

TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

Tofaş 2020 Annual Report

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STRONG

CONTRIBUTOR TO THE NATIONAL ECONOMY

A MANUFACTURER OF BOTH PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES, TOFAŞ IS TURKEY'S 7TH BIGGEST INDUSTRIAL ENTERPRISE.



ENDURING MARKET LEADERSHIP



IN 2020, THE FIAT BRAND CONTINUED ITS LEADERSHIP BY INCREASING ITS SHARE IN TURKEY'S AUTOMOTIVE MARKET.



ABOUT TOFAŞ

With an annual production capacity of 450 thousand vehicles and with nearly 7 thousand employees, Tofaş is Turkey's seventh biggest industrial enterprise.



TOFAŞ IS THE ONLY AUTOMOTIVE MANUFACTURER IN TURKEY THAT PRODUCES BOTH PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES.

Founded in 1968, Tofaş is the only company in Turkey that manufactures both passenger cars and light commercial vehicles.

Tofaş is a Koç Holding and FCA Italy SPA partnership in which each controls an equal stake. With 24.3% of its capital publicly-traded, Tofaş's shares are included in both the Borsa İstanbul BIST 30 and the BIST 100 indexes as well as in that exchange's Corporate Governance Index and Sustainability indexes.

THE HIGHEST LEVEL IN WORLD CLASS MANUFACTURING

With an annual production capacity of 450 thousand vehicles and with nearly 7 thousand employees, Tofaş is Turkey's seventh biggest industrial enterprise. Headquartered in İstanbul, Tofaş conducts its manufacturing operations at its Bursa plant, which occupies about a million m² of grounds and has 350 thousand m² of enclosed space.

Tofaş is foremost among Fiat Chrysler Automobiles' strategically important production centers. Within the scope of the "World Class Production" (WCM) methodology applied in the FCA Group's 400 factories worldwide, Tofaş is the company with the highest score among all automobile factories. The company is also one of the group's two biggest R&D centers in Europe.

Tofaş's plant produces Fiat Doblòs and Fiorinos as well as the Fiat Egea family's sedan, hatchback, station wagon and cross models. Egea is marketed in different regions of the world with the Fiat Tipo brand. Developed and manufactured at Tofaş, the Doblò is also exported to the United States where it is sold under the ProMaster City name. Tofaş is also a distributor, handling the domestic sales of six marques (Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, Ferrari) in Turkey.

OUR VISION

Towards one million vehicles per annum...
To be a leading automotive company that creates the best value and mobility solutions for customers.

OUR MISSION

To improve people's quality of life by providing them with the products and services that best suit society's need for mobility.

ABOUT THE KOÇ GROUP AND STELLANTIS



THE KOÇ GROUP

Founded in 1926, the Koç Group is Turkey's biggest corporate group from the standpoints not only of its turnover and exports but also of its share of Borsa İstanbul capitalization, the taxes that it pays, and the employment that it creates. With an aggregate turnover corresponding to 8% of national income and a 9% share of the country's export trade by value, the Koç Group is one of the main engines of the Turkish economy. Having increased its consolidated operating profit by 26% on a TL-basis over the last five years, the group's flagship Koç Holding is the only Turkish company to be included in the Fortune Global 500 ranking. With its strong competitive advantages, Koç Holding commands leading positions in sectors with long-term growth potential such as energy, automotive, durable consumer goods, and financial services.



STELLANTIS

In late 2019, Fiat Chrysler Automobiles signed a merger agreement with PSA Group under which each side will control a 50% stake in the new firm. Stellantis has become the new company established by the merger that took effect in January 2021. With strengths derived from the deep roots of its founding partners and their robust financial resources and also employing 400 thousand talented and experienced people around the world, Stellantis will be setting out with a corporate vision of being a global company capable of designing, developing, manufacturing, and selling vehicles and mobility solutions worldwide. As the merger had not yet gone into effect during the period covered by this report, the only aspects of Stellantis that will be dealt with in this document are those of FCA, Tofaş's principal shareholder at the time.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

In 2020 Tofaş bolstered its strong position in the Turkish automotive industry as the market leader with TL 23.6 billion in sales and a home market share of 18.4%.

OPERATIONAL HIGHLIGHTS	2019	2020
Export Sales (TL thousand)	13,301,313	10,821,043
Domestic Sales (TL thousand)	5,355,308	12,441,509
Other Income from Operational Activities (TL thousand)	240,293	294,195
Cumulative Production Volume (units)	264,197	250,630
Sales (units)	271,319	259,479

FINANCIAL HIGHLIGHTS (TL THOUSAND)	2019	2020
Total Assets	12,809,287	19,475,621
Shareholders' Equity	4,329,209	4,468,611
Sales Revenues	18,896,914	23,556,747
EBITDA	2,479,757	3,025,512
Profit Before Tax	1,456,555	1,830,776
Net Profit	1,481,639	1,784,170

250,630

Tofaş produced 250,630 vehicles in 2020.

259,479

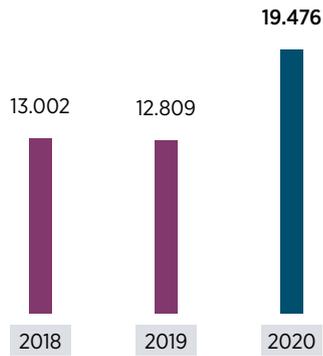
Tofaş sold 259,479 vehicles in 2020.

TL 23.6 billion

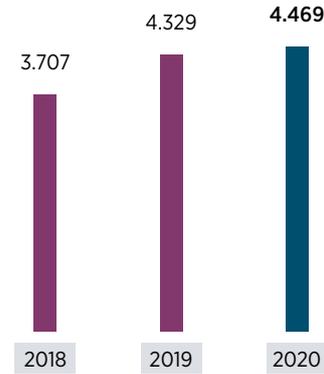
In 2020 Tofaş recorded TL 23.6 billion in sales revenues and a net profit of TL 1.8 billion.

45.9%

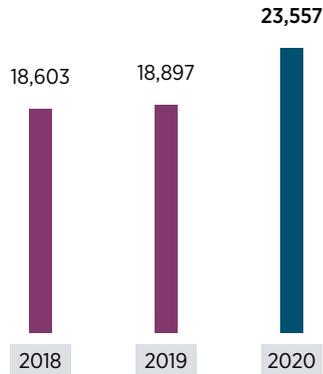
International sales accounted for a 45.9% share of total sales in 2020.

TOTAL ASSETS (TL MILLION)**TL 19.5 billion**

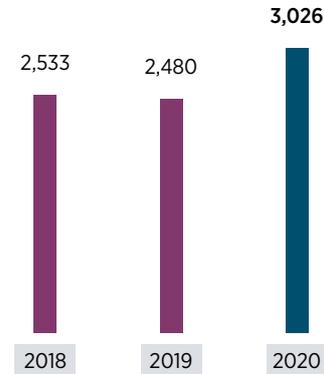
In 2020 total assets amounted TL 19,476 million.

SHAREHOLDERS' EQUITY (TL MILLION)**+3.2%**

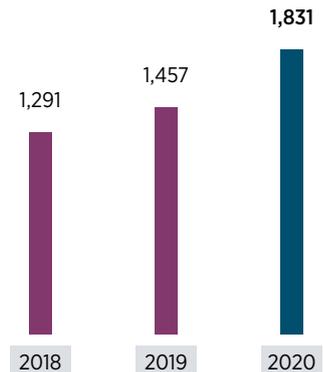
In 2020 shareholders' equity reached TL 4,469 million with an increase of 3.2%.

