,682) non-current prepaid expenses are composed of advances given for fixed asset purchases amounting to TRY 25,649 (31 December 2021: TRY 16,435).

d) Short-term deferred income

As of March 31, 2022, TRY 107,227 (31 December 2021: 94,784) of the deferred income amounting to TRY 58,155 (31 December 2021: TRY 59,460) consists of the received loan allocation fees in advance of the KFK, consumer receivables amounting to TRY 13,004 (31 December 2021: TRY 13,601) and advances received amounting to TRY 36,068 (31 December 2021: TRY 21,723).

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NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 31 March 2022	1 January - 31 March 2021
Export sales	5,912,523	3,527,468
Domestic sales	4,507,647	2,790,636
Other income from operational activities	214,149	128,892
	10,634,319	6,446,996

The amount of sales discounts is TRY 337,123 (31 March 2021: TRY 296,616).

b) Production and sales quantities

	Production		Sales	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Manufactured vehicles				
Egea	11,348	18,083	11,508	18,086
Yeni Doblo	22,493	18,321	23,617	19,352
Egea Hatchback	6,759	12,758	6,731	12,793
Egea Stationwagon	902	3,358	899	3,374
MCV	7,141	5,660	7,168	5,780
	48,643	58,180	49,923	59,385

	Import		Sales	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
Imported vehicles				
Jeep	744	322	722	924
Ducato	296	835	287	851
Fiat 500	40	76	66	311
Panda Futura	18	38	18	87
Alfa Romeo	13	108	13	110
Maserati	35	17	35	16
Ferrari	11	7	10	7
Transit sales	-	3	-	3
	1,157	1,406	1,151	2,309

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NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	1 January - 31 March 2022	1 January - 31 March 2021
Direct material expense	7,300,698	4,418,131
Depreciation and amortization expense	334,667	234,317
Direct labor expense	125,809	79,847
Other production expenses	286,121	144,563
Total cost of production	8,047,295	4,876,858
Change in work-in-process	(41,363)	110,914
Change in finished goods	192,948	111,160
Cost of merchandise sold	730,934	520,445
Cost of other sales	7	12
	8,929,821	5,619,389

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

	1 January - 31 March 2022	1 January - 31 March 2021
Marketing expenses	187,168	103,260
General administrative expenses	132,934	104,487
Research and development expenses	57,005	30,341
	377,107	238,088

a) Marketing expenses

	1 January - 31 March 2022	1 January - 31 March 2021
Warranty expenses (Note 12)	64,242	33,685
Personnel expenses	44,903	27,368
Transportation and insurance expenses	41,543	22,607
Advertisement expenses	10,323	8,770
Depreciation and amortization expenses	1,273	1,343
Other	24,884	9,487
	187,168	103,260

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**NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES. MARKETING. SELLING AND
DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES
(Continued)**

b) General and administrative expenses

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses	70,478	42,778
Maintenance and repair expenses	11,838	8,076
Depreciation and amortization expenses	10,099	9,231
Outsourcing expenses	7,883	7,320
Duties, taxes and levies	3,744	4,015
Insurance expenses	3,317	2,945
Travel expenses	2,068	855
Other	23,507	29,267
	132,934	104,487

c) Research and development expenses

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses	30.331	17.648
IT expenses	8.207	3.926
Depreciation and amortization expenses	3.812	2.350
Travel expenses	841	654
Other	13.814	5.763
	57.005	30.341

NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange gains on operating activities	460,765	548,985
Interest income on operating activities	319,589	73,254
Other	22,418	18,696
	802,772	640,935

	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange loss on operating activities	(567,161)	(536,549)
Interest expense on operating activities	(303,246)	(100,563)
Other	(32,946)	(17,882)
	(903,353)	(654,994)

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NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange gains	300,693	447,579
Interest income	168,156	96,340
Gain on derivative financial instruments	-	6,929
Total financial income	468,849	550,848
	1 January - 31 March 2022	1 January - 31 March 2021
Foreign exchange losses	(509,797)	(522,656)
Interest expenses	(24,063)	(29,711)
Other	(1,045)	(3,053)
Total financial expenses	(534,905)	(555,420)
Net financial income / (expenses)	(66,056)	(4,572)

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, in 2022 temporary taxes are levied at a rate of %23 over the bases declared in interim periods during the year to be deducted from the corporation tax.(31 December 2021: %25)

As of March 31, 2022 and December 31, 2021 the tax provision has been set aside under the current tax legislation.

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

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

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

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Tax assets and liabilities

Corporation tax

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

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 25% corporate tax rate in accordance with Article institutions in the taxation period in 2021). 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.

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

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

10% withholding applies to dividends distributed by resident corporations to resident real persons. those who are not liable to income and corporation tax. non-resident real persons. non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

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

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Corporation tax

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

For the years ended 31 March 2022 and 2021, the analysis of the tax expense in the profit or loss is as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Current year corporate tax	(26,151)	(11,145)
Less: prepaid corporate tax (-)	(71,226)	14,804
Prepaid income tax	(97,377)	3,659

b) Deferred tax assets and liabilities

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Unused investment incentive allowances (*)	1,795,828	1,887,183	814,018	866,423
Provision for employment termination benefits and unused vacation	383,225	365,494	78,910	74,580
Warranty provisions	386,287	371,319	80,595	77,163
Property, plant and equipment and intangibles	315,826	289,599	63,518	61,530
Inventories	84,765	83,610	19,496	19,230
Contract liabilities	43,057	44,205	10,764	11,051
Deferred income	48,308	6,379	(621)	(488)
Land valuation	(116,560)	(116,560)	(11,656)	(11,656)
Other	103,106	207,300	23,765	47,971
Deferred tax asset, net	3,043,842	3,138,529	1,078,789	1,145,803

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

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NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 31 March 2022	1 January - 31 March 2021
Deferred tax asset at 1 January	1,145,803	1,099,727
Deferred tax income	(71,226)	14,804
Other comprehensive income	4,212	36,911
<i>Actuarial gain/(loss) on employment termination benefit obligation attributable to equity</i>	(261)	113
<i>Net gain / (loss) on cash flow hedging attributable to equity (*)</i>	4,473	36,798
Deferred tax assets as of 31 March	1,078,789	1,151,442

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

The analysis of tax expense accounted for under the statement of profit or loss for the interim period ended 31 March 2022 and 2021 is as follows:

	1 January - 31 March 2022	1 January - 31 March 2021
Profit before tax	1,226,496	613,005
Income tax charge at effective tax rate (23%) (2021: %25)	(282,094)	(122,601)
Non-deductible expenses	(3,005)	(85)
Research and development incentive expenditures during the period	28,230	29,716
Effect of investment incentive. net	223,464	66,356
Used and earned investment incentive	(52,405)	45,556
Other	(11,567)	(15,283)
	(97,377)	3,659

NOTE 19 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 31 March 2022 and 2021, the weighted average number of shares outstanding is 50,000,000,000 and as of 31 March 2022 and 2021 earnings per share is Kr 2.26 and Kr 1.23 respectively.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	31 March 2022	31 December 2021
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	1,254,437	1,939,244
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(643,399)	(627,966)
Trade receivables due from related parties	31 March 2022	31 December 2021
Stellantis Group ⁽²⁾	4,341,132	4,815,594
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	973,390	865,653
Other ⁽¹⁾	6,498	5,333
Less: Unearned credit finance income	(38,798)	(25,648)
	5,282,222	5,660,932
Trade payables due to related parties	31 March 2022	31 December 2021
Stellantis Group ⁽²⁾	5,610,944	4,860,844
Other ⁽¹⁾	223,575	225,468
Less: Unearned credit finance expense	(5,296)	(2,841)
	5,829,223	5,083,471

Related party transactions

Sales

	1 January - 31 March 2022	1 January - 31 March 2021
Stellantis Group ⁽²⁾	5,684,547	3,324,467
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	1,676,311	924,502
Other ⁽¹⁾	36,289	34,897
	7,397,147	4,283,866

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

Domestic goods and services purchases

	1 Ocak - 31 Mart 2022	1 Ocak - 31 Mart 2021
Ram Dış Ticaret A.Ş. ⁽¹⁾	322,464	115,250
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	52,550	37,894
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	43,245	70,000
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	26,489	15,595
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	15,852	14,174
Opet Petrolcülük A.Ş.	11,728	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	8,750	1,869
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	8,684	625
Opet Fuchs Madeni Yağlar Tic. A.Ş. ⁽¹⁾	7,084	4,456
Koç Holding A.Ş. ^{(2) (*)}	4,803	4,008
Setur Servis Turistik A.Ş. ⁽¹⁾	1,674	322
Ram Sigorta Aracılık Hizmet A.Ş.	1,197	-
Other ⁽¹⁾	3,037	7,152
	507,558	271,345

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

(2) Represents the joint ventures.

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

Foreign trade good, material and service purchase:

	1 January - 31 March 2022	1 January - 31 March 2021
Stellantis Group ⁽²⁾	4,704,915	2,908,096
Other ⁽¹⁾	421	1,184
	4,705,336	2,909,280

Interest income from related parties, for the three-month period ended 31 March 2022 is TRY 186,963 (31 March 2021: TRY 310,364).

Salaries and similar benefits paid to the top management consisting of 29 persons (31 March 2021: 30 persons) for the three-month period of 2022 is TRY 12,134 (31 March 2021: TRY 8,266).

Furthermore, as of 31 March 2022, wholly owned subsidiary KFK has sold through related party the exclusive issuance of bonds and treasury bills to related parties. It is accounted under other financial liabilities with a carrying amount of TRY 107,661 (31 December 2021: TRY 91,431).

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NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 6).

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

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

Types of credit exposed by types of financial instruments;

Trade receivables						
31 March 2022	Related Parties	Other parties	Other receivables	Bank deposits	Derivative instruments	Receivables from finance operations
Maximum credit risk exposure as of reporting date (A+B+C+D)	5,282,222	2,102,806	2,161	4,300,704	429	4,560,119
- Maximum risk secured by guarantee ⁽²⁾	33,700	2,157,935	-	-	-	5,904,081
A. Net book value of financial assets neither overdue nor impaired	5,270,681	2,079,796	2,161	4,300,704	429	4,529,761
- Maximum risk secured by guarantee	33,700	2,157,935	-	-	-	5,881,825
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-	-	-
C. Net book value of impaired assets	11,541	21,014	-	-	-	22,481
- Maximum risk secured by guarantee	-	-	-	-	-	22,256
D. Net book value of impaired assets	-	1,996	-	-	-	7,877
- Overdue (gross book value)	-	14,504	-	-	-	67,620
- Impairment (-)	-	(12,508)	-	-	-	(59,743)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	9,669
E. Off- balance sheet items	-	-	-	-	-	-

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

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

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

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

Aging analysis of trade receivables

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

31 March 2022	Trade receivables
1- 30 days past due	26,540
1- 3 months past due	7,213
3- 12 months past due	12,554
1- 5 years past due	8,729
Total	55,036
31 December 2021	
1- 30 days past due	18,929
1- 3 months past due	5,456
3- 12 months past due	13,866
1- 5 years past due	3,441
	41,692

Amount secured with guarantees

As of 31 March 2022, TRY 6,796 of total past due receivables of the Group is due from the Group's related party, Stellantis Group (31 December 2021: TRY 4,839). As of 31 March 2022, the Group's payables to Stellantis Group amount to TRY 5,610,944 (31 December 2021: TRY 4,860,844).

Foreign currency risk

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

As explained in detail in Note 5, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo, Mini Cargo are guaranteed by Stellantis Group through future purchases.

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

31 March 2021	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	4,471,525	-	274,182	-
2a. Monetary financial assets (including cash, bank accounts)	2,001,619	79	122,663	-
2b. Non-monetary financial assets	974,533	-	59,756	-
3. Other	3,226	-	198	-
4. Current assets (1+2+3)	7,450,903	79	456,799	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	33,530	-	2,056	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	33,530	-	2,056	-
9. Total assets (4+8)	7,484,433	79	458,855	-
10. Trade payables	(5,958,720)	(3,588)	(362,146)	(4)
11. Financial liabilities	(2,339,647)	-	(143,461)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(8,298,367)	(3,588)	(505,607)	(4)
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,836,433)	-	(112,605)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1,836,433)	-	(112,605)	-
18. Total liabilities (13+17)	(10,134,800)	(3,588)	(618,212)	(4)
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)	(2,650,367)	(3,509)	(159,357)	(4)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(3,658,430)	(3,509)	(221,169)	(4)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	5,689,008	-	363,086	534
24. Import	5,104,422	4,342	322,971	959

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Stellantis Group. Accordingly, net short foreign currency exposure of the Group excluding such borrowings as of 31 March 2022 is TRY 73,608.

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

31 December 2021	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	4,821,667	-	328,400	-
2a. Monetary financial assets (including cash, bank accounts)	554,988	36	37,768	-
2b. Non-monetary financial assets	749,929	-	51,077	-
3. Other	5,048	-	344	-
4. Current assets (1+2+3)	6,131,632	36	417,589	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	22,036	-	1,501	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	22,036	-	1,501	-
9. Total assets (4+8)	6,153,668	36	419,090	-
10. Trade payables	(5,147,858)	(4,901)	(346,256)	(24)
11. Financial liabilities	(2,095,956)	-	(142,754)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(7,243,814)	(4,901)	(489,010)	(24)
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,645,067)	-	(112,044)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1,645,067)	-	(112,044)	-
18. Total liabilities (13+17)	(8,888,881)	(4,901)	(601,054)	(24)
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	(2,735,213)	(4,865)	(181,964)	(24)
20. Net foreign currency asset/(liability) position (9+18+19)				
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(3,507,178)	(4,865)	(234,542)	(24)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	14,897,618	-	1,380,167	1,835
24. Import	12,620,855	9,260	1,210,476	2,199

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Stellantis Group. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 March 2022 is TRY 235,338.

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

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

	31 March 2022			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TRY:</i>				
1- USD net asset/liability	(5,139)	5,139	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(5,139)	5,139	-	-
<i>In case 10% appreciation of EUR against TRY:</i>				
4- EUR net asset/liability	(360,696)	360,696	-	-
5- Amount hedged for EUR risk (-)	353,432	(353,432)	-	-
6- EUR net effect (4+5)	(7,264)	7,264	-	-
<i>In case 10% appreciation of other exchange rates against TRY</i>				
7- Other exchange rates net asset/liability				
8- Amount hedged for other exchange rates risk (-)	(8)	8	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
	(8)	8	-	-
Total (3+6+9)	(12,411)	12,411	-	-
	31 December 2021			
	Profit/loss			Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>				
1- USD net asset/liability	(6,314)	6,314	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(6,314)	6,314	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(344,362)	344,362	-	-
5- Amount hedged for EUR risk (-)	369,726	(369,726)	-	-
6- EUR net effect (4+5)	25,364	(25,364)	-	-
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability				
8- Amount hedged for other exchange rates risk (-)	(42)	42	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
	(42)	42	-	-
Total (3+6+9)	19,008	(19,008)	-	-

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

Interest rate risk

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

As of 31 March 2022 and 31 December 2021, the effect of +/- 0.5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	1 January - 31 March 2022	1 January - 31 December 2021
Change in interest rates	0.50	0.50
Effect on net income before for taxes	(5,476)	(299)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one-year column.

31 March 2022

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	8,069,950	9,084,875	502,173	4,244,399	4,338,302	-
Lease liabilities	14,332	11,112	1,086	3,257	6,769	-
Trade payables	10,416,514	10,593,105	10,598,063	4	-	-
Bonds	806,361	397,612	213,341	102,558	81,713	-
Employee benefit liabilities	164,545	164,545	164,545	-	-	-
Other payables	195,939	195,939	195,939	-	-	-
	19,667,639	20,452,149	11,675,147	4,350,218	4,426,784	-

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)	2,325	1,211,170	-	-	1,211,170	-
Derivative cash inflows						
Derivative cash outflows	2,325	1,211,170	-	-	1,211,170	-
	2,325	1,211,170	-	-	1,211,170	-

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

31 December 2021

Expected maturities	Book value	Total cash outflow per agreement (=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	8,069,949	8,168,922	604,033	3,488,611	4,076,278	-
Lease liabilities	14,332	13,779	1,775	5,326	6,678	-
Trade payables	10,416,513	8,852,410	8,851,960	450	-	-
Bonds	806,361	551,902	6,713	460,402	84,787	-
Employee benefit liabilities	164,545	173,105	173,105	-	-	-
Other payables	195,939	22,921	22,921	-	-	-
	19,667,639	17,783,039	9,660,507	3,954,789	4,167,743	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=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)	2,124	1,090,392	-	-	1,090,392	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	2,124	1,090,392	-	-	1,090,392	-
	2,124	1,090,392	-	-	1,090,392	-

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions. The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 31 March 2022. Consolidated net financial debt/total equity ratio as of 31 March 2022 and 31 December 2021 is as follows;

	31 March 2022	31 December 2021
Total borrowing	8,890,642	7,759,058
Cash and cash equivalent	(4,300,717)	(4,214,726)
Net financial debt	4,589,925	3,544,332
Equity	3,655,444	5,743,391
Net financial debt/total equity multiplier	%126	%62

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NOTE 22 - SUBSEQUENT EVENTS

None.