

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



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To the General Assembly of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi;

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Türkiye (POA) and adopted within the framework of Capital Markets Board (CMB) regulations. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA and other ethical principles included in CMB legislation, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditor's response
<p>Revenue recognition related to customer contracts</p> <p>Revenue is recognized in the financial statements based on the transaction price in accordance with TFRS 15 "Revenue from Customer Contracts". The transaction price is the amount that the entity expects to be entitled to in exchange for transferring the goods promised to the customer, excluding amounts collected on behalf of third parties. The Company recognized revenue in financial statements when control of the goods or services is transferred to the customers.</p> <p>Revenue is the most important indicator in evaluating the performance of the Group. Revenue is significant for evaluating the results of strategies implemented during the year and monitoring performance and has been determined as a key audit matter in the audit due to its importance as the most important financial statement item in terms of net income or loss and comprehensive income statement for the period ending on December 31, 2023.</p> <p>The details of the Group's revenue from contracts with customers are disclosed in Note 19 and 2.3 of the financial statements.</p>	<p>The following procedures have been implemented in the audit of revenue:</p> <ul style="list-style-type: none"> - Understanding the sales processes and evaluating the design of controls related to the processes, - Evaluating the conformity of the accounting policies applied by the Company management for revenue recognition with TAS, - Applying analytical procedures to determine whether the revenue recorded in the financial statements is at the expected levels, - Testing the accuracy of sales invoices through sampling and matching them with delivery notes, - Testing the transfer of the control of products on selected invoices by sampling to verify that they have been transferred to the customer, - Testing the completeness of revenue by matching the sample selected from shipping documents with accounting records and relevant invoices, - Obtaining confirmation letters from customers for sample selected trade receivables balances and controlling the conformity of the received replies with accounting records.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	Auditor's response
<p>Warranty provision</p> <p>As of December 31, 2023, in Note 15, warranty provision on consolidated financial statements is amounting to TL 1,740,828 thousand. Assessment of appropriate provision includes sensitive assumptions because calculation of warranty provisions recognized at consolidated financial statements is based on estimation for future part costs after the sale of product, estimates of labor expenses and warranty usage rates in prior periods.</p>	<p>As part of our audit procedures, calculation of warranty provision has been provided from the Group management. Information regarding to the realization of warranty provisions within the last three years in the calculation have been controlled with the amounts in the accounting records. The sales prices and unit prices of spare parts used in the calculation have been also checked. In addition, the assumptions used by the Group management on labor costs, which are part of the cost of sales, have been evaluated.</p> <p>Compliance of warranty provision calculated by Entity Resource Planning (ERP) with the Group's policy has been examined. Profit estimation adjustment on ERP calculation and the rationale of the adjustments to the profit estimation have been discussed with the management.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 15, provision, contingent assets and contingent liabilities, in terms of TAS 37.</p>
<p>Receivable from financial sector operations</p> <p>As of December 31, 2023, in Note 9, provisions for the receivables related to the financial sector operations amounting to TL 9,644,526 thousand is significant for our audit, since the assessments of the Group management during the calculation of the amount of provision are detailed and depend on management's estimations and assumptions.</p> <p>We have an audit risk due to the risk that receivables from financial sector operations may impair and therefore the carrying amount of financial sector operations might be higher than the estimated recoverable amount.</p>	<p>As a part of our audit procedures, internal controls in process of issuance, recognizing, monitoring and payment of the loans have been tested and evaluated to assess operational efficiency of key controls designed to determine impairment in receivables of financial sector receivables and required provision.</p> <p>In addition, based on our professional judgment, sample selection has been made over receivables from financial sector operations and the existence of objective evidence of impairment within the receivables of financial sector operations has been assessed.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 9, receivables from financial sector operations, in terms of TFRS.</p>

Key Audit Matters	Auditor's response
<p>Application of the hyperinflationary accounting</p> <p>As stated in 2.1.1.2 to the consolidated financial statements, the Group has started to apply "TAS 29 Financial Reporting in Hyperinflation Economies" since the functional currency of the Group (Turkish Lira) is the currency of a hyperinflationary economy as per TAS 29 as of December 31, 2023.</p> <p>In accordance with TAS 29, consolidated financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish Lira and, as a result, are expressed in terms of purchasing power of Turkish Lira as of the reporting date.</p> <p>In accordance with the guidance in TAS 29, the Group utilised the Türkiye consumer price indices to prepare inflation adjusted financial statements. The principles applied for inflation adjustment is explained in 2.1.1.2.</p> <p>Given the significance of the impact of TAS 29 on the reported result and financial position of the Group, we have assessed the hyperinflation accounting as a key audit matter.</p>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> - We inquired management responsible for financial reporting on the principles, which they have considered during the application of TAS 29, identification of non-monetary accounts and tested TAS 29 models designed, - We have tested the inputs and indices used, to ensure completeness and accuracy of the calculations, - We have audited the restatements of corresponding figures as required by TAS 29, <p>We assessed the adequacy of the disclosures in inflation adjusted financial statements for compliance with TAS 29.</p>

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Türkiye and IAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Türkiye and IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management and Risk Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 13 February 2024.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2023 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

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



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TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	31 December 2023	31 December 2022
ASSETS			
Current assets:			
Cash and cash equivalents	4	24,815,473	19,804,382
Financial investments	5	40,788	-
Trade receivables			
- <i>Related parties</i>	27	9,757,566	17,290,413
- <i>Third parties</i>	7	8,660,132	7,352,616
Receivables from finance sector operations	9	7,102,060	4,997,566
Other receivables	8	11,552	471
Inventories	10	9,712,040	5,553,569
Prepaid expenses	17	195,942	162,105
Other current assets	17	208,377	37,112
Total current assets		60,503,930	55,198,234
Non-current assets:			
Receivables from finance sector operations	9	2,542,466	2,925,683
Other receivables	8	925	758
Investment properties	11	148,680	161,634
Property, plant and equipment	12	8,815,998	9,233,448
Right of use assets		29,854	32,978
Intangible assets	13	4,262,146	5,596,048
Prepaid expenses	17	633,647	64,614
Deferred tax assets	25	1,729,649	585,697
Total non-current assets		18,163,365	18,600,860
Total assets		78,667,295	73,799,094

These consolidated financial statements as of and for the year ended 31 December 2023 have been approved for issue by the Board of Directors on 13 February 2024. Therefore, mentioned consolidated financial statements will be finalized after the approval in General Assembly.

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	Audited 31 December 2023	Audited 31 December 2022
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	6	700,000	963,922
Short-term portion of long-term financial liabilities	6	6,038,258	7,391,410
Trade payables			
- <i>Related parties</i>	27	12,047,631	17,375,540
- <i>Third parties</i>	7	11,513,247	13,934,169
Employee benefit liabilities	16	1,059,573	466,673
Other payables	8	57,589	93,972
Contract liabilities	17	163,252	177,615
Government incentives and grants	14	13,862	13,862
Deferred income	17	294,196	123,738
Current income tax liabilities	25	1,214,405	721,157
Short-term provisions	15	1,998,726	1,330,459
Other current liabilities		465,380	259,657
Other financial liabilities		-	154,587
Total current liabilities		35,566,119	43,006,761
Non-current liabilities:			
Long-term financial liabilities	6	5,092,531	3,112,460
Government incentives and grants	14	-	13,862
Long-term provisions			
- <i>Provisions for employment termination benefits</i>	16	1,129,061	1,816,943
Total non-current liabilities		6,221,592	4,943,265
Total liabilities		41,787,711	47,950,026
Equity:			
Paid-in share capital	18	500,000	500,000
Adjustment to share capital		13,331,627	13,331,627
Other comprehensive losses not to be reclassified under profit or losses			
- <i>Actuarial loss on employment termination benefit obligation</i>		(156,830)	(925,057)
Other comprehensive losses to be reclassified under profit or losses			
- <i>Cash flow hedge reserves</i>		(2,440,143)	(3,293,549)
Restricted reserves		2,647,404	2,201,870
Retained earnings		7,914,087	4,660,138
Net profit for the year		15,083,439	9,374,039
Total equity		36,879,584	25,849,068
Total liabilities and equity		78,667,295	73,799,094

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2023	1 January - 31 December 2022
Revenue	19	127,601,000	124,019,056
Cost of sales (-)	19	(105,107,908)	(108,956,607)
Gross profit from operations		22,493,092	15,062,449
Revenue from finance sector operations		2,652,914	3,795,549
Expenses from finance sector operations (-)		(1,986,700)	(2,848,074)
Gross profit from finance sector operations		666,214	947,475
Gross profit		23,159,306	16,009,924
General administrative expenses (-)	20	(2,210,740)	(1,812,268)
Marketing, selling and distribution expenses (-)	20	(4,108,103)	(2,609,028)
Research and development expenses (-)	20	(1,111,756)	(767,100)
Other income from main operations	22	10,548,426	10,435,095
Other expense from main operations (-)	22	(12,269,129)	(12,006,042)
Operating profit before financial income		14,008,004	9,250,581
Income from investing activities	23	132,008	138,452
Expenses from investing activities	23	(12,954)	(25,901)
Operating profit before financial income		14,127,058	9,363,132
Financial income	24	11,665,667	6,811,422
Financial expenses (-)	24	(5,184,253)	(7,576,895)
Monetary gain/(loss)		(2,281,947)	2,180,692
Profit before tax from continuing operations		18,326,525	10,778,351
Tax income/(loss) for the period		(3,243,086)	(1,404,312)
- Taxes on income	25	(4,644,502)	(1,219,160)
- Deferred tax income/(expense)	25	1,401,416	(185,152)
Net profit for the year		15,083,439	9,374,039
Net profit attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		15,083,439	9,374,039
Earnings per share (Kr)	26	30.17	18.75

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2023	1 January - 31 December 2022
Net profit for the year		15,083,439	9,374,039
Other comprehensive income:			
Other comprehensive income not to be reclassified under profit and loss			
- Actuarial gain/(loss) on employment termination benefit obligation	16	1,024,303	(1,156,321)
Taxes relating to other comprehensive income not to be reclassified under profit and loss			
Actuarial loss on post-employment termination benefit obligation, tax effect	25	(256,076)	231,264
Other comprehensive income to be reclassified under profit and loss			
- Gaining/(losses) on hedging	2	(436,631)	1,538,183
Taxes relating to other comprehensive income to be reclassified under profit and loss			
- Losses on hedging, tax effect	25	109,158	(307,637)
Other comprehensive income/(loss)		440,754	305,489
Total comprehensive income		15,524,193	9,679,528
Total comprehensive income attributable to:			
Non-controlling interests		-	-
Parent company interests		15,524,193	9,679,528

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation	Loss on cash flow hedge
Balances at 1 January 2022	500,000	13,331,627	-	(6,654,836)
Transfers	-	-	-	2,040,741
Total comprehensive income	-	-	(925,057)	1,230,546
Dividends paid	-	-	-	-
Balances at 31 December 2022	500,000	13,331,627	(925,057)	(3,293,549)
Balances at 1 January 2023	500,000	13,331,627	(925,057)	(3,293,549)
Transfers	-	-	-	1,180,879
Total comprehensive income	-	-	768,227	(327,473)
Dividends paid	-	-	-	-
Balances at 31 December 2023	500,000	13,331,627	(156,830)	(2,440,143)

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

Retained earnings

Restricted reserves	Retained earnings	Net profit for the year	Total equity
1,463,923	14,876,799	-	23,607,513
737,947	(2,778,688)	-	-
-	-	9,374,039	9,679,528
-	(7,437,973)	-	(7,437,973)
2,201,870	4,660,138	9,374,039	25,849,068
2,201,870	4,660,138	9,374,039	25,849,068
445,534	7,747,626	(9,374,039)	-
-	-	15,083,439	15,524,193
-	(4,493,677)	-	(4,493,677)
2,647,404	7,914,087	15,083,439	36,879,584

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	<i>Audited</i> 1 January - 31 December 2023	<i>Audited</i> 1 January - 31 December 2022
A. Cash flows from operating activities:		7,753,455	19,959,493
Net profit for the year		15,083,439	9,374,039
Adjustments to reconcile profit for the period		3,294,955	3,728,088
- Depreciation and amortization	21	3,938,015	7,293,590
- Income from revaluation of investment properties	11, 23	12,954	25,901
- Adjustments related to doubtful receivables	7,9	48,228	12,436
- Adjustments related to interest income	24	(3,799,704)	(1,492,908)
- Adjustments related to provision for inventories	10	(154,592)	79,403
- Gain on sale of property, plant and equipment	23	(132,008)	(138,452)
- Provision for employment termination benefits	16	1,703,848	283,252
- Adjustments for reversal of lawsuit and/or penalty provisions	15	2,910	2,527
- Adjustments related to warranty provisions	15, 20	1,817,900	941,348
- Adjustments related to other provisions	15	153,063	99,443
- Adjustments related to interest expense	24	108,503	189,212
- Adjustments for tax loss/(income)	25	3,243,086	1,404,312
- Deferred financial expenses from credit purchases/sales, net	22	(1,766,153)	(236,344)
- Adjustments related to unrealized gain on foreign currency differences		1,202,718	3,863,516
- Adjustments related to exchange differences of cash and cash equivalents		(7,737,847)	(4,896,578)
- Adjustments related to monetary (gain) loss, net		4,654,034	(3,702,570)
Changes in net working capital		(5,563,105)	8,319,586
- Change in inventories		(4,003,880)	1,027,371
- Change in receivables from third parties		3,552,492	2,200,474
- Change in receivables from related parties		7,532,847	(1,967,866)
- Change in other receivables from operating activities		(11,248)	1,538
- Change in trade payables due to third parties		(2,420,922)	3,960,143
- Change in trade payables due to related parties		(8,421,676)	(1,691,813)
- Adjustments for increase (decrease) in contract liabilities arising from customer contracts		(14,363)	(8,802)
- Change in receivables from finance sector operations		(1,769,593)	3,927,435
- Change in prepaid expenses		(602,870)	66,889
- Change in deferred revenue		170,458	(97,520)
- Change in government incentives and grants		(13,862)	(51,369)
- Change in other assets from operating activities		(168,141)	552,273
- Change in other liabilities from operating activities		607,653	406,582
- Change in derivative financial instruments		-	(5,749)
Net cash generated from operating activities		12,815,289	21,370,614
- Taxes paid		(4,151,254)	(634,947)
- Payments related to employment termination benefits	16	(379,027)	(151,645)
- Other cash outflows	15	(531,553)	(675,628)
B. Cash flows from investing activities		(2,095,443)	(1,442,134)
- Purchases of tangible assets	12	(1,578,568)	(652,363)
- Purchases of intangible assets		(681,204)	(976,914)
- Proceeds from sale of tangible and intangible assets		205,117	186,493
- Change in financial assets	5	(40,788)	650
C. Cash flows from financing activities		1,578,430	(9,827,291)
- Proceeds from financial liabilities	6	11,412,751	9,144,147
- Bank loans paid	6	(8,652,950)	(12,636,747)
- Payment of lease liabilities	6	(14,335)	(13,068)
- Dividend paid		(4,493,677)	(7,437,973)
- Interest paid		(101,597)	(184,023)
- Other cash inflows (outflows)/(change in restricted deposits)		(301,675)	(142,637)
- Interest received		3,729,913	1,443,010
D. Effect of monetary loss on cash and cash equivalents		(10,334,664)	(5,331,772)
E. Effects of currency translation differences on cash and cash equivalents		7,737,847	4,896,578
Net change in cash and cash equivalents (A+B+C+D+E)		4,639,625	8,203,775
F. Cash and cash equivalents at the beginning of the year		19,561,031	11,357,256
Cash and cash equivalents at the end of the year	4	24,200,656	19,561,031

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

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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 under licenses of Stellantis Europe SPA. Tofaş, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Stellantis Group, 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.

Fiat Chrysler Automobiles signed a merger agreement with the PSA Group at the end of 2019, in which both companies will have a 50% share. Stellantis N.V. was established by merger in January 2021.

The Company conducts a significant portion of its business with affiliates of Koç Group and Stellantis Group (Note 27).

The Company's subsidiaries as of 31 December 2023 and 2022 which are subject to consolidation are as follows:

Name of the company	Operating area	Rate of ownership of the Company (%)	
		31 December 2023	31 December 2022
Koç Fiat Kredi			
Finansman A.Ş. ("KFK")	Consumer financing	100	100
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100
Koç Fiat Sigorta Aracılık Hizmetleri A.Ş.	Insurance Services	100	100

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

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

	Average		Period end	
	1 January - 31 December 2023	1 January - 31 December 2022	31 December 2023	31 December 2022
Hourly-rated	4,215	4,637	4,381	4,498
Monthly-rated	1,541	1,492	1,644	1,514
	5,756	6,129	6,025	6,012

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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 Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards. The consolidated financial statements of the Group are prepared as per the CMB announcement of 4 October 2022 relating to financial statements presentations.

The Company and its subsidiaries operating in Türkiye, 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, with the required adjustments and reclassifications including those related to changes in purchasing power reflected for the purpose of fair presentation in accordance with the TFRS.

2.1.1.2 Financial reporting in hyperinflationary economy

Entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023 with the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

The accompanying financial statements are prepared on a historical cost basis, except for financial investments measured at fair value and investment properties measured at revalued amounts.

Financial statements and corresponding figures for previous periods have been restated for the changes in the general purchasing power of Turkish lira and, as a result, are expressed in terms of purchasing power of Turkish lira as of 31 December 2023 as per TAS 29.

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

2.1 Basis of presentation (Continued)

2.1.1.2 Financial reporting in hyperinflationary economy (continued)

On the application of TAS 29, the entity used the conversion coefficient derived from the Customer Price Indexes (CPI) published by Türkiye Statistical Institute according to directions given by POA. The CPI for current and previous year periods and corresponding conversion factors since the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e., since 1 January 2005, were as follow:

Year end	Index	Index, %	Conversion Factor
2004	113.86	13.86	16.33041
2005	122.65	7.72	15.16005
2006	134.49	9.65	13.82541
2007	145.77	8.39	12.75557
2008	160.44	10.06	11.58925
2009	170.91	6.53	10.87929
2010	181.85	6.40	10.22480
2011	200.85	10.45	9.25756
2012	213.23	6.16	8.72007
2013	229.01	7.40	8.11921
2014	247.72	8.17	7.50597
2015	269.54	8.81	6.89835
2016	292.54	8.53	6.35599
2017	327.41	11.92	5.67906
2018	393.88	20.30	4.72068
2019	440.50	11.84	4.22107
2020	504.81	14.60	3.68333
2021	686.95	36.08	2.70672
2022	1128.45	64.27	1.64773
2023	1859.38	64.77	1,00000

Assets and liabilities were separated into those that were monetary and non-monetary, with non-monetary items were further divided into those measured on either a current or historical basis to perform the required restatement of financial statements under TAS 29. Monetary items (other than index -linked monetary items) and non-monetary items carried at amounts current at the end of the reporting period were not restated because they are already expressed in terms of measuring unit as of 31 December 2023. Non-monetary items which are not expressed in terms of measuring unit as of 31 December 2023 were restated by applying the conversion factors. The restated amount of a non-monetary item was reduced, in accordance with appropriate TFRSs, in cases where it exceeds its recoverable amount or net realizable value. Components of shareholders' equity in the statement of financial position and all items in the statement of profit or loss and other comprehensive income have also been restated by applying the conversion factors.

Non-monetary items measured at historical cost that were acquired or assumed and components of shareholders' equity that were contributed or arose before the time when the Turkish lira previously ceased to be considered currency of hyperinflationary economy, i.e before 1 January 2005, were restated by applying the change in the CPI from 1 January 2005 to 31 December 2023.

The application of TAS 29 results in an adjustment for the loss of purchasing power of the Turkish lira presented in Net Monetary Position Gains (Losses) item in the profit or loss section of the statement of profit or loss and comprehensive income. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power to the extent the assets and liabilities are not linked to a price level. This gain or loss on the net monetary position is derived as the difference resulting from the restatement of non-monetary items, owners' equity and items in the statement of profit or loss and other comprehensive income and the adjustment of index linked assets and liabilities.

In addition, in the first reporting period in which TAS 29 is applied, the requirements of the Standard are applied as if the economy had always been hyperinflationary. Therefore, the statement of financial position at the beginning of the earliest comparative period, i.e as of 1 January 2022, was restated as the base of all subsequent reporting. Restated retained earnings/losses in the statement of financial position as of 1 January 2022 was derived as balancing figure in the restated statement of financial position.

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

2.1 Basis of presentation (Continued)

2.1.1.3 Going Concern

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

2.1.2 Comparatives and adjustment of prior periods' consolidated 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 ("TL"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.1.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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:

- 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 December 2023, the amount of guarantee expense is TL 1,817,900 (31 December 2022: TL 941,348) (Note 15).
- KFK, the subsidiary of the Group, has established a specific credit risk provision for loan impairment to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and collectability are measured and recognized individually for loans and receivables that are individually significant. As of 31 December 2023, general provisions for finance loans amounted to TL 65,864 (31 December 2022: TL 53,682) has been booked in the consolidated financial statements (Note 9).
- 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.
- 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.
- 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.
- Investment properties are accounted for using the fair value model at the financial statements. Fair values are determined based on an annual valuation performed by an accredited and licensed by CMB external independent valuer.
- Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.
- 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 December 31, 2023 and 2022 since the assumptions used regarding that the Company has taxable profit in following periods

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

2.1 Basis of presentation (Continued)

2.1.5 Significant accounting judgments, estimates and assumptions (continued)

i) The Group, recognised development expenditures on an individual project as an intangible asset when the Group can demonstrate below:

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- existence of the intention to complete the intangible asset and use or sell it,
- existence of the ability to use or sell the intangible asset,
- reliability of how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

The Group capitalizes ongoing development expenditures and assesses whether the related asset has an impact on the assets that will increase or decrease the cost of the Company during the useful life of the asset in the subsequent periods and whether there is an impairment of the year. As of 31 December 2023, and 31 December 2022, no impairment has been identified for capitalized development expenses (Note 13).

2.2 Amendments in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

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

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

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

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as of January 1, 2023 are as follows (continued):

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

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

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

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after January 1, 2024 with the announcement made by the POA.

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

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

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

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

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

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

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

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

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

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

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

Amendments to IAS 21 - Lack of exchangeability

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

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

2.3 Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid investments whose risk of value change is not material including time deposits generally having original maturities of three months or less.

Financial assets

Classification

The Group classifies its financial assets in three categories; through amortization, through fair value difference reflected in other comprehensive income and through financial assets at fair value through profit and loss. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial assets. The Group classifies its assets at the date of the purchase. Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets change, and in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

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

2.3 Summary of significant accounting policies (Continued)

Financial assets (Continued)

Recognition and Measurement

Financial assets measured at amortized cost is a non-derivative financial asset that is held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Group's financial assets which are recognized at amortized cost include, "cash and cash equivalents", "trade receivables", "trade payables", "other receivables", "financial investments. The aforementioned assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in the subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated statement of profit and loss.

"Financial assets whose fair value difference is reflected in other comprehensive income", is a non-derivative financial asset that includes cash flows that are held only on principal dates and interest on certain dates under contractual terms and that are held within a business model aimed at collecting contractual cash flows and selling the financial assets. Gains or losses arising from the aforementioned financial assets are recognized in other comprehensive income with the exception of impairment gain or loss and foreign exchange gain or loss. For investments in equity-based financial assets, the Group may irrevocably choose the method of reflecting the subsequent changes in the fair value of other comprehensive income in the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the consolidated statement of profit and loss. Financial assets at fair value through profit and loss are comprised of financial assets measured at amortized cost except for the financial assets at fair value through profit and loss. Gains and losses arising from the valuation of the aforementioned assets are recognized in the consolidated income statement.

Financial Exclusion

The Group derecognizes a financial asset when the Group discontinues its rights to cash flows in accordance with the contract for financial assets or, when the related rights are transferred by a trading transaction to the ownership of all risks and rewards of the financial asset. Any rights created or held by the Group in respect of the financial assets transferred by the Group are recognized as a separate asset or liability.

Impairment

Impairment on financial assets and contractual assets is calculated by using a method called Expected Loan Loss (ELL). This impairment model is applied to amortised cost financial assets and contractual assets.

Loss provisions were measured on the following basis;

- 12-month ELL; is the ELL of the possible default events within 12 months of the reporting date.
- Lifetime ELL; is the expected loss of loans resulting from all possible default events during the expected life of a financial instruments.

The expected lifetime loan loss measurement is applied when the credit risk associated with a financial asset is significantly increased at the reporting date. In all other cases where the related increase has not occurred, 12-Month ELL calculation has been applied. The Group may determine that the credit risk of the financial asset does not increase significantly if the credit risk of the financial asset has a low credit risk at the reporting date. Nevertheless, the ELL measurement (with a simplified approach) is always applicable to trade receivables and contract assets without a significant financing element.

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

2.3 Summary of significant accounting policies (Continued)

Receivables from finance sector operations

Receivables from finance sector operations are carried at amortized cost in the consolidated balance sheet of the Group.

Provision for impairment of receivables from finance sector operations

The Group recognize provisions for the receivables from finance sector operations for the impairment of consumer finance loans based on a credit review of the receivables portfolio. Provision amount is determined based on the Group's credit risk policies, composition and financial performance of the credit portfolio and economical environment and reflected as "Doubtful Loans" after deducting the related fair value of the guarantee amounts. Changes in the provision amount are accounted for under period income/loss. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the profit or loss if previously written off.

The allowances for impairment of receivables from finance sector operations are established based on a credit review of the Group's receivables from finance sector operations portfolio.

The Group can also recognize specific provision even if the overdue days are less than the days stated above, or receivables are not overdue at all, by taking into account all the existing data regarding the creditor and based on the principals of reliability and prudence.

Group also recognizes a general provision for the receivables which is not related to a specific transaction that can be recognized for the losses arising from the principal or interest of consumer finance loans that are not overdue or overdue less than 90 days but the amount of loss is not certain. Group sets a general provision for consumer finance loans that have not been considered as doubtful yet.

Trade receivables

Trade receivables that are created as a result of providing products or services to the buyer are recognized at amortized cost using the effective interest method. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A simplified approach (is applied for the impairment of trade receivables, which are recognized at amortized cost in the financial statements and which do not include a significant financing component (less than one year). In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to the expected credit losses. In case of collecting all or part of the receivable amount that is impaired following the provision for impairment, the collected amount is deducted from the main activities to other income by deducting the amount deducted from the provision for impairment. Income/expense related to commercial transactions and foreign exchange gains/losses are accounted for under the other operating income/expenses in the consolidated statement of profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials - purchase cost on a monthly average basis; finished goods and work-in-process - cost includes the applicable allocation of fixed and variable overhead costs on the basis of monthly average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The scrap inventory is written off when identified (Note 10).

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts with maturities, are initially measured at fair value and are remeasured at their fair values subsequently. The classification of gains or losses arising from derivative financial instruments changes depending on the classification of the derivative financial instruments. Even though derivative financial instruments are used as part of the Group's risk management, they do not meet the criteria for hedge accounting therefore they are measured at fair value including expenses at the time of inception and are remeasured at fair value in subsequent periods. Gains or losses arising from the change in the fair value of such instruments are accounted for in the consolidated statement of income.

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

2.3 Summary of significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value (Note 11). An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into the operation, such as repairs and maintenance and overhaul costs are normally charged to income in the period the costs are incurred. Expenditures are added to cost of assets if the expenditures provide economic added value for the future use of the related property, plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives (Note 12). The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The depreciation terms are as follows;

	Years
Land improvements	33
Buildings	33
Machinery and equipment	12-33
Motor vehicles	4-10
Furniture and fixtures	8-14
Leasehold improvements	5-30

In case of any indication of the impairment in the carrying value of property, plant and equipment, the recoverable amount is reassessed and provision for impairment is reflected in the consolidated financial statements.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

Gains and losses on sale of property, plant and equipment are included in other income and expense from investment activities.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

2.3 Summary of significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over their useful lives. The depreciation period for the intangibles capitalized in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (Note 13).

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 following:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the Group, and

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.

Lease 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. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be paid under residual value guarantees
- exercise price of a purchase option reasonably certain to be exercised by the Group
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect 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 substance fixed lease payments or a change in the assessment to purchase the underlying asset.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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

2.3 Summary of significant accounting policies (Continued)

Research and development expenditures

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria:

- The product or process is clearly defined, and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and
- Adequate technical, financial and other resources required for completion of the project are available.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects (2-13 years).

Impairment of assets

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortization amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the statement of profit or loss.

Revenue from contracts with customers

In accordance with TFRS 15 "Revenue from Customer Contracts", the Group has started to use the five-step model below to recognize revenue.

- Identification of customer contracts
- Identification of performance obligations
- Determination of the transaction price in the contracts
- Allocation of transaction price to the performance obligations
- Recognition of revenue when the performance obligations are satisfied

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

According to this model, firstly, the goods or services in the contract with the customers are assessed and each commitment for transferring the goods or services is determined as a separate performance obligation. Then it is assessed whether the performance obligations will be fulfilled at a point in time or over time. When the Group transfers control of a good or service over time, and therefore fulfills a performance obligation over time, then the revenue is recognised over time by measuring the progress of completion. Revenue is recognized when control of the goods or services is transferred to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- a) presence of Group's collection right of the consideration for the goods or services,
- b) customer's ownership of the legal title on goods or services,
- c) physical transfer of the goods or services,
- d) customer's ownership of significant risks and rewards related to the goods or services,
- e) customer's acceptance of goods or services.

Performance obligations

Automotive sector operations:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognized when the transfer of control of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

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

2.3 Summary of significant accounting policies (Continued)

Revenue from extended warranty sales

The Group sells a warranty commitment for the period from the end of the legal period required by the laws for the products it produces. The price of the additional warranty commitments is determined separately from the products sold and considered as a different service under the contract. For this reason, the Group may be recognized as a performance obligation.

For each performance obligation, the Group determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Group transfers the control over the service in extended warranty sales over time and thus fulfills the performance obligations related to the sales in question in time and measures the progress on the fulfillment of this performance obligation and takes the revenue over the consolidated financial statements. The Group records revenue from product sales in the consolidated financial statements following the transfer of control to the customer.

Finance sector operations

The interest income incurred from loans is recognized by using effective interest rate method and on accrual basis. Interest income is not recognized when consumer financing loans given by the Group become doubtful or when the borrower defaults.

Loan allocation fees of the Group which are collected on the execution and disbursement of loans and advances to customers and are recognized as income by netting off from the loan balance using a systematic deduction method over the contractual life of loans in the consolidated financial statements.

Also, the Group has a revenue sharing agreement with the insurance company over the insurance premiums collected from loan customers. The Group recognizes insurance premium income as deferred revenue under other liabilities initially and subsequently recognizes it as income over the payment plan of loans using a systematic method.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates (Note 6).

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

For the year ended 31 December 2023, the Group has no capitalized borrowing costs (31 December 2022: no capitalized borrowing costs).

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

2.3 Summary of significant accounting policies (Continued)

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively (Note 25).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liability is recognized on all temporary differences regarding subsidiaries unless neither utilization date of taxable temporary differences is reviewed nor utilization of temporary difference in an estimated period is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment termination benefits

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statement, the Group has reflected a liability calculated using "Projected Unit Credit Method" and based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognized immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (Note 16).

Earnings per share

Earnings per share disclosed in the consolidated statement of income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned.

In Türkiye, companies can increase their share capital by making a pro rata distribution of shares "bonus shares" to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the earnings per share calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Group, are regarded similarly (Note 26).

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated (Note 15). Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

2.3 Summary of significant accounting policies (Continued)

Warranty expense provision

The Group provides free of charge maintenance service for the vehicles, in accordance with the period determined in the agreement following the date of domestic sale. Export sales of the Group are not under a warranty commitment. Warranty provision is periodically reviewed and reassessed in accordance with the realized expenses in the previous periods. The Group does not have a significant liability due to extended warranty (Note 15).

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Foreign currency transactions

Income and expenses arising in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates, which are announced by Central Bank of the Republic of Türkiye. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the related income and expense accounts, as appropriate.

Segment reporting

An entity shall report separately information about an operating segment if its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss, its assets are 10 per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

Group has identified its operating segments based on the reports reviewed by the Board of Directors and used in taking strategic decisions. The operating segments of the Group has been determined as automobile and trading of spare parts. The Group management evaluates the performance of its operating segments based on operating profit before financial income in accordance with TFRS.

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

2.3 Summary of significant accounting policies (Continued)

Cash flow hedge

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash-flow hedge are recognized directly in shareholders' equity. The ineffective portion is immediately recognized in net profit or loss. If the cash flow hedge results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from hedging reserve to net profit or loss in the same period or periods during which the hedged firm commitment or forecasted transaction affects the statement of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the committed or forecasted transaction occurs. When the committed or forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the statement of income. As of 31 December 2023, gains on cash flow hedging accounted for under the statement of other comprehensive loss is TL 436,631 (31 December 2022: gain amounting to TL 1,538,183).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the current year income statement.

There is an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (New Doblo, Doblo FL and Doblo US) and commercial vehicles (Egea, Stationwagon, Hatchback). According to the agreements made between the Group and Stellantis, the long-term loan liabilities will be covered by the planned sales of New Doblo, Doblo FL and Doblo US to Stellantis starting from 2009 until December 2022. Furthermore, according to the agreement made between Stellantis and the Group, long term loan liabilities will be covered through a portion of sales of Egea and Stationwagon/Hatchback to Stellantis starting from 2021 until December 2024.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated, and effectiveness of the hedge consistent with the documented risk management strategy.

Related parties

Parties are considered related to the Group if (Note 27);

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Investment, research and development incentives

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Investment and research and development incentives are recognized when incentive applications of the Group are approved by fiscal authorities (Note 14).

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NOTE 3 - SEGMENT REPORTING

The reportable operational segments for segment reporting as of 31 December 2023 and 2022 are as follows:

	Trading of spare parts and automobile	Consumer financing	Total
2023			
Revenue	127,601,000	2,652,914	130,253,914
Gross profit	22,493,092	666,214	23,159,306
Operating expenses (-)	(7,266,124)	(164,475)	(7,430,599)
Other income from main operations	10,363,530	5,265	10,368,795
Other expenses from main operations (-)	(12,230,062)	(39,067)	(12,269,129)
Operating profit	13,360,436	467,937	13,828,373
2022			
Revenue	124,019,056	3,795,549	127,814,605
Gross profit	15,062,449	947,475	16,009,924
Operating expenses (-)	(5,007,668)	(180,728)	(5,188,396)
Other income from main operations	10,424,647	10,448	10,435,095
Other expenses from main operations (-)	(12,003,140)	(2,902)	(12,006,042)
Operating profit	8,476,288	774,293	9,250,581

As of 31 December 2023, the distribution of assets and liabilities of consumer financing segment is followed by TL 8,908,633 in current asset, TL 2,589,086 in non-current asset as receivables from finance sector operations and TL 5,604,553 in current liabilities, TL 5,090,731 in non-current liabilities as financial liabilities.

A significant portion of revenue consists of sales to related party's ratio to 48% (31 December 2022: 65%) (Note 27).

The Group management focuses on operating profit before financial expense in segment reporting, so the Group does not distribute financial income and expenses on a segment basis.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	-	27
Due from banks		
- time deposits	23,957,120	19,267,324
- demand deposits	414,041	394,394
- blocked demand deposits	444,300	142,621
- blocked time deposit	12	16
	24,815,473	19,804,382

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2023 and 2022, the details of time deposits are as follows:

	2023		2022	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	10,542,343	0.7-4.5	5,637,694	0.35-2.75
TL	13,414,777	35-47.5	13,629,630	12.00-29.00
	23,957,120		19,267,324	

As of 31 December 2023, the maturities of time deposits vary between 4 and 37 days (31 December 2022: between 3 and 38 days).

As of 31 December 2023, the cash at banks comprise time and demand deposits amounting to TL 1,784,970 (31 December 2022: TL 4,618,219) which are deposited at a bank which is a related party of the Group (Note 27).

As of 31 December 2023 and 2022, the reserves of cash and cash equivalent in cash flow statement;

	2023	2022
Cash and cash equivalents	24,815,473	19,804,382
Less: interest accruals	(170,505)	(100,714)
Less: blocked deposits	(444,312)	(142,637)
	24,200,656	19,561,031

As of 31 December 2023, the company has TL 444,312 worth of blocked deposits. TL 444,300 of this amount is emerging from the required reserve requirement of the Central Bank of the Republic of Türkiye, the remaining 12 TL is the guaranty fund of Istanbul Settlement and Custody Bank Inc. - Takasbank. (31 December 2022: TL 142,621 of this amount is emerging from the required reserve requirement of the Central Bank of the Republic of Türkiye, the remaining 16 TL)

NOTE 5 - FINANCIAL ASSETS

a) Financial assets to fair value through profit or loss

As of 31 December 2023, the Group has value of 40,788 financial assets to fair value through profit or loss. (31 December 2022: no available).

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NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2023			2022		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ^(*)	-	700,000	49.88-55.49	-	963,922	16.54-33.86
		700,000			963,922	

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

	2023			2022		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ^(*)	-	3,637,438	18.32-59.85	-	4,571,157	16.64-34.50
Borrowings in EUR	57,163	1,862,033	2.00	58,403	1,918,380	2.00
Bonds ^(1,2,3,4)	-	525,525	30.00-52.85	-	887,495	20.35-34.50
Borrowings in lease liability	-	13,262	-	-	14,378	-
		6,038,258			7,391,410	

c) Long-term financial liabilities

	2023			2022		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in EUR ^(**)	-	-	-	55,924	1,836,945	2.00
Borrowings in TL ^(*)	-	3,506,785	16.64-34.50	-	1,253,180	16.64-34.50
Bonds ^(1,2,3,4)	-	1,567,678	30.00-52.85	-	-	-
Borrowings in lease liability	-	18,068	-	-	22,335	-
		5,092,531			3,112,460	

^(*) The whole short-term and long-term bank borrowings amounting to TL 7,844,223 (31 December 2022: TL 6,788,259) which are denominated in TL comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 December 2023 and 2022.

^(**) The Group signed the loan agreement amounting to EUR 130,000 thousand with for MCA investment as of 16 March 2020. Yearly total cost will be 4 years 2.00%. As of 31 December 2023, the remaining amount is TRY 1,210,157 (the equivalent of EUR 37,151 thousand) (31 December 2022: TRY 2,440,762 (equivalent of EUR 74,302)).

The Group signed the loan agreement amounting to EUR 70,000 thousand with for MCA investment as of 12 May 2020. Yearly total cost will be 4 years 2.00%. As of 31 December 2023, the remaining amount is TRY 651,876 (the equivalent of EUR 20,012 thousand) (31 December 2022: TRY 1,314,563 (equivalent of EUR 40,025)).

⁽¹⁾ The Group issued 13-months maturity bonds on 13 January, with a nominal amount of TL 450,000 and at an interest rate by 30.00%.

⁽²⁾ The Group issued 18-months maturity bonds on 3 August 2023, with a nominal amount of TL 500,000 and at an interest rate by 39.00%.

⁽³⁾ The Group issued 24-months maturity bonds on 7 September 2023, with a nominal amount of TL 290,000 and at an interest rate by 52.85%.

⁽⁴⁾ The Group issued 24-months maturity bonds on 7 December 2023, with a nominal amount of TL 650,000 and at an interest rate by 48.50%.

As of 31 December 2023, interest rates are fixed for all Turkish Lira and Euro loans.

As of 31 December 2023, TL 854,772 (31 December 2022: TL 834,184) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 27).

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

	2023	2022
1-2 years	4,419,066	3,090,125
2-3 years	655,397	-
Total	5,074,463	3,090,125

The movement of financial liabilities as of 31 December 2023 and 2022 is as follows:

	2023	2022
1 January	11,467,792	21,001,582
Borrowing used	11,412,751	9,144,147
Principal payment	(8,652,950)	(12,636,747)
Unrealized foreign exchange differences	1,639,349	2,325,333
Changes in TFRS 16 - lease liabilities	(14,335)	(13,068)
Change in accrual of interest	6,906	5,189
Monetary loss (gain)	(4,028,724)	(8,358,644)
31 December	11,830,789	11,467,792

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	2023	2022
Trade receivables	8,902,757	7,911,577
Doubtful trade receivables	14,554	25,546
Less: provision for doubtful receivables	(12,844)	(21,277)
Less: unearned credit finance income	(244,335)	(563,230)
	8,660,132	7,352,616

Movement of the provision for doubtful receivables is as follows:

	2023	2022
1 January	21,277	33,856
Changes in current period, net	(88)	854
Monetary gain (loss)	(8,345)	(13,433)
31 December	12,844	21,277

Collateral received related with trade receivables

As of 31 December 2023, the letter of guarantees amounting to TL 2,000,510 guarantee, mortgages amounting to TL 5,328 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TL 9,288,866 respectively (31 December 2022: letter of guarantees amounting to TL 772,785 guarantee notes amounting to TL 3,665 mortgages amounting to TL 69,160 and direct debit system limit amounting to TL 6,587,732).

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables

	2023	2022
Trade payables	11,647,289	14,697,977
Less: not accrued credit finance expense	(134,042)	(763,808)
	11,513,247	13,934,169

NOTE 8 - OTHER RECEIVABLES

a) Other receivables

As of 31 December 2023 other receivables included in current and non current assets consist of deposits and guarantees given, personnel advances amounting to TL 12,477 (31 December 2022: TL 1,229).

b) Other payables

	2023	2022
Taxes and payables	57,368	78,941
Other	221	15,031
	57,589	93,972

NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2023	2022
Short-term consumer financing loans	7,140,806	5,019,949
Non-performing loans	62,342	101,919
	7,203,148	5,121,868
Provision for specific loan impairment	(52,997)	(91,657)
Provision for general loan impairment	(48,091)	(32,645)
	7,102,060	4,997,566
Long-term consumer financing loans	2,560,239	2,946,720
Provision for general loan impairment	(17,773)	(21,037)
	2,542,466	2,925,683

As of 31 December 2023, TL denominated loans originated by the Group, bear interest rates ranging between 0.01% and 6.74% per month (2022: between 0.01% and 4.12% per month).

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NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

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

Years	2023	2022
1 to 2 years	2,305,200	2,287,360
2 to 3 years	236,912	543,317
3 to 4 years	354	95,006
	2,542,466	2,925,683

Movements in the allowance for loan impairment are as follows:

	2023	2022
1 January	145,339	247,671
Current year provision	48,316	11,582
Collections during the year (-)	(9,121)	(18,013)
Monetary loss (gain)	(65,673)	(95,901)
31 December	118,861	145,339

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 December 2023, the fair value of guarantees obtained for the consumer loans amount to TL 13,195,171 (31 December 2022: TL 10,189,124). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TL 11,006 (31 December 2022: TL 14,573 TL) as of 31 December 2023.

NOTE 10 - INVENTORIES

	2023	2022
Raw materials	1,881,459	2,609,372
Goods in transit	2,811,055	787,888
Work-in-progress	1,246,599	1,022,021
Finished goods	1,171,506	853,952
Spare parts	673,657	472,971
Imported vehicles	2,059,192	93,385
Less: provision for impairment on inventories	(131,428)	(286,020)
Total	9,712,040	5,553,569

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

	2023	2022
1 January	286,020	206,617
Current year provision	(154,592)	79,403
31 December	131,428	286,020

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NOTE 11 - INVESTMENT PROPERTIES

For the years ended 31 December 2023 and 2022, the movement of investment properties is as follows:

	2023	2022
1 January, net book value	161,634	187,535
Fair value increase ⁽¹⁾	(12,954)	(25,901)
31 December, net fair value	148,680	161,634

⁽¹⁾ As of 31 December 2023, the fair value of the property has been determined as TL 148,680 (31 December 2022: TL 161,634), by using benchmarking method. As a result of the revaluation of the investment property, revaluation loss amounting to TL 12,954 (31 December 2022: TL 25,901) has been accounted under expense from investing activities (Note 23). Relevant valuation report is prepared by an independent firm which has CMB license and necessary professional experience.

As of December 31, 2023 and 2022, the Group's fair value hierarchy of investments property is shown in the table below:

2023	Level 1	Level 2	Level 3
Investment property	-	148,680	-
Total assets	-	148,680	-
2022	Level 1	Level 2	Level 3
Investment property	-	161,634	-
Total assets	-	161,634	-

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation as of 31 December 2023 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	6,272,460	56,958,281	6,352,985	701,596	166,505	61,615	70,513,442
Accumulated depreciation	(4,142,862)	(51,149,549)	(5,507,995)	(367,658)	(111,930)	-	(61,279,994)
Net book value	2,129,598	5,808,732	844,990	333,938	54,575	61,615	9,233,448
1 January 2023, net book value							
Additions	-	1,083	2,230	124,497	964	1,449,794	1,578,568
Disposals	(308)	(647,896)	(140,339)	(117,701)	-	-	(906,244)
Disposal - Depreciation	231	639,403	137,160	56,341	-	-	833,135
Transfers	72,913	193,186	274,884	405,320	742	(947,045)	-
Depreciation charge for the year	(117,443)	(1,398,680)	(267,885)	(132,628)	(6,273)	-	(1,922,909)
31 December 2023, net book value	2,084,991	4,595,828	851,040	669,767	50,008	564,364	8,815,998
As of 31 December 2023							
Cost	6,345,065	56,504,654	6,489,760	1,113,712	168,211	564,364	71,185,766
Accumulated depreciation	(4,260,074)	(51,908,826)	(5,638,720)	(443,945)	(118,203)	-	(62,369,768)
31 December 2023, net book value	2,084,991	4,595,828	851,040	669,767	50,008	564,364	8,815,998

As of 31 December 2023, there are no pledges or collaterals on property, plant and equipment.

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NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation as of 31 December 2022 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
1 January, net book value							
Cost	6,217,925	56,776,264	6,219,436	509,731	147,608	207,611	70,078,575
Accumulated depreciation	(4,025,356)	(48,689,829)	(5,125,795)	(329,196)	(105,891)	-	(58,276,067)
Net book value	2,192,569	8,086,435	1,093,641	180,535	41,717	207,611	11,802,508
1 January 2022, net book value							
Additions	-	4,246	8,931	14,108	18,665	606,413	652,363
Disposals	-	(92,251)	(32,648)	(92,597)	-	-	(217,496)
Disposal - Depreciation	-	91,306	29,531	48,618	-	-	169,455
Transfers	54,535	270,022	157,266	270,354	232	(752,409)	-
Depreciation charge for the year	(117,506)	(2,551,026)	(411,731)	(87,080)	(6,039)	-	(3,173,382)
31 December 2022, net book value	2,129,598	5,808,732	844,990	333,938	54,575	61,615	9,233,448
As of 31 December 2022							
Cost	6,272,460	56,958,281	6,352,985	701,596	166,505	61,615	70,513,442
Accumulated depreciation	(4,142,862)	(51,149,549)	(5,507,995)	(367,658)	(111,930)	-	(61,279,994)
31 December 2022, net book value	2,129,598	5,808,732	844,990	333,938	54,575	61,615	9,233,448

As of 31 December 2022, there are no pledges or collaterals on property, plant and equipment.

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NOTE 13 - INTANGIBLE ASSETS

The movement of intangible assets is as follows:

	Development costs ^(*)	Licenses and Other	Total
1 January 2023			
Cost	36,203,764	3,770,503	39,974,267
Accumulated amortization	(30,818,283)	(3,559,936)	(34,378,219)
Net book value	5,385,481	210,567	5,596,048
1 January 2023, net book value			
Additions	591,178	90,026	681,204
Amortization charge for the year	(1,954,321)	(60,785)	(2,015,106)
31 December 2023, net book value	4,022,338	239,808	4,262,146
As of 31 December 2023			
Cost	36,794,942	3,860,529	40,655,471
Accumulated amortization	(32,772,604)	(3,620,721)	(36,393,325)
31 December 2023, net book value	4,022,338	239,808	4,262,146
	Development costs ^(*)	Licenses and Other	Total
1 January 2022			
Cost	35,248,684	3,697,570	38,946,254
Accumulated amortization	(26,757,056)	(3,500,955)	(30,258,011)
Net book value	8,491,628	196,615	8,688,243
1 January 2022, net book value			
Additions	955,080	72,933	1,028,013
Amortization charge for the year	(4,061,227)	(58,981)	(4,120,208)
31 December 2022, net book value	5,385,481	210,567	5,596,048
As of 31 December 2022			
Cost	36,203,764	3,770,503	39,974,267
Accumulated amortization	(30,818,283)	(3,559,936)	(34,378,219)
31 December 2022, net book value	5,385,481	210,567	5,596,048

^(*) This amount consists of the development costs incurred within the scope of increasing the efficiency of automobile production and increasing the quality of the automobile and reducing the costs. This amount has been activated within the scope of TAS 38 and is accounted for intangible assets.

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NOTE 14 - GOVERNMENT INCENTIVES

Investment incentive certificates

The Group has obtained investment encouragement certificates from government authorities in connection with certain major capital expenditures, which entitle the Group to:

- i) 100% exemption from customs duty and 100% VAT exception on machinery and equipment to be imported
- ii) 100% VAT exception on local capital expenditures
- iii) Deducted corporate tax implementation

As a result of the evaluation, the Group has concluded that within the framework of Article 32/A of the Corporate Tax Law No. 5520, temporary differences arising from the reduced corporate tax can be foreseen and that the reduced corporate tax right can be used within the framework of tax laws, it is concluded that TL 4,561,515 (31 December 2022: TL 2,775,714) A deferred tax asset amounting to TL 1,125,964 (31 December 2022: TL 399,236) has been recognized for reduced corporate tax (Note 25).

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of 1 April 2008. Accordingly, in 2008, income tax-payers can deduct 100% of the expenditures which are related to research and development related to new technology and information developments.

The Group's total R&D expenditure in 2023 is 1,784,808 TL, after deducting 160,326 TL from these expenditures, which cannot be subject to corporate tax R&D deduction, and the total TEYDEB and European project supports collected during the year, amounting to 26,496 TL. The amount subject to R&D deduction is 1,597,986 TL (As of December 31, 2022, the Group's total R&D expenditure amount is 1,519,380 TL, of which 233,563 TL is not subject to corporate tax R&D deduction and 19,835 TL collected during the year. After TEYDEB and European project supports are deducted, the amount subject to corporate tax R&D deduction is 1,265,982 TL).

As of 31 December 2023, government incentives of the Group amounting to TL 13,862 (31 December 2022: 13,862 TL) short-term, amounting to TL 0 (31 December 2022: TL 13,862) long-term and total TL 13,862 (31 December 2022: TL 27,724) long term, have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of Mini Cargo and New Doblo projects by the Scientific & Technological Research Council of Türkiye (Tübitak). The related balance will be offset on amortization expense in cost of goods sold in line with the amortization terms of the research and development investments.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	2023	2022
Provision for warranty claims	1,740,828	1,106,518
Provision for legal cases	21,977	32,462
Other	235,921	191,479
	1,998,726	1,330,459

Movement of the provision for warranty is as follows:

	2023	2022
1 January	1,106,518	1,004,658
Paid during the year	(531,553)	(675,628)
Increase in provision during the year	1,817,900	941,348
Monetary gain/(loss)	(652,037)	(163,860)
31 December	1,740,828	1,106,518

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movement of the provision for legal cases is as follows:

	2023	2022
1 January	32,462	49,173
Net movement during the year	2,910	2,527
Monetary gain/(loss)	(13,395)	(19,238)
31 December	21,977	32,462

Litigations against the Group

As of 31 December 2023, the total amount of outstanding legal claims brought against the Group is TL 30,026 (31 December 2022: TL 44,467). The Group has reflected a reserve amounting to TL 21,977 (31 December 2022: TL 32,462) in the consolidated financial statements.

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 December 2023 and 2022 is as follows:

	2023		2022			
	TL equivalent	EUR	TL	TL equivalent	EUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	965,482	2,000	900,334	1,095,738	2,000	1,030,043
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	965,482	2,000	900,334	1,095,738	2,000	1,030,043

Other

As of 31 December 2023, the Group has realized USD 2,907,361,694 of export commitments with 4 March 2021 and numbered 2021/D1-01051 to be realized until 7 August 2023 in connection with the export incentive certificates amounting to USD 3,288,142,000. The Group has realized USD 1,491,478,057 of export commitments in connection with the export incentive certificates amounting to USD 1,950,181,000.

Furthermore, the Group has realized USD 339,706,587 of export commitments with 21 February 2023 numbered 2023/D1-01035 to be realized until 21 February 2024 in connection with the export incentive certificates amounting to USD 1,662,606,000. The Group has realized USD 86,541,168 of export commitments in connection with the export incentive certificates amounting to USD 953,730,840.

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NOTE 16 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	2023	2022
Payables to employees	710,641	189,131
Social security premiums	184,588	97,061
Personnel income tax	93,889	114,641
Unused vacation provision	34,044	34,475
Other	36,411	31,365
Total	1,059,573	466,673

b) Long-term employee benefits:

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The amount payable consists of one month's salary limited to a maximum of TL 23,489.83 (exact TL) for each period of service as of 31 December 2023 (31 December 2022: TL 15,371.40). The maximum severance pay is revised semi-annually, and the maximum amount of 35,058.58 full TL (1 January 2022: 19,982.83 full TL, historical balance) effective as of 1 January 2024 has been taken into account in the calculation of the consolidated severance pay provision.

In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds in accordance with TAS 19. Assumptions used in the calculations are as follows:

	2023	2022
Discount rate, net (%)	2.90	0.55
Estimated turnover rate for retirement (%)	97.48	96.83

Movement in reserve for employment termination benefits for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
1 January	1,816,943	939,518
Service expenses	1,552,863	132,444
Interest expenses	150,985	150,808
Payments during the year	(379,027)	(151,645)
Actuarial loss	(1,024,303)	1,156,321
Monetary gain/(loss)	(988,400)	(410,503)
31 December	1,129,061	1,816,943

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Long-term employee benefits: (Continued)

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2023 is below:

	Net discount rate		Turnover rate related to the probability of retirement	
	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Rate (%)	2.40	3.40	96.98	97.88
Change in provision for employee benefits	101,334	(90,983)	(28,382)	29,644

NOTE 17 - PREPAID EXPENSES, DEFERRED INCOME, OTHER ASSETS AND LIABILITIES

a) Other current assets

	2023	2022
Value Added Tax (“VAT”)	164,819	-
Other	43,558	37,112
Total	208,377	37,112

b) Short - term prepaid expenses

	2023	2022
Advances given	37,676	56,431
Prepaid dealer and insurance expenses	158,266	105,674
Total	195,942	162,105

c) Long - term prepaid expenses:

As of 31 December 2023, TL 13,416 (31 December 2022: TL 7,471) of long-term prepaid expenses are composed of advances given for fixed asset purchases amounting to TL 620,231 (31 December 2022: TL 57,143).

d) Contract liabilities

As of 31 December 2023, amounting to TL 163,552 consists of extended warranty under the TFRS 15 (31 December 2022: TL 177,615).

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NOTE 18 - SHAREHOLDER'S EQUITY

a) Share capital/adjustments to share capital and equity investments

Registered capital ceiling of the Company is 1,000,000,000 (exact TL). The Company's historical authorized and issued share capital as of 31 December 2023 and 2022 is KTL 500,000,000 (exact TL) and consists of 50 billion shares with TL 0.01 (exact TL) par value each. As of 31 December 2023 and 2022, the breakdown of issued share capital of the Company is as follows:

	Share group	2023		2022	
		Amount (historical)	Amount %	Amount (historical)	Amount %
Stellantis Europe SPA	D	189,280	37.86	189,280	37.86
Koç Holding A.Ş.	A	187,938	37.59	187,938	37.59
Koç Holding companies and Koç Family	A	1,342	0.27	1,342	0.27
Other, including publicly traded shares	E	121,440	24.28	121,440	24.28
Total paid in share capital		500,000	100	500,000	100

Half of the Board of Directors' ("BoD") members are required to be elected from the nominees of A group shareholders, while the remaining half is to be nominated by D group shareholders. The General Assembly is authorized for determining the number and election of BoD members. At least one nominee from both A and D type of shareholders have to fulfill the requirements of an independent member as prescribed by the CMB legislation.

b) Legal reserves - retained earnings

Retained earnings in statutory records is available for distribution, except the fact mentioned below.

The legal reserves consist of first and second legal reserves, per the Turkish Commercial Code (TCC). The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of net statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under the Turkish Commercial Code, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. Inflation adjustment to shareholders' equity, in the case of cash used for profit distribution will be subject to corporate income tax.

In accordance with the decision taken at the 7th Executive Meeting held on 17 February 2023, dividend amounting to TL 4,493,680 ((as of historic date of board decision: 3,000,000) (7,437,973 TL from 2021 profit in 2022 (Amount as of the Board of Directors decision date: 3,200,000 TL)) related to the profit of 2021 after deduction of legal liabilities, is distributed from retained earnings to the shareholders. As of 31 December 2023 and 2022, dividend distributed per share is Kurus 8.99 and Kurus 14.88, respectively. (31 December 2022: Earnings per share as of the Board of Directors decision date: 6.00 kuruş and 6.40 kuruş).

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NOTE 19 - REVENUE AND COST OF SALES

a) Revenue	2023	2022
Domestic sales	97,507,870	64,404,976
Export sales	25,124,652	56,580,671
Other	4,968,478	3,033,409
	127,601,000	124,019,056

The amount of sales discounts is TL 3,994,679 (31 December 2022: TL 3,838,751).

The distribution of the Group's sales in 2023 and 2022 based on product type is as follows.

	2023	2022
Passenger cars	75,337,801	58,357,191
Commercial vehicles	39,828,741	57,229,033
Spare parts	7,465,980	5,399,423
Other	4,968,478	3,033,409
	127,601,000	124,019,056

b) Other	2023	2022
Income from second hand sales	2,853,034	1,448,497
Income from research and development	1,127,827	248,483
Income from scrap sales	307,060	852,456
Income from mould sales	354,334	241,042
Package sales income	118,059	119,116
Other	208,164	123,815
	4,968,478	3,033,409

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NOTE 19 - REVENUE AND COST OF SALES (Continued)

As the extended warranty income in the Group's revenue items is a time-consuming performance obligation, they are recognized as revenue in the related period.

c) Cost of sales	2023		2022	
Direct material expense	71,690,792		86,478,416	
Cost of merchandise sold	25,833,307		10,196,371	
Depreciation and amortization expense	3,367,189		6,860,835	
Other production expenses	3,209,332		3,434,149	
Direct labor expense	1,549,355		1,926,164	
Change in work-in-process	(317,554)		1,364	
Change in finished goods	(224,578)		59,050	
Cost of other sales	65		258	
	105,107,908		108,956,607	
d) Production and sales quantities	Production		Sales	
	2023	2022	2023	2022
Manufactured vehicles				
Egea	109,123	76,400	106,092	76,558
MCV	58,471	43,882	58,252	43,935
Egea Hatchback	52,416	47,790	52,212	47,795
Doblo	9,885	85,021	11,416	84,882
Egea Stationwagon	9,533	10,654	9,446	10,645
	239,428	263,747	237,418	263,815
Imported vehicles	Import		Sales	
	2023	2022	2023	2022
Ducato	7,758	2,381	7,413	2,383
New Doblo	5,810	-	5,805	-
Jeep	4,029	2,346	3,757	2,346
Alfa Romeo	2,346	892	2,016	880
Scudo	1,927	234	1,865	232
Fiat 500	1,739	131	1,244	166
Ulysse	1,129	2	1,053	2
Maserati	595	314	553	312
Panda Futura	116	84	114	84
Ferrari	37	43	37	44
Transit satış	13	7	13	7
	25,499	6,434	23,870	6,456

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NOTE 20 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2023	2022
Marketing expenses	4,108,103	2,609,028
General and administrative expenses	2,210,740	1,812,268
Research and development expenses	1,111,756	767,100
	7,430,599	5,188,396
a) Marketing expenses	2023	2022
Warranty expenses	1,817,900	941,348
Transportation and insurance expenses	1,154,366	687,665
Personnel expenses	624,931	534,289
Advertisement expenses	160,336	144,343
Travel expenses	27,674	22,299
Depreciation and amortization expenses	29,326	26,017
Other	293,570	253,067
	4,108,103	2,609,028
b) General administrative expenses	2023	2022
Personnel expenses	910,786	792,584
Repair, maintenance and repair expenses	158,552	143,955
Depreciation and amortization expenses	464,853	268,328
Services obtained from third parties	125,999	93,759
Duties, taxes and levies	45,608	34,565
Insurance expenses	74,502	41,483
Travel expenses	25,231	24,133
Other	405,209	413,461
	2,210,740	1,812,268
c) Research and development expenses	2023	2022
Personnel expenses	706,019	487,083
Services obtained from third parties	163,101	53,713
Depreciation and amortization expenses	68,815	87,311
Energy expenses	11,969	19,864
Travel expenses	38,736	21,273
Other	123,116	97,856
	1,111,756	767,100

NOTE 21 - EXPENSES BY NATURE

Between 1 January - 31 December 2023 Group's personnel and depreciation/amortization expenses are TL 5,784,750 and TL 3,930,183 respectively (between 1 January - 31 December 2022: TL 4,666,603 and TL 7,242,491 respectively).

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2023	2022
Foreign exchange gains on operating activities	5,365,265	4,687,927
Interest income on operating activities	4,859,920	5,544,174
Other	323,241	202,994
	10,548,426	10,435,095
	2023	2022
Foreign exchange loss on operating activities	(8,583,222)	(6,116,052)
Interest expense on operating activities	(3,093,767)	(5,307,830)
Other	(592,140)	(582,160)
	(12,269,129)	(12,006,042)

NOTE 23 - INCOME FROM INVESTMENT ACTIVITIES

	2023	2022
Gain on sale of property, plant and equipment	132,008	138,452
	132,008	138,452
	2023	2022
Revaluation expense of investment property (Note 11)	(12,954)	(25,901)
	(12,954)	(25,901)

NOTE 24 - FINANCIAL INCOME AND EXPENSES

	2023	2022
Foreign exchange gain	7,865,963	5,318,514
Interest income	3,799,704	1,492,908
Total financial income	11,665,667	6,811,422
Foreign exchange loss	(5,072,341)	(7,381,732)
Interest expenses	(108,503)	(189,212)
Other	(3,409)	(5,951)
Total financial expenses	(5,184,253)	(7,576,895)
Financial expenses, net	6,481,414	(765,473)

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NOTE 25 - TAX ASSETS AND LIABILITIES

Current tax expense and deferred tax

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

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

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

As of December 31, 2023 and 2022, the tax provision has been set aside under the current tax legislation.

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 Türkiye 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 Türkiye is 25% (However, it will be applied as 23% for the corporate earnings of the institutions for the 2022 taxation periods.) The corporate tax rate is the addition of the expenses that are not considered to be deductible in accordance with the tax laws to the commercial income of the corporations. is applied to the net corporate income to be found as a result of deducting the exceptions and deductions in the tax laws. Corporate tax is declared until the evening of the 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 25% on their quarterly financial profits and declare until the 17th day of the second month following that period and pay it until the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. If the amount of temporary tax paid remains despite the deduction, this amount can be refunded in cash or set off against any other financial debt to the government.

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

Turkish tax legislation does not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaries included in the scope of consolidation. On the statement of financial position as of December 31, 2023 and December 31, 2022 taxes payable is netted off for each subsidiary and are separately classified in the Consolidated.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

Tax Advantages Obtained Under the Investment Incentive System:

The Group's earnings from investments tied to an incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operational, until the investment contribution amount is reached. In this context, tax advantage amounting to TL 1,125,964 (31 December 2022: TL 399,236) that the Group will benefit from in the foreseeable future as of 31 December 2023 is reflected in the consolidated financial statements as a deferred tax asset. As a result of the recognition of the said tax advantage as of 31 December 2023, deferred tax income amounting to TL 726,728 has been realized in the consolidated profit or loss statement for the period from 1 January to 31 December 2023.

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

In the sensitivity analysis carried out as of 31 December 2023, when the inputs in the basic macroeconomic and sectoral assumptions that make up the business plans are increased/decreased by 10%, the recovery period of deferred tax assets regarding investment incentives, which is foreseen as 5 years, has not changed.

For the years ended 31 December 2023 and 2022, the analysis of the tax expense in the profit or loss is as follows

	2023	2022
Current tax expense	(4,644,502)	(1,219,160)
Deferred tax income/(expense)	1,401,416	(185,152)
Toplam	(3,243,086)	(1,404,312)
	2023	2022
Current corporate tax	4,644,502	1,219,160
Less: prepaid corporate tax	(3,430,097)	(498,003)
Prepaid income tax	1,214,405	721,157

The analysis of tax expense accounted for under the statement of profit or loss for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
Profit before tax	18,326,525	10,778,351
Income tax charge at effective tax rate (25%) (2022: 23%)	(4,581,631)	(2,479,021)
Disallowable expenses	(345,217)	(77,013)
Deduction of research and development incentive expenditures during the period	413,659	250,475
Effect of investment incentive, net	2,184,227	1,361,795
Revaluation recognized in statutory financial statements tax expense to the revaluation fund		
Used and earned investment incentive	(1,457,499)	(3,307,722)
Other (*)	(504,162)	(87,952)
Monetary gain/(loss)	1,047,537	2,935,126
	(3,243,086)	(1,404,312)

(*) In accordance with the "Law No. 7440 on Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette on March 12, 2023, the exemption and discount amounts deducted from corporate earnings in accordance with the regulations in the law, by being shown in the corporate tax return for 2022. Additional tax must be calculated at the rate of 10% on the bases subject to reduced corporate tax, without associating it with period earnings, and at the rate of 5% on exempt earnings. As of December 31, 2023, the additional tax amounts calculated within the scope of the said regulation have been accrued in Tofaş financial statements; The period tax expense effect is amounting to 644,506 TL. Payments regarding the tax in question were made in two installments in 2023.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred tax assets and liabilities

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2023	2022	2023	2022
Unused investment incentive allowances ^(*)	2,441,254	1,062,469	1,125,964	399,236
Warranty provisions	1,740,810	1,106,488	435,203	221,298
Provision for employment termination benefits and unused vacation	1,187,658	1,869,591	296,915	373,918
Property, plant and equipment and intangibles	(233,314)	(2,858,215)	(58,328)	(571,643)
Inventories	(762,891)	151,681	(190,686)	21,137
Contract liabilities	164,319	180,066	41,081	40,462
Land valuations	(195,955)	(239,530)	(48,989)	(23,953)
Other	461,894	669,601	128,489	125,242
Deferred tax asset, net			1,729,649	585,697

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

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

	2023	2022
Deferred tax asset at 1 January	585,697	925,966
Deferred tax income	1,401,416	(185,152)
Other comprehensive income	(146,918)	(76,373)
- Actuarial gain/(loss) on employment termination benefit obligation attributable to equity	(256,076)	231,264
- Net gain on cash flow hedging attributable to equity	109,158	(307,637)
Monetary gain/(loss)	(110,546)	(78,744)
Deferred tax assets at 31 December	1,729,649	585,697

NOTE 26 - 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 2023 and 2022, the weighted average number of shares outstanding is 50,000,000,000 and as of 31 December 2023 and 2022 earnings per share is Kurus 30.17 and Kurus 18.75 respectively.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances:

Deposit and financial loan balances from related parties	2023	2022
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	1,784,970	4,618,219
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(854,772)	(834,184)
Trade receivables due from related parties	2023	2022
Stellantis Europe SPA ⁽²⁾	5,058,986	12,790,885
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	4,473,418	4,474,905
Other ⁽¹⁾	310,635	190,792
Less: Unearned credit finance expense	(85,473)	(166,169)
	9,757,566	17,290,413

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Trade payables due to related parties	2023	2022
Stellantis Europe SPA ⁽²⁾	10,922,072	16,480,507
Other ⁽¹⁾	1,163,548	929,372
Less: Unearned credit finance expense	(37,989)	(34,339)
	12,047,631	17,375,540

Related party transactions

Sales	2023	2022
Stellantis Europe SPA ⁽²⁾	26,496,277	57,054,466
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	34,913,914	24,516,224
Other ⁽¹⁾	601,535	885,528
	62,011,726	82,456,218

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

⁽²⁾ Represents the joint ventures.

Domestic goods and services purchases	2023	2022
Ram Dış Ticaret A.Ş. ⁽¹⁾	2,070,026	3,749,152
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	2,068,799	1,307,808
Zer Merkezi Hiz. ve Tic. A.Ş. ⁽¹⁾	1,398,262	988,384
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	280,644	356,522
Koç Holding A.Ş. ^{(2)(*)}	263,573	222,585
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	201,580	155,091
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	197,693	235,610
Opet Fuchs Madeni Yağ ve San. Tic. A.Ş. ⁽¹⁾	126,618	138,678
Ram Sigorta Aracılık ve İletişim A.Ş. ^{(1)(*)}	128,329	42,839
Opet Petrolculuk A.Ş. ⁽¹⁾	109,748	119,558
Setur Servis Turistik A.Ş. ⁽¹⁾	102,170	16,192
Ingage Dijital Pazarlama Hizmetleri ⁽¹⁾	42,005	55,832
Tanı Pazarlama ve İletişim A.Ş. ⁽¹⁾	19,654	33,363
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. ⁽¹⁾	17,261	1,391
Ford Otomotiv ⁽¹⁾	876	61,421
Diğer ⁽¹⁾	56,696	22,849
	7,083,934	7,507,275

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NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Foreign trade good, material and service purchase	2023	2022
Stellantis Europe SPA ⁽²⁾	55,443,091	50,823,118
Other ⁽¹⁾	7,833	8,609
	55,450,924	50,831,727

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

⁽²⁾ Represents the joint ventures.

⁽³⁾ These service expenses are related with the invoices arising from the allocation of finance, law, planning, tax consultancy services provided by our shareholder, Koç Holding A.Ş. to its subsidiaries and associates. Expenses related to these services provided by Koç Holding A.Ş. are allocated in accordance with the General Communiqué on Disguised Profit Distribution by Means of Transfer Pricing - 11 Intra-group Services regulations.

⁽⁴⁾ The amount consist insurance premium and accruals to non-related insurance companies over the contracts signed through insurance agency Ram Sigorta Aracılık ve İletişim A.Ş.

Interest income from related parties, for the year ended 31 December 2023 is TL 589,078 (31 December 2022: TL 938,349).

Top management of Tofaş are chairman and members of the Board of Directors, general manager and directors directly reporting to the general manager. Salaries and similar benefits paid to the top management of the Group for the year ended 31 December 2023 (30 people) (31 December 2022: 30 people) is TL 291,851 (2022: TL 211,273).

Furthermore, as of 31 December 2023, wholly owned subsidiary KFK has sold the exclusive issuance of bonds and treasury bills over subsidiaries. It is accounted under other financial liabilities with a carrying amount of TL 68,100 (31 December 2022: TL 123,744).

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NOTE 28 - 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 7).

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

Types of credit exposure of financial instruments;

2023	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	9,757,566	8,660,132	12,477	24,815,473	40,788	9,644,526
- Maximum risk secured by guarantee ⁽²⁾	33,200	7,219,066	-	-	-	9,644,526
A. Net book value of financial assets neither overdue nor impaired	9,487,531	8,465,859	12,477	24,815,473	40,788	9,569,309
- Maximum risk secured by guarantee	33,200	7,145,391	-	-	-	9,569,309
- Provision for general loan impairment	-	-	-	-	-	(53,683)
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	270,035	192,563	-	-	-	65,872
- Maximum risk secured by guarantee	-	(248,200)	-	-	-	(65,214)
D. Net book value of impaired assets	-	1,710	-	-	-	9,345
- Overdue (gross book value)	-	14,554	-	-	-	62,342
- Impairment (-)	-	(12,844)	-	-	-	(52,997)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	11,006
E. Off-balance sheet items having credit risk	-	-	-	-	-	-

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2022	Trade receivables					Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits	Derivative instruments	
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	17,290,413	7,352,626	1,229	19,804,355	-	7,923,249
- Maximum risk secured by guarantee ⁽²⁾	54,705	6,951,756	-	-	-	7,923,249
A. Net book value of financial assets neither overdue nor impaired	17,196,890	7,326,406	1,229	19,804,355	-	7,887,920
- Maximum risk secured by guarantee	54,705	6,951,756	-	-	-	7,887,920
- Provision for general loan impairment	-	-	-	-	-	(53,683)
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	93,523	21,941	-	-	-	25,067
- Maximum risk secured by guarantee	-	-	-	-	-	24,816
D. Net book value of impaired assets	-	4,269	-	-	-	10,262
- Overdue (gross book value)	-	25,546	-	-	-	101,919
- Impairment (-)	-	(21,277)	-	-	-	(91,657)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	14,573
E. Off-balance sheet items having credit risk	-	-	-	-	-	-

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

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

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Aging analysis of trade receivables and receivables from finance sector operations

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

2023	
1 - 30 days past due	283,413
1 - 3 months past due	117,471
3 - 12 months past due	100,904
1 - 5 years past due	26,683
	528,471
2022	
1 - 30 days past due	31,195
1 - 3 months past due	23,793
3 - 12 months past due	56,382
1 - 5 years past due	29,162
	140,532

Amount secured with guarantee

As of 31 December 2023, TL 378,817 of total past due receivables of the Group is due from the Group's related party, Stellantis Europe SPA (31 December 2022: TL 13,688). As of 31 December 2023, the Group's payables to Stellantis Europe SPA amounting to TL 10,748,627 (31 December 2022: TL 16,480,507).

Foreign currency risk

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

According to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblo, Mini Cargo are guaranteed by Stellantis Europe SPA through future purchases. As of 31 December 2023, loans obtained related with Doblo vehicle project have entirely been repaid.

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2023	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	5,023,170	89	154,128	-
2a. Monetary financial assets (including cash, bank accounts)	10,543,590	19	323,665	-
2b. Non-monetary financial assets	2,579,544	-	79,191	-
3. Other	7,687	-	236	-
4. Current assets (1+2+3)	18,153,991	108	557,220	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	607,212	-	18,641	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	607,212	-	18,641	-
9. Total assets (4+8)	18,761,203	108	575,861	-
10. Trade payables	(11,971,623)	(8,633)	(359,720)	-
11. Financial liabilities	(1,862,034)	-	(57,163)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	195	-	6	-
13. Current liabilities (10+11+12)	(13,833,462)	(8,633)	(416,877)	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	(13,833,462)	(8,633)	(416,877)	-
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	1,862,034	-	57,163	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	(1,862,034)	-	(57,163)	-
20. Net foreign currency asset/(liability) position (9+18+19)	6,789,775	(8,525)	216,147	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	1,740,790	(8,525)	61,146	-
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	21,342,331	-	824,019	89,932
24. Import	46,751,730	16,146	1,778,283	129,942

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

2022	TL equivalent (functional currency (restated))	TL equivalent (functional currency (historical))	USD	EUR	Other
1. Trade receivables	12,738,537	7,730,965	7	387,804	-
2a. Monetary financial assets (including cash, bank accounts)	5,686,656	3,451,208	50	173,077	-
2b. Non-monetary financial assets	807,298	489,946	-	24,577	-
3. Other	2,786	1,691	c	85	-
4. Current assets (1+2+3)	19,235,277	11,673,810	57	585,543	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	48,389	29,367	-	1,473	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	48,389	29,367	-	1,473	-
9. Total assets (4+8)	19,283,666	11,703,177	57	587,016	-
10. Trade payables	(16,596,396)	(10,072,284)	(1,281)	(504,055)	(2)
11. Financial liabilities	(1,918,380)	(1,164,257)	-	(58.403)	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	(18,514,777)	(11,236,541)	(1,281)	(562,458)	(2)
14. Trade payables	-	-	-	-	-
5. Financial liabilities	(1,836,945)	(1,114,834)	-	(55,924)	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	(1,836,945)	(1,114,834)	-	(55,924)	-
18. Total liabilities (13+17)	(20,351,721)	(12,351,375)	(1,281)	(618,382)	(2)
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	3,755,325	2,279,097	-	114,327	-
19a. Total hedged asset amount	-	-	-	-	-
19b. Total hedged asset amount	(3,755,325)	(2,279,097)	-	(114,327)	-
20. Net foreign currency asset/(liability) position (9+18+19)	2,687,270	1,630,899	(1,224)	82,961	(2)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(1,923,742)	(1,167,511)	(1,224)	(57,416)	(2)
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23. Export	50,232,138	30,485,676	-	1,733,617	8,315
24. Import	48,088,648	29,184,801	20,646	1,641,054	31,016

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NOTE 28 - 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 December 2023 and 2022:

Exchange rate sensitivity analysis table

	2023			
	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	(25,096)	25,096	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(25,096)	25,096	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	199,176	(199,176)	186,202	(186,202)
5- Amount hedged for EUR risk (-)	(186,202)	186,202	-	-
6- EUR net effect (4+5)	12,974	(12,974)	186,202	(186,202)
<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 (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
Total (3+6+9)	(12,122)	12,122	186,202	(186,202)

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	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 TL:</i>				
1- USD net asset/liability	(3,771)	3,771	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(3,771)	3,771	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(188,596)	188,596	(375,534)	375,534
5- Amount hedged for EUR risk (-)	375,534	(375,534)	-	-
6- EUR net effect (4+5)	186,938	(186,938)	-	-
<i>In case 10% appreciation of other exchange rates against TL</i>				
7- Other exchange rates net asset/liability	(7)	7	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	(7)	7	-	-
Total (3+6+9)	183,160	(183,160)	(375,534)	375,534

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NOTE 28 - 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 December 2023, there exist no interest sensitive financial instruments on the balance sheet. (As of 31 December 2022, an interest rate increase of 0.50% effects the earnings before tax TL negative 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.

2023

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	9,706,256	13,503,209	2,553,640	6,032,809	4,916,760	-
Lease liabilities	31,330	72,106	20,107	33,931	18,068	-
Trade payables	23,387,434	23,574,610	23,572,593	2,017	-	-
Bonds	2,093,203	3,265,125	-	1,061,167	2,203,958	-
Employee benefit liabilities	1,059,573	1,059,573	1,059,573	-	-	-
Other payables	57,589	57,589	57,589	-	-	-
	36,335,385	41,532,212	27,263,502	7,129,924	7,138,786	-

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	10,543,584	11,545,756	1,391,641	6,692,763	3,461,352	-
Lease liabilities	36,713	51,518	4,162	25,021	22,335	-
Trade payables	31,309,709	31,619,210	31,619,203	7	-	-
Bonds	887,495	982,134	427,835	554,299	-	-
Employee benefit liabilities	466,673	466,673	466,673	-	-	-
Other payables	93,972	93,972	93,972	-	-	-
	43,338,146	44,759,263	34,003,486	7,272,090	3,483,687	-

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 December 2023.

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NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	31 December 2023	31 December 2022
Total borrowing	11,830,789	11,467,792
Cash and cash equivalent	(24,815,473)	(19,804,382)
Net financial debt	(12,984,684)	(8,336,590)
Equity	36,879,584	25,849,068
Net financial debt/total equity multiplier	(35%)	(32%)

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

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. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year-end exchange rates. The fair values of financial assets (except short-term consumer financing loans) carried at cost are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The fair values are calculated by discounting the future cash flows of consumer financing loans with the current interest rate which is yearly 53.51% (31 December 2022: 30.11%).

	31 December 2023		31 December 2022	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	9,644,526	7,295,850	7,923,247	6,272,752

Financial liabilities are monetary liabilities for which fair value approximates carrying value; balances denominated in foreign currencies are translated at the year-end exchange rates. Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Management considers an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of vehicles (Egea, Doblo, New Doblo and Mini Cargo (MCV)).

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING) (Continued)

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

31 December 2023

	Level 1	Level 2	Level 3
Derivatives held for trading	-	40,788	-
Total Liabilities	-	40,788	-

As of 31 December 2023, the Group has not made any transfers between second level and first level, and also between third level and other levels.

NOT 30 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

Independent audit fee for the reporting period	1 January- 31 December 2023	1 January- 31 December 2022
Audit and assurance fee	2,487	2,072
Fee for other assurance services	128	59
Total	2,615	2,130

NOTE 31 - SUBSEQUENT EVENTS

None.

NOTE 32 - OTHER

On March 1, 2023, the Framework Agreement was signed for the main principles regarding to the commercial activities between the Stellantis Group and the Company, the acquisition of the shares of Stellantis Otomotiv Pazarlama A.Ş., and the cooperation and partnership relations between the Company, the Stellantis Group and the Koç Group.

The transfer fee has been determined as 400 million Euros, excluding the contingent payment and varying according to the closing adjustment; Completion of the share transfer transaction is subject to certain closing conditions, including obtaining the necessary permissions from the competition authorities and other regulatory bodies.

The Competition Board decided on December 4, 2023 to take the transaction into final review in accordance with the first paragraph of Article 10 of the Law on the Protection of Competition No. 4054.

Identity

Trade Name	Tofaş Türk Otomobil Fabrikası A.Ş.
Address	Büyükdere Cad. No: 145 Tofaş Han, 34394 Zincirlikuyu, İstanbul
Trade Registry and Number	İstanbul Trade Registry/100324
Central Registration System Number	0846000042200017
Registered Capital Ceiling	TL 1,000,000,000
Paid-in Capital	TL 500,000,000

Communication

Head Office

Büyükdere Cad. No: 145 Tofaş Han,
34394 Zincirlikuyu, İstanbul
T:+90 (212) 275 33 90
F:+90 (212) 275 39 88

Factory

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T:+90 (224) 261 03 50
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Disclaimer

The Board of Directors' Report, Auditors' Report, Consolidated Financial Statements and Independent Audit Report regarding the operations and financials of the year 2023, included in this Annual Report ("Report"), are prepared in accordance with the legal requirements for the Ordinary General Assembly, which will be held on 28 March 2024 at Tofaş Headquarters, Büyükdere Cad. No: 145 Tofaş Han, 34394 Zincirlikuyu, İstanbul.

This Report is prepared only to provide information to the shareholders, and it is not intended to form the basis of any investment decision. The opinions and statements regarding estimated figures contained within this Report solely reflect the Company management's

views with respect to certain future events; thus, the actual results and developments may differ from these estimates depending on the variables and assumptions. Accordingly, neither the Koç Group nor its respective advisors, directors or employees shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in, or omission from, this Report, or on any other information or communications in connection with the Report.

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