SALES REVENUES (TL MILLION)**TL 23.6 billion**

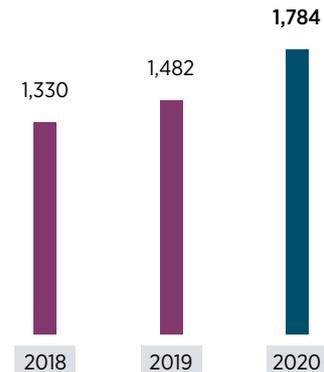
In 2020 sales revenues rose by 24.7% and reached TL 23,557 million.

EBITDA (TL MILLION)**TL 3.03 billion**

At year-end 2020 Tofaş's EBITDA was TL 3,026 million.

PROFIT BEFORE TAX (TL MILLION)**+25.7%**

In 2020 profit before tax increased by 25.7% to TL 1,831 million in value.

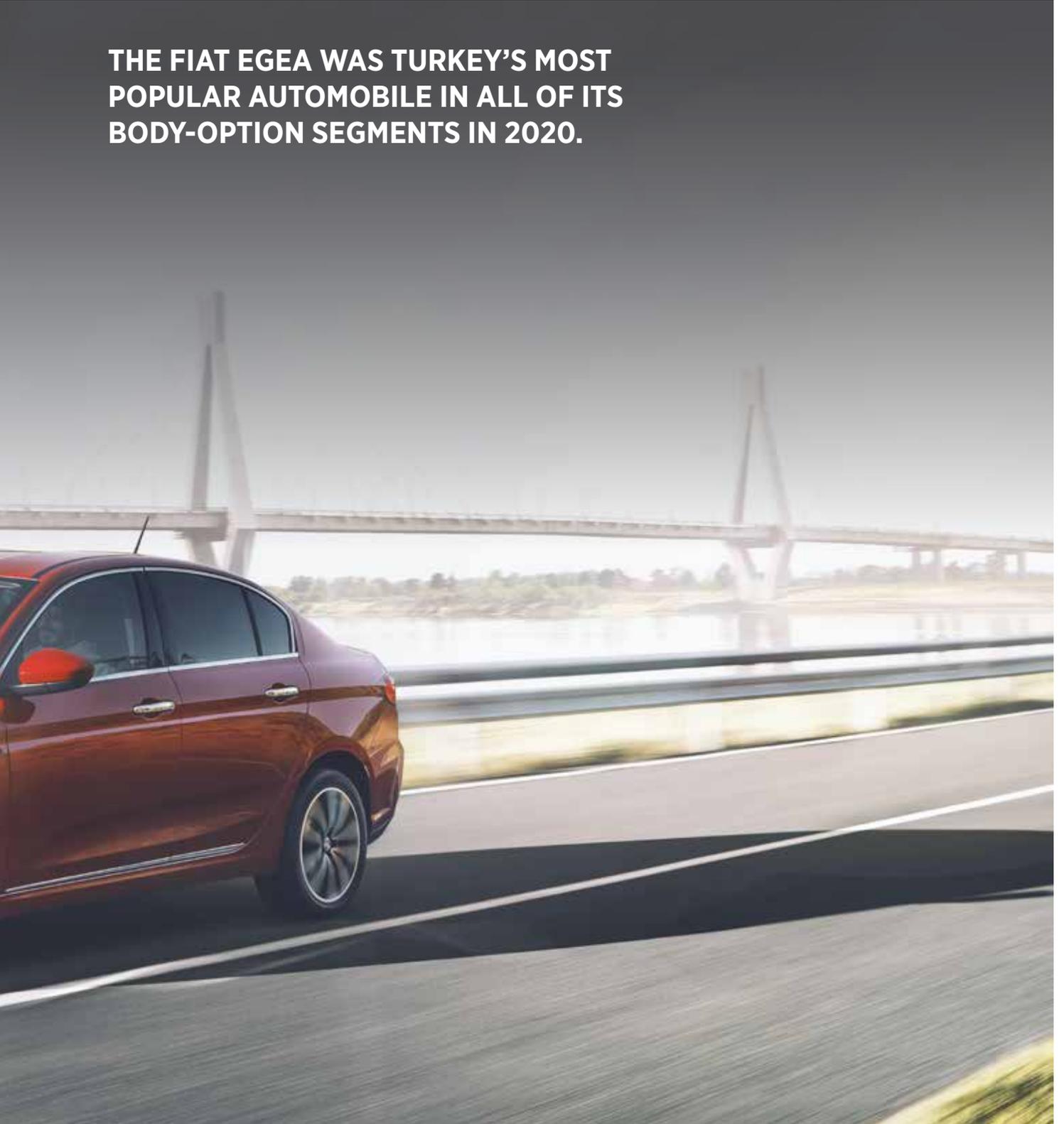
NET PROFIT (TL MILLION)**+20.4%**

Net profit increased by 20.4% reaching TL 1,784 million in 2020.

CONSUMER- CHOICE LEADER FIVE YEARS IN A ROW



**THE FIAT EGEA WAS TURKEY'S MOST
POPULAR AUTOMOBILE IN ALL OF ITS
BODY-OPTION SEGMENTS IN 2020.**



AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

AGENDA OF 53rd ORDINARY GENERAL ASSEMBLY MEETING OF TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ TO BE HELD ON 16 MARCH 2021

1. Opening and election of Meeting Chairmanship,
2. Reading, discussion and approval of 2020 Activity Report prepared by the Company's Board of Directors,
3. Reading of Independent Audit Report Summary related to 2020 accounting period,
4. Reading, discussion and approval of Financial Statements related to 2020 accounting period,
5. Approval of replacement of the member of Board of Directors under Article 363 of Turkish Commercial Code,
6. Acquittal of each Member of the Board of Directors for 2020 activities of the Company,
7. Approval, approval with amendment or rejection of the Board of Directors' proposal on distribution of 2020 profits and the date of profit distribution prepared as per the Company's Profit Distribution Policy,
8. Approval, approval with amendment or rejection of the Board of Directors' proposal on amendment of Article 6 of the Company's Articles of Association titled as "Share Capital" provided that the required approvals are obtained from the Capital Market Board and Ministry of Commerce,
9. Determination of the number and office term of the members of the Board of Directors, appointment of the members of the Board of Directors according to the determined number, appointment of the independent members of the Board of Directors,
10. Informing the Shareholders on and approval of "Remuneration Policy" for Members of the Board of Directors and Top-Level Managers and the payments made within the frame of such policy as required by Corporate Governance Principles,
11. Determination of annual gross remunerations of the Members of the Board of Directors,
12. Approval of selection of Independent Auditing Organization by the Board of Directors as per the Turkish Commercial Code and Capital Market Board regulations,
13. Approval of the Donation and Sponsorship Policy adopted by the Company's Board of Directors and informing the Shareholders on donations made by the Company in 2020 and setting an upper limit for donations to be made in 2021,
14. Informing the Shareholders on assurances, pledges, securities and indemnities supplied by the Company and its affiliates in favor of third parties and the profits and benefits gained in 2020 as per the Capital Market Board regulations,
15. Authorization of the Shareholders holding the management control, members of the Board of Directors, top level managers and their spouses and relatives by blood and affinity up-to-second-degree within the frame of Articles 395 and 396 of the Turkish Commercial Code and informing the Shareholders on the transactions of this nature carried out in 2020 as per the Capital Market Board Corporate Governance Communiqué,
16. Wishes and opinions.

(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 Kat: 2-3-4
34485 Sarıyer/İstanbul Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis no: 0-4350-3032-6000017

To the Shareholders of Tofaş Türk Otomobil Fabrikası A.Ş.

1) Opinion

We have audited the annual report of Tofaş Türk Otomobil Fabrikası A.Ş. ("the Company") and its subsidiaries ("the Group") for the period of January 1 – December 31, 2020.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report 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 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) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 3, 2021 on the full set consolidated financial statements of the Group for the period of January 1 – December 31, 2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular

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



February 22, 2021
İstanbul, Türkiye

CHAIRMAN'S ASSESSMENT



Embracing change and not being afraid of it are two elements of Koç's corporate culture that have made us better prepared for the challenges we face today.

Ömer M. Koç
Chairman of the Board of Directors

Esteemed shareholders:

2020 will be engraved indelibly in our memories as "a year unlike any other" in every sense. Contending with a pandemic for which it seemed to be completely unprepared and humanity was forced to endure tremendous social and economic losses. Having embarked upon a new year, there is much hope that scientists' efforts to develop vaccines will prove effective but there seems little likelihood of returning to anything like the "old normal" before mid-2021.

As this process unfolded, many countries' monetary authorities, the US Federal Reserve Bank foremost among them, cut interest rates and had recourse to expansionist policies as they initiated comprehensive economic support programs. In the face of an acute global contraction in the appetite for risk, we witnessed historically high numbers of international investors shedding portfolio investments as they pulled out of developing-country markets whose risk premiums surged.

The IMF revised its 2020 global-growth projection to 4.4% while the OECD updated its own to 4.2%. Having entered 2021 at last, the global market outlook has still not stabilized as of this writing. China, believed to be where Covid-19 first broke out, has overcome the shocks to its economy and has resumed growing again. Having suffered from the pandemic's economic fallout the most severely, euro-area economies by contrast appear to have undergone a sharp contraction. The US economy for its part is expected to have contracted by around 3% in 2020 and is likely to grow by a similar rate in 2021.

It is encouraging that, after having been the source of so much uncertainty, the Brexit process was concluded with a trade agreement at the end of the year; likewise, Joe Biden's victory in the 2020 US presidential elections is seen as a chance for a rebalancing on the international political front. It also seems likely however that, owing to their nature, neither

development is apt to run smoothly as it moves forward. The USA and the EU, both of which play an important role in setting global agendas, are now expected to advocate similar positions, at least on some issues like climate change. This is something that the business world will need to follow closely and seriously.

TURKEY'S ECONOMIC GROWTH ONCE AGAIN SET THE COUNTRY APART.

Lingering economic problems left over from 2019 were further exacerbated by the effects of the global pandemic, thereby making 2020 an even tougher year for the Turkish economy.

In the first quarter of 2020, the Turkish economy grew by 4.5% as compared with the same quarter of the previous year. In the second quarter of the year growth by contrast was down by 9.9% as domestic economic activity reeled from the effects of a global slowdown. For all of that however, In the third quarter Turkey's 6.7% growth rate was the fastest recovery witnessed in any G20 country.

While expansionary fiscal and monetary policies and financial repression effectively helped the Turkish economy bounce out of recession with a V-shaped recovery, they also unfortunately led to serious problems for the country on the balance of payments, exchange rate, and inflation fronts. With the current balance deteriorating, the current account deficit and capital flight was largely financed through the use of official reserves. In 2020, the value of the Turkish lira fell by 23.5% against the US dollar while 12-month inflation peaked at 14.6% in December 2020.

In June 2020 Turkey's central bank ceased cutting interest rates, something which it had been doing for nearly a year and began instead to tighten and simplify its monetary policy. In the second half-year, TCMB increased its policy rate on three occasions, setting it at 17% in its year-end announcement.

With the increases in TCMB's policy rate, the Turkish lira has begun to recover and even to gain against other currencies, a situation which could have the effect of easing inflationary pressures somewhat. These interest rate hikes have also had the effect of reducing Turkey's credit default swap premium, which is a welcome development indeed.

DRIVEN BY ITS UNIQUE DYNAMICS, THE TURKISH AUTOMOTIVE MARKET PERFORMED IMPRESSIVELY.

In 2020 total production in the Turkish automotive industry was down by 11% year-on and amounted to 1,298,000 units. Despite that, the market for automobiles and light commercial vehicles performed impressively: total sales were up by 61.3% year-on and numbered 772,788 units.

Automobile sales, which accounted for a 79% share of the overall market, were up by 57.6% year-on while the growth in the light commercial vehicle market was an even more impressive 77.2%.

Increasing its sales despite last year's tough conditions, Tofaş registered successful business results that saw it take an 18.4% share of Turkey's light commercial vehicle market. The Fiat brand's 17.8% share of total automobile and light commercial vehicle sales in 2020 was a repeat of the company's 2019 market leadership performance.

In 2020 the Turkish automotive industry had total exports worth USD 25.9 billion, corresponding to a first-place 15% share of Turkey's total exports last year.

IN A CHALLENGING YEAR WE ACHIEVED SUCCESSFUL RESULTS.

In the efforts to combat the Covid-19 epidemic in 2020, Tofaş adopted an exemplary stance through operations focused on creating social benefit while taking measures to protect our employees and other stakeholders. In addition, we manufactured personal protective equipment that we had designed in our R&D center and urgently supplied it to public health authorities. To support the equipment's production by other companies, we also made our designs freely available to all.

Even under such difficult conditions however, we continued to create value through our business operations. The 251 thousand vehicles that Tofaş manufactured in 2020 corresponded to 19% of Turkey's total automotive industry output and, at 118 thousand units, 13% of the country's total automotive exports.

In 2020 Fiat successfully defended its standing as the overall automotive market leader. Ongoing management of Tofaş's product-development processes once again made the Fiat Egea Turkey's most popular automobile in all of its body options for the fifth year in a row. Under a decision made in

2019, the Fiat Egea was given a comprehensive facelift at an investment cost of USD 225 million while the Egea Cross project was also completed. We likewise introduced a number of innovations in line with changes in consumer behavior brought about by pandemic-accelerated digitalization.

For Tofaş as a company, the FCA-PSA merger that was announced in December 2019 and finalized in January 2021 is understandably high on the agenda. Continuing our operations as a member of an even stronger corporate group under a new name—Stellantis—our goal will be to strengthen Tofaş's presence as an important player in the new structure.

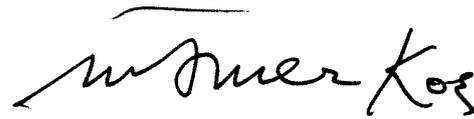
At a time when difficulties and uncertainties are increasing all over the world, it is more important than ever to manage the present while making the changes that the world will need tomorrow. Embracing change and not being afraid of it are two elements of Koç's corporate culture that have made us better prepared for the challenges we face today.

Even during such difficult times as these, our experience, our financial discipline, our agile management approach, our digital competencies, our R&D and innovation strengths, the superior efforts of our management, our strong dealership organization, and our efficient supply chain will all ensure that we maintain our solid position.

In a process that continues to unfold, we are seeing that companies which can properly manage non-financial as well as financial risks are more resilient in the face of the turmoil caused by a global pandemic. Even during this pandemic we continue to abide by our approach to sustainability, which always gives the highest priority to people while being mindful of both social benefit and of a better future. That approach is what also serves as a solid foundation for our hopes.

Trusting our deep-rooted corporate values and competencies and with the great dedication of our employees and support of our business partners, we will continue to repeat our successes and to look to the future even during the most difficult of times. In closing therefore let me offer all of our stakeholders my most sincere thanks.

Very truly yours,



Ömer M. Koç
Chairman of the Board of Directors

BOARD OF DIRECTORS



ÖMER M. KOÇ
Chairman

He received his B.A. degree from Columbia University in 1985. He worked at Kofisa Trading for one year. He completed his MBA at Columbia University in 1989. After working at Ramerica International Inc., he joined Koç Group in 1990. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of Energy Group. He became member of Board of Directors in 2004 and Vice Chairman in May 2008. In February 2016, he was appointed as the Chairman of Koç Holding. Ömer M. Koç has been serving as the Chairman of Tofaş since April 2016.



PIETRO GORLIER
Vice Chairman of the Board of Directors

Pietro Gorlier graduated from University of Turin with degrees in Economics and Business. Gorlier joined the Fiat Group as a Market Analyst in Iveco in 1989 and assumed various responsibilities in Logistics, After-Sales and Customer Services. Starting to work in Network Development at Fiat Group Automobiles in 2006, Gorlier later served at Fiat Group Automobiles S.p.A. and CNH Global N.V within Chrysler Group. Gorlier was appointed as the President and Chairman of the Executive Board of Chrysler Group LLC-MOPAR Brand Service, Parts and Customer Services in 2009 and as the Chief Operating Officer (COO) in 2015. Pietro Gorlier was appointed as the COO for Europe, Middle East and Africa Region in October 2018. He is a member of the Group Executive Council (GEC) and Global Head of Parts & Service (MOPAR) since 2011.



CENGİZ EROLDU
Board Member - CEO

Cengiz Eroldu graduated from the Business Administration Faculty of Istanbul University and completed the MBA program at LUISS University (Italy). He began his career as an Audit Specialist at Koç Holding in 1989. He was appointed to the position of Assistant Accounting and Industrial Governance Manager for Tofaş in 1995, working in the Accounting and Industrial Governance Department and the Budget and Governance Department from 2001 to 2008, and in the Finance Department between 2008 until 2015. Since 2015, he has been serving as Member of the Tofaş Board of Directors and CEO.



TEMEL KAMİL ATAY
Board Member

A graduate of Mechanical Engineering from Istanbul Technical University, he holds an MBA degree from Wayne State University. He joined Koç Group in 1966 and later served as the General Manager of Otoyo Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. After working in various senior management posts at Koç Holding, he served as the CEO between 2000 and 2001. Temel Kamil Atay was a member of Koç Holding Board of Directors between 1996-2019.



LEVENT ÇAKIROĞLU
Board Member

Levent Çakıroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He earned a Master's degree at the University of Illinois. Mr. Çakıroğlu began his professional career as an Auditor at the Ministry of Finance in 1988. From 1997 to 1998, he taught as a part-time instructor at Bilkent University, and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Financial Coordinator. Subsequently, he served as the General Manager of Koçtaş (2002-2007), General Manager of Migros (2007-2008), General Manager of Arçelik (2008-2015), and President of the Consumer Durables Group at Koç Holding (2010-2015). In February 2015, Mr. Çakıroğlu was appointed Deputy Chief Executive Officer of Koç Holding, and he has been the Chief Executive Officer of Koç Holding since April 2015. He has been a member of Koç Holding Board of Directors since 2016.



DAVIDE MELE
Board Member

Davide Mele graduated from Polytechnic University of Turin with a degree in Engineering. Mele joined the Fiat Group as a Senior Auditor at Fiat Revit S.r.l in 2001 and later assumed various posts as the Financial Controller responsible for financial management of all aspects of the Fiat Auto-Ford partnership agreement as part of the Audit Department and as Project Controller. In 2013, he was appointed as the Head of Financial Planning and Analysis at Fiat S.p.A. and assumed responsibilities of financial planning, budgeting and corporate level reporting and analysis for both Chrysler LLC and Fiat S.p.A. Mele has been serving in various significant roles in the Group, including his appointment as the FCA Group Head of Audit of Passenger Cars in 2016 and Latin America Chief Operating Officer (COO) in 2017. Davide Mele has been assigned as Deputy Chief Operating Officer for the EMEA Region in April 2018.



İSMAİL CENK ÇİMEN
Board Member

İsmail Cenk Çimen holds a degree in Industrial Engineering from Istanbul Technical University; in addition, he completed Executive Development Programs at Stanford University (USA) and University of California - Los Angeles (USA). He joined Koç Group in 1991 as a Management Trainee at Nasoto. He assumed Sales Coordinator, Regional Manager and Import Manager responsibilities at Otosan Pazarlama between 1993 and 1996. He served as Fleet Sales Manager at Ford Otosan from 1996 to 1998 and became the General Manager of Otokoç Ankara in 1998. In 2001, he was appointed General Manager of the companies merged under Otokoç. In 2005, his responsibility was extended to include the General Manager role at Birmot A.Ş., while also assuming responsibility for Avis car rental. He has served as the President of Automotive Group at Koç Holding since June 2009.

* Kenan Yılmaz was appointed to replace İsmail Cenk Çimen as of 21 January 2021.

BOARD OF DIRECTORS



GIORGIO FOSSATI
Board Member

Giorgio Fossati holds a degree in law from the University of Turin (Italy). He started his professional career in the Legal Department at Iveco S.p.A. in 1988 and joined Fiat S.p.A. in 1999 as a member of the legal staff. He became General Counsel of FCA Italy S.p.A. in 2002. He has served as the General Counsel for FCA EMEA Region and as Corporate General Counsel for Fiat Chrysler Automobiles N.V. since 2011. Mr. Fossati is a member of the Boards of Directors of FCA US LLC, FCA Italy S.p.A., Teksid S.p.A., Fiat Chrysler Finance S.p.A., Fidis S.p.A., FCA Partecipazioni S.p.A., Fiat Chrysler Risk Management S.p.A. and Abarth & C. S.p.A. In addition, he is a member of the Executive Committee of FCA Poland S.A.



SERGIO DUCA
Independent Board Member

Mr. Duca graduated with honors in Economics and Business from Bocconi University in Milan. As a certified chartered accountant and auditor, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of a number of significant Italian companies. Mr. Duca has previously served as Chairman of the Board of Directors of Orizzonte SGR S.p.A. from 2008 until 2016, Chairman of the Board of Statutory Auditors of Exor S.p.A. until May 2015, Chairman of the Board of Statutory Auditors of GTech until April 2015, Chairman of the Board of Statutory Auditors of Tosetti Value SIM and an Independent Director of Sella Gestione SGR until April 2010. Sergio Duca is the Chairman of the Board of Statutory Auditors of Enel S.p.A. since April 2010. He acts as a Member of the Board of Nedcommunity and Independent Board Member of OSAI Automation System S.p.A.



NESLIHAN TONBUL
Independent Board Member

Having graduated with a high degree from the Economics and Political Science department of Rutgers University in 1981, Neslihan Tonbul completed her post-graduate study on International Finances and Economic Development at The Fletcher School of Law and Diplomacy - Tufts University. Appointed to the senior executive positions at New York, London and Istanbul agencies of various international finance institutions (The Irving Trust Company, The Bank of New York and BNY Mellon) from 1983 to 2008, she was appointed as regional manager overseeing a region that includes the Middle East, Africa, Eastern Europe and Turkey. Serving as board member to the prominent Turkish holdings since 2008, Neslihan Tonbul is a board member of Tofaş, Petkim, Alarko Holding and Vakıfbank International. Gaining expertise in the Management of Family Companies by studying at the Harvard Business School with CFEG, Tonbul has been teaching "Management of Family Companies" at the Faculty of Economics and Administrative Sciences of Koç University since 2017.

BOARD OF DIRECTORS MEMBERS WHO HELD OFFICE DURING THE REPORTING PERIOD

BOARD OF DIRECTORS		TERM OF OFFICE	
Name	Position	From	Until
Ömer M. KOÇ	Chairman	13.03.2019	18.03.2021
Pietro GORLIER	Vice Chairman	13.03.2019	18.03.2021
Cengiz EROLDU	Member & CEO	13.03.2019	18.03.2021
Temel Kamil ATAY	Member	13.03.2019	18.03.2021
Levent ÇAKIROĞLU	Member	13.03.2019	18.03.2021
Davide MELE	Member	13.03.2019	18.03.2021
İsmail Cenk ÇİMEN	Member	13.03.2019	18.03.2021
Giorgio FOSSATI	Member	13.03.2019	18.03.2021
Sergio DUCA	Independent Member	13.03.2019	18.03.2021
Neslihan TONBUL	Independent Member	13.03.2019	18.03.2021

⁽¹⁾ Following the election date of the Board of Directors, terms of office have been taken into consideration.
(13 March 2019 – 13 March 2020 and 18 March 2020 – 18 March 2021)

DUTIES, AUTHORITIES AND LIMIT OF AUTHORITIES OF THE BOARD OF DIRECTORS

- Both the Chairman and Members of the Board of Directors shall be authorized with specified duties and authorizations defined in Article 11 of the Articles of Association and related articles of the Turkish Commercial Code.
- Furthermore, the regulation concerning Executive Board Decisions is available in the 10th article of the Articles of Association.
- The regulation concerning Auditing is contained in the 13th article of the Articles of Association.

DIVIDEND DISTRIBUTION POLICY

Our Company distributes dividends in accordance with the related provisions of Turkish Commercial Code, capital markets regulations, tax regulations, other related regulations and dividends distribution article of Articles of Association. Dividends are distributed with a policy which is balanced and consistent in terms of the interests of shareholders and the Company in accordance with Corporate Governance Principles.

As a basic principle and to the extent possible based on the applicable regulations and financial resources, net distributable profit within a certain period calculated based on the market expectations, long-term company strategy, investment and financing policies, profitability and cash position and in accordance with Capital Markets Regulations is distributed to the shareholders in the form of cash and/or bonus share provided that it can be covered from the legal reserves.

The intention is to complete dividends distribution in maximum one month after the General Assembly meeting and the date of dividends distribution is determined by the General Assembly. General Assembly or the Board of Directors, if authorized, can decide on distribution of dividends in installments in accordance with the Capital Markets Regulations.

As per the Articles of Association, Board of Directors can distribute dividends in advance provided that it is authorized by the General Assembly and acts in accordance with Capital Markets Regulations.

There is no privilege regarding distribution of dividends. Dividends are distributed equally regardless of the whole current shares or their dates of issuance and acquisition.

This is to inform our esteemed Shareholders.

2020 PROFIT DISTRIBUTION PROPOSAL

In accordance with the consolidated Balance Sheet and Income/Loss Statement that has been drawn up pursuant to the CMB Communiqué Serial:II-14.1 on Principles of Financial Reporting in the Capital Market and Communiqué Serial:II-19.1 on Dividends, our Company booked a consolidated net profit of TL 1,784,170,000 in 2020. The donations and charitable grants made to foundations and associations during the reporting period amounted to TL 11,711,216

It is hereby proposed that; Cash dividends in the total amount of TL 1,500,000,000.- corresponding to a rate of 300.00% (gross) be paid out of the net profit for the period to our Shareholders after deducting the legal liabilities in accordance with the provisions of the Turkish Commercial Code, Capital Market legislation, and the Company's Articles of Association and the Dividend Policy.

Resident corporate entities and non-resident corporate entities deriving dividends via a workplace or permanent representation in Turkey be paid out a cash dividend at a rate of 300.00% (gross) and in the amount of Kr 3.00 Gross=Net for each share with a nominal value of Kr 1,

Our other shareholders be paid out a cash dividend at the rate of 300.00% and in the amount of Kr 3.00 gross and Kr 2.55 net per share with a nominal value of Kr.1., and;
The beginning date of dividend distribution be set as 23 March 2021.

We hereby propose that the dividend distribution and timing be resolved as proposed above.

2020 DIVIDEND DISTRIBUTION TABLE

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.			
2020 Dividend Distribution Proposal Table (TL)			
1.	Paid-in/Issued Capital	500.000.000	
2.	Total Legal Reserves (According to Tax Book)	369.228.583	
If there is dividend privilege in the Articles of Association, information regarding this privilege:		No	
		According to CMB	
		According to Tax Book	
3.	Current Period Profit	1,830,776,000	1,542,300,368
4.	Taxes Payable (-)	46,606,000	13,449,026
5.	Net Current Period Profit (=)	1,784,170,000	1,528,851,342
6.	Losses in Previous Years (-)		
7.	Primary Legal Reserves (-)		
8.	NET DISTRIBUTABLE CURRENT PERIOD (=)	1,784,170,000	1,528,851,342
9.	Donations Made during the Year (+)	11,711,216	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend is Calculated	1,795,881,216	
	First Dividend for Shareholders		
11.	- Cash	1,500,000,000	25,000,000
	- Stock		
	- Total	1,500,000,000	25,000,000
12.	Dividend Distributed to Owners of Privileged Shares		
	Other Dividend Distributed		
13.	- To the Members of the Board of Directors,		
	- To the Employees		
	- To None Shareholders		
14.	Dividend to Owners of Redeemed Shares		
15.	Second Dividend for Shareholders		1,367,137,583
16.	Secondary Legal Reserves	147,500,000	136,713,759
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	136,670,000	0
	Other Distributable Resources	0	107,862,417
20.	- Retained Earnings		
	- Extraordinary Reserves		
	- Other distributable reserves in accordance with the Law and the Articles of Association		107,862,417
	Legal Reserves From Other Distributable Resources	0	10,786,242
21.	- Retained Earnings		
	- Extraordinary Reserves		
	- Other distributable reserves in accordance with the Law and the Articles of Association		10,786,242

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.					
2020 Dividend Rates Table					
SHARE GROUP	TOTAL DIVIDEND AMOUNT (TL)/ NET DISTRIBUTABLE CURRENT PERIOD			DIVIDEND TO BE PAID FOR SHARE WITH PAR VALUE OF 1 TL	
	DIVIDEND AMOUNT		PROFIT	WITH PAR VALUE OF 1 TL	
	CASH (TL)	STOCK (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
A (real person)	2,973,408		0.17	2,5500	255,00
A (legal entity)	564,341,444		31.63	3,0000	300,00
NET* D	482,663,635		27.05	2,5500	255,00
E	309,672,730		17.36	2,5500	255,00
TOTAL	1,359,651,217	0	76.21		

(1) There is no privileged share group in profits

(2) No withholding tax will be applied as Group A shares which correspond to 37.62% of the capital belong to full-fledged legal persons. And as Group A shares which correspond to 0.23% of the capital belong to full-fledged real persons, 15% withholding tax will be applied.

(3) 15% withholding tax is applied by taking into account that all group d shares belong to limited liability real persons.

(4) 15% withholding tax is applied accepting that all Group E public shares belong to real persons.

REMUNERATION POLICY FOR TOP-LEVEL MANAGERS AND MEMBERS OF THE BOARD OF DIRECTORS

This policy document defines the remuneration system and practices for the members of the board of directors and top-level managers with administrative responsibilities as defined by CMB regulations.

Fixed wages payable to members of the board of directors are designated by the ordinary general assembly every year. Executive board members are paid in accordance with the policy applicable for top-level managers and detailed below.

Performance-based payments are not used for remuneration of independent members of the board of directors.

Members of the board of directors are paid based on the period from assignment to resignation. Expenses of the members of the board of directors related with the benefits they provide for the company (transportation, telephone, insurance, etc.) are covered by the company.

Remuneration for Top-Level Managers consists of fixed and performance based components.

Fixed wages of Top-Level Managers are determined in accordance with international standards and legal liabilities based on macroeconomic market data, wage policies applicable in the market, size of the company, long-term objectives and individual positions.

Bonuses payable to Top-Level Managers are based on bonus base, company performance and individual performance. The criteria are as follows:

Bonus Base: Bonus Base is updated every year and varies according to the positions of managers and volume of business. Bonus base is updated based on the top-management bonus policies applicable in the market.

Company Performance: Company performance is calculated every year by measuring the financial and operational (market share, exports, international operations, efficiency etc.) objectives of the company in terms of achievement at the end of the year. The basic principles while defining the company objectives are ensuring that achievements are sustainable and improvements are made as compared to the previous year.

Individual Performance: Definition of individual performance is based on company objectives as well as objectives related with employees, customers, processes, technology and long-term strategies. In measurement of individual performance, company performance and long-term sustainable improvement in non-financial area are significant principles.

In case of resignation of a top-level manager, a certain amount of bonus can be paid based on the term of assignment, term of assignment as a top-level manager, benefits provided, last target bonus before resignation, wages paid in the last year and bonus data.

Total amounts paid to Top-Level Managers and Members of the Board of Directors based on the principles listed above are submitted to the information and/or approval of the shareholders at the next general assembly meeting.

This is to inform our esteemed Shareholders.

CROSS:

THE FIAT EGEA FAMILY'S NEWEST MEMBER



CONTINUING TO REFRESH THE EGEA FAMILY WITH NEW INVESTMENT, TOFAŞ ADDED THE EGEA CROSS TO ITS PRODUCT LINE IN 2020.



CEO'S ASSESSMENT



At a time when the resilience of the whole world was put to the test, we nonetheless completed a successful year through agile and effective management that involved rapidly accommodating ourselves to change.

Cengiz Eroldu
Board Member & CEO

Valued stakeholders,

There can be no doubt but that 2020 was an extraordinary year indeed. By redefining what is "normal", the Covid-19 global pandemic also reshaped our lives. In this most difficult year, as Tofaş, we gave the highest priority to protecting the health of our employees and other stakeholders while also ensuring the continuity of our business. That also meant continuing our R&D and technology investments without any lapse in our new-product investments either. At a time when the resilience of the whole world was put to the test, we nonetheless completed a successful year through agile and effective management that involved rapidly accommodating ourselves to change.

TOFAŞ HAS CONFIRMED ITS SECTORAL STRENGTHS AND COMPETENCIES.

In 2020 Tofaş produced a total of 250,630 units of vehicles. It retained its standing as one of Turkey's leading industrial concerns with domestic production accounting for 93% of its sales to its home market and 118,000 units exported while also once again demonstrating the value that it adds to both its sector and to the national economy.

As the representative of the Fiat, Fiat Professional, Alfa Romeo, Jeep®, Ferrari, and Maserati brands in Turkey's automobile and light commercial vehicle market, Tofaş booked sales of 141,976 units and boosted its market share to 18.4% in 2020.

The Fiat brand's first-place position in total automobile and light commercial vehicle sales remained unchanged. The 137,325 units sold in this category last year corresponded to a year-on rise of 80% and boosted our share of that market to 17.8% while our standing as automobile-market leader was even further entrenched. The Fiat Egea Sedan, which has been the most popular car among Turkish consumers for five years, also defended its market-leader position with 80,000 sales in 2020. The Fiat Professional brand achieved a market share of 27.6% while in the light commercial vehicle market, our Doblò

and Fiorino models retained their leading positions in their respective segments as measured by total sales.

A newly made-over Egea family and the Egea Cross, a new body option added to the product line, were both launched late in the year. The new Egea family, which we began exporting to Europe in November 2020, also went on sale in Turkey at the beginning of 2021.

To mark the 20th anniversary of the introduction of the Fiat Doblò, Tofaş R&D engineers designed a special version of Doblò that was produced and put on sale in a limited run of only 2,020 vehicles.

Our Jeep® sales doubled last year while our sales in the Alfa Romeo, Ferrari, and Maserati held firm.

Looking now at our financial performance in 2020, we see that Tofaş's revenues increased by 24.7% year-on and amounted to TL 23,557 million in value. During the same twelve-month period, Tofaş's net profit grew by 20.4% and reached TL 1.8 billion.

A NEVER-CHANGING AGENDA: R&D, INNOVATION, AND DIGITALIZATION

Backed by a quarter-century of experience, Tofaş R&D Center is one of the FCA group's biggest R&D centers in Europe. In addition to the center's ongoing investments in 2020, another EUR 10 million worth of new test equipment was purchased in order to further increase Tofaş's product-development competencies.

During 2020, the Tofaş R&D Center worked intensively on the Fiat Egea family's facelift projects while also supporting FCA R&D projects and exporting engineering services as well.

In 2020 the number of newly-approved EU research projects in which Tofaş is involved increased to 26. According to Turkishtime's R&D 250 survey of Turkish companies most heavily investing in R&D, Tofaş's 23 patents puts it in seventh place among firms with the most R&D-related patent awards.

The company also currently has 36 new patent applications pending.

Last year Tofaş sped up various “smart-factory” projects involving productivity-boosting digital optimization that it is undertaking while also commissioning a number of robotic process automation projects related to operational processes.

Also commissioned in 2020 were various digital applications related to sales and after-sales processes. These include the Fiat Online sales via website and “Connect Kasko”, the first implementation in Turkey of “smart pricing” in comprehensive automotive insurance making use of the company’s “Fiat Yol Arkadaşım Connect” connected-vehicle technology.

OUR PRIORITY: HUMAN RESOURCES

Recognizing that our human resources are the most important link in our value-creation chain, we put our employees at the center of everything that we do. During the Covid-19 pandemic we gave special importance to our employees’ health in our efforts to make worklife safer and more convenient for them through a variety of practices such as protective measures and remote working.

In 2020, nine Tofaş HR practices addressing different issues were honored by Stevie Awards and the Brandon Hall Group while the innovative learning and technology solutions developed by our Tofaş Academy human resources training and development program won a total of three awards from the Stevie Awards for Great Employers and Stevie International Business Awards.

The exemplary workplace health and safety performance scores achieved at the Tofaş plant under the World Class Manufacturing program are a reflection of the importance which the company gives to such matters. Since the introduction of WCM OHS practices at the plant, employee full-day absences due to work-related accidents have fallen by 96%.

OUR VALUE-CREATION MODEL FOCUSES ON SUSTAINABILITY

The addition of pandemic-associated health issues to the world’s already problematic efforts to deal with the complex consequences of social inequality and to combat climate change has made sustainability more important than ever.

In the spirit of socially-beneficial solidarity, Tofaş decided to manufacture medical protective equipment and supplies in support of efforts to combat the spread of Covid-19. Wishing to create benefit not just for its own employees but for society at large, Tofaş released open-source design information into the public domain and invited other firms to engage in such production too. We take pride in these and similar efforts such as our customer-oriented “Zero-Contact Taxi” project and vehicle-disinfection service.

Tofaş, whose shares once again qualified for inclusion in the BIST Sustainability Index in 2020, puts sustainability at the heart of its value-creation model and strives to improve its performance when dealing with environmental, social, and

corporate governance issues. Contributing to the goal of transitioning to a low-carbon economy through its efforts to make responsible and productive use of resources and energy and to reduce waste and recycle in keeping with its sustainable-production attitudes, in 2020 Tofaş was awarded “Zero-Waste Certification” by the Ministry of Environment and Urbanization for its Zero-Waste Management System. Tofaş has set itself the goal of reducing, by 2024, its production-related greenhouse gas emissions by 33% in comparison to their 2011 levels. The company is also engaged in efforts to make its plant operations carbon-neutral.

Tofaş additionally continues to contribute to social development through long-term social responsibility projects in the areas of sport, education, and culture & art.

CONTINUING TO PRODUCE AND TO GROW...

Even under the extraordinary conditions of a global pandemic, Tofaş’s HR and managerial competencies as well as its production and technological abilities continued to reinforce its strong position as the leading manufacturer in the Turkish automotive industry.

Turning now to another matter, negotiations concerning a merger of FCA and PSA were completed last year with an agreement to set up a new group, to be called “Stellantis”, in which each side controls a 50% stake. Stellantis came into being in January 2021, at which time this annual report was still in preparation. This partnership is intended to create cross-company synergies arising from their greater operational and capital efficiency as well as from their growth and technology-development potential. In the wake of this merger, which has led to the formation of the world’s fourth-largest automotive group, we will be focusing on increasing our strength and performance through the synergies and added-value that the new structure will generate.

Even in the midst of what’s being referred to as the “new normal”, we believe that we can gain even stronger momentum through increased investment in technology and product development. Working together and with our sense of being a good corporate citizen, we will continue to overcome difficulties and to create and produce for our country. I would like to express my gratitude to our shareholders, employees, customers, dealers, suppliers, and all other stakeholders for their unstinting support and contributions to our company.

Very truly yours,



Cengiz Eroldu
Board Member & CEO

SENIOR MANAGEMENT



CENGİZ EROLDU
Board Member & CEO

Cengiz Eroldu graduated from the Business Administration Faculty of Istanbul University in 1988 and completed the MBA program at LUISS University (Italy) in 1995. He began his career as an Audit Specialist at Koç Holding in 1989. He was appointed to the position of Assistant Accounting and Industrial Governance Manager for Tofaş in 1995, working in the Accounting and Industrial Governance Department and the Budget and Governance Department from 2001 to 2008, and in the Finance Department between 2008 until 2015. Since January 2015, he has been serving as Member of the Tofaş Board of Directors and CEO.



FABRIZIO RENZI
Financial Director (CFO)

Fabrizio Renzi received a degree in Business and Economics from Sapienza Università di Rome in Italy in 1992 and started his professional career as an accountant and tax advisor in 1992. Since 1998, Renzi has held various positions at Fiat Chrysler. After serving at various levels in Finance Department until 2013, he worked as CFO in Serbia FCA from 2014 until 2018 when he was appointed the Financial Director of Tofaş.



ZEKİ ERDAL ŞİMŞEK
Factory Director

Zeki Erdal Şimşek graduated from Istanbul Technical University, Aeronautics and Space Sciences Department in 1987 and completed the MBA program at Istanbul University in 1989. In 1990, he began his professional career as a Project Engineer at Tofaş; after 11 years of service, he was appointed Plant Manager at the Fiat automobile plant in Cairo. Returning to Tofaş in 2003, Zeki Erdal Şimşek served as a manager in different departments before becoming Quality Director. He has been the Factory Director since April 2017.



ALTAN AYTAÇ
Fiat Business Unit Director

Altan Aytac graduated from the Industrial Engineering Department of Boğaziçi University in 1992. He began his professional career at Tofaş Auto Trading where he was involved in setting up the first logistics department in the area of commerce. He completed the EMBA program at Koç University in 1997. The same year, he became Manager of the CBU Logistics Department. After completing the production integration and simplification projects in the area of outbound logistics, Mr. Aytac was appointed Commercial Projects Coordinator in 2003, Fiat Brand Manager in 2004, and Business Unit Director Turkey for the Alfa Romeo and Lancia brands in 2006. He rose to the position of Tofaş Supply Chain Director in 2008, and After Sales and Spare Parts Director in January 2015. Altan Aytac has served as Fiat Business Unit Director since August 2015.



GIUSEPPE MASCIOTTO
R&D Director

Giuseppe Masciocco graduated from University of Roma La Sapienza, Mechanical Engineering Department and completed his master degree at the same university and department in 1989. He started his career at Elasis as Steering System Designer in 1991. Between the years 1993-2007 he worked as System Engineer, Punto 99 Project Team Leader, "Panda Concept " Project Responsible, Vehicle Design Technical Manager, Vehicle R&D Design & Testing Manager. After 2007, he continued his career at Fiat Group Automobiles as Alfa Romeo Model Responsible (Segment E), Quality Vehicle Line (Segment A), Quality Product Evaluation & Special Vehicles. He has been working as Quality Vehicle Line (Maserati & Sport / Electrification) at Maserati S.P.A. since 2017. Masciocco joined Tofaş as R&D Director in August 2020.



BURHAN ÇAKIR
Human Resources Director

Burhan Çakır graduated from Middle East Technical University, Department of Mechanical Engineering in 1986. He began his career in 1989 as an Engineer in Pressing Production at Tofaş. From 1993 to 2004, he served as Press Workshop Manager, Body Production Unit Manager, Part Export Department Manager and Industrial Control Manager. Burhan Çakır has served as Human Resources Director at Tofaş since 2004.

SENIOR MANAGEMENT



ÖMER ÖZGÜR ÇETİNOĞLU
Information and Communication
Technologies Director

Ömer Özgür Çetinoğlu graduated from Boğaziçi University, Department of Computer Engineering in 1992. He began his professional career the same year as a Software Engineer at Koç Holding. Between 1997 and 2002, Mr. Çetinoğlu worked as Business Development Manager at Koç Holding Consumer Products Group; in 2002, he was appointed Information Systems Manager at Beko Elektronik. From 2007 to 2016, he assumed several roles at Koç Sistem, including Consulting Group Manager, Business Solutions Director, Business Applications and R&D Director, respectively. In July 2016, Mr. Çetinoğlu was appointed Information and Communication Technologies Director at Tofaş.



ARZU YAZGAN
Corporate Communications
Director

Arzu Yazgan holds a degree in Economics (English) from Istanbul University. She began her professional career as a planning specialist at Doğu Automotive Service and Trading in 1995. Between 1998 and 2003, she served as Planning and Logistics Manager and VW Commercial Vehicle Marketing Manager. From 2003 to 2004, she took on the duty of Regional Director at Doğu Auto Marketing. Appointed Alfa Romeo Brand Manager at Tofaş in 2005, she continued as Business Unit Director of Alfa Romeo and Lancia in 2008. Since 2012, Arzu Yazgan has served as Corporate Communications Director at Tofaş.



DOĞU ÖZDEN
Financial Planning and Control
Director

Doğu Özden (CIA, CFSA) is a graduated from Boğaziçi University, Department of Economics, completed the MBA program at Koç University and the London School of Economics Strategy Certificate Program. He began his professional career as an Audit and Financial Group Manager at Koç Holding in 2001. He worked as an Audit Assistant between 2002 and 2003, a Financial Specialist between 2004 and 2005, a Senior Audit Specialist between 2005 and 2008. From 2010 to 2017, he took on the duty of Accounting Manager and 2017 to 2018 Financial Planning and Control Manager at Tofaş. In 2018, Doğu Özden was appointed Financial Planning and Control Director at Tofaş.



MAHMUT KARACAN
Sales Director

Mahmut Karacan graduated from Çukurova University, Department of Business Administration. He started his professional career as Logistics Expert at Çitasad A.Ş. in 1995; from 1996 to 2000, he was responsible for sales and marketing there. In 1997, he raced in the "Good Year Off-Road Cup." Between 2000 and 2012, he was responsible for Sales Marketing operations at Daimler-Chrysler. From 2000 to 2012, he was responsible for Sales and Purchasing at Daimler Chrysler; he founded Chrysler, Jeep® Dodge Academy in 2003. He served as Sales and After Sales Services Business Unit Director for Lancia, Alfa Romeo and Jeep® brands between 2013 and 2015. Mahmut Karacan was appointed Sales Director in 2015.



ÖZGÜR SÜSLÜ
Marketing Director

Özgür Süslü graduated from Boğaziçi University, Mechanical Engineering Department. He started his professional career in Italy at Fiat Group Manager Training program. Süslü worked in product development and product manager positions in Tofaş between 2002-2006 and involved in the development of products such as Linea, Doblò and Fiorino. Özgür Süslü undertook the role of Marketing Director of Fiat Light Commercial Vehicles between 2006-2010. He worked as the Director of Fiat Marketing at Tofaş between 2010 and 2016 and as Egea / Tipo Marketing Director in EMEA (Europe, Middle East and Africa) region at FCA. In 2017 he worked as Pricing Director of Fiat, Abarth and Lancia brands. Apart from this position, he also assumed the duties of Alfa Romeo and Jeep® Brand Director and Company Manager at Fer Mas Oto Ticaret A.Ş. in 2019.



GÜRAY KARACAR
External Relations Director

Güray Karacar graduated from Marmara University, Faculty of Communication in 1998. After working in the tourism, media and communications industries, he was appointed Secretary General of the Corporate Governance Association of Turkey in 2003. During the same period, he also served as Resident Coordinator for the United Nations Development Program and Member of the Executive Board of the Center for International Private Enterprise. In 2016, Güray Karacar was appointed External Relations Director at Tofaş.

* In January 2021, İsmet Kağan Yıldırım was appointed as the External Relations Director.

SENIOR MANAGEMENT



SABRİ ERKAN POLAT
Vehicle Engineering Director

Erkan Polat graduated from Istanbul Technical University, Department of Mechanical Engineering in 1986. Between 1987 and 1989, he attended the Master's Program at the University of Manchester in the U.K. and earned his Master's Degree. Mr. Polat began his professional career as Design Engineer at Etibank Aluminum Enterprises in 1989. In 1992, he began working at Tofaş as Press Method Engineer. From 1999 to 2004, he served as Press Engineering Administrator and then Die and Press Business Development Manager, respectively. In 2006, he was appointed Die Production Manager, and from 2010 to 2013, he served as Die&Press Production Manager. Between 2013 and 2015, he worked as R&D Body Design Manager, and later as Egea Hatchback Model Manager from 2015 to 2016. Mr. Polat was appointed Product Engineering Director in 2016. Since 2018 Mr. Polat serves as Vehicle Engineering Director.



YÜKSEL ÖZTÜRK
Purchasing Director

Yüksel Öztürk graduated from Uludağ University, Mechanical Engineering Department in 1991. He began his professional career as Product Development Engineer at Tofaş in 1993. Between 2001 and 2005, he was appointed Direct Material Electrical Manager and Direct Material Electrical Manager. Since 2005, Yüksel Öztürk has been serving as Purchasing Director.



HÜSEYİN ŞAHİN
After Sales and Spare Parts Director

Hüseyin Şahin received his Bachelor's degree in Public Administration from Uludağ University in 1990. He started his professional career as Project Manager at Efthor in 1996. He served as Human Resources Expert at Fruehauf from 1997, becoming the Human Resources Manager in 1999. He joined Otokoç as Human Resources Manager in 2001; between 2003 and 2005, he served as the Antalya Branch Manager and Birmot Zincirlikuyu Branch Manager of Otokoç. From 2005 to 2011, he was the Birmot Assistant Operational General Manager. After serving as Sales Director at Tofaş between 2011 and 2015, Hüseyin Şahin was appointed After Sales and Spare Parts Director in 2015.



RECEP TEMİZESEN
Production Director

Recep Temizesen obtained his Bachelor's degree in Mechanical Engineering from Middle East Technical University in 1988. He started his professional career at Çimhol A.Ş. in 1988, where he worked as Project Engineer until 1991. He joined Tofaş in 1992 as a Press Method Engineer, subsequently serving as Press Shop Process Section Manager, Press Shop Engineering and Technology Manager, Press Shop Manager and Assembly Shop Manager from 1999 to 2015. Recep Temizesen has served as Production Director since 2015.



ONUR YALÇIN
Supply Chain Director

Onur Yalçın received his undergraduate degree in Industrial Engineering from Middle East Technical University in 1991 and his Master's degree in Operational and Industrial Engineering from Iowa State University (USA) in 1993. Since joining Tofaş as an Industrial Engineering Specialist in 1993, he has served as Production Planning Administrator, Parts Exports Manager, Order Manager, CBU Logistics Manager and Outbound Logistics Manager. Onur Yalçın was appointed Supply Chain Director in 2015.



SİNAN YILDIRIM
Quality Director

Sinan Yıldırım graduated from the Middle East Technical University as a mechanical engineer in 1988 and started his career at BOTAS. He joined Tofaş in 1990 where he first worked as an engine engineer in Method Mechanical unit and then as an engine specialist in the R&D Department, followed by an assignment in Italy for the new engine project. Appointed as head of engineering to the Transmission Parts Manufacturing Unit, Mr. Yıldırım joined Fiat GM Powertrain in 2001, where he worked until 2007. Having rejoined Tofaş at the end of 2007 as Product Quality Manager, he completed his MBA at Bilgi University in 2008. Appointed as Manufacturing Technology Manager in 2010, Sinan Yıldırım has been serving as Quality Director since 2017.

TOFAŞ: 2020 HIGHLIGHTS

FEBRUARY

TOFAŞ DEALERS MEETING



At the Tofaş dealers meeting held in İstanbul, Koç Holding senior executives and members of Tofaş management as well as participants from Fiat, Alfa Romeo, and Jeep® dealerships and services all over the country were given information about the year's targets. During the meeting, Star and Provincial First as well as seniority and performance awards were also handed out.

SENIORITY AWARDS



At a ceremony held at Tofaş Social Facilities in Bursa, Tofaş personnel were given seniority awards in recognition of their having completed 10, 20, 25, and 30 years of service working for Tofaş and the Koç Group.

FIAT DOBLÒ AT 20



A specially-designed version of the Fiat Doblò was put on sale to mark the 20th anniversary of that vehicle's introduction.

MARCH

FIAT 500X IN TURKEY



The Fiat 500X, the SUV member of the Fiat family, has been given a makeover. Made even more customizable with the addition of brand-new equipment levels, the Fiat 500X SUV now comes with two new petrol-engine options added to the product line in addition to the existing 1.6 diesel engine.

SALES CONSULTANTS AT "PROUD TO BE FIAT" EVENT



Fiat, Alfa Romeo, and Jeep® sales consultants came together at "Proud To Be Fiat", an event focusing on specialized learning and development. About 500 sales consultants took part in training covering sales techniques, personal motivation, and teamwork issues using programs employing gamification to make learning more innovative, productive, and enjoyable.

TOFAŞ PRODUCES THREE DIFFERENT PPE ITEMS FOR USE BY HEALTHCARE WORKERS IN THE STRUGGLE AGAINST CORONAVIRUS



In support of efforts to ensure the availability of medical supplies needed in combating the coronavirus epidemic, Tofaş has sent items of personal protective equipment (PPE) which it had designed in its own R&D and then manufactured in its plant to public health agencies and hospitals in all 70 of Turkey's provinces. Tofaş produced 50 thousand face shields along with 1,300 biological sampling booths and intubation booths. It also created an online platform both for receiving equipment requests and keeping track of manufacturing and shipping operations and for providing open-source information about product designs so that other manufacturers might benefit from it as well.

APRIL**PRODUCTION OPERATIONS SUSPENDED ON ACCOUNT OF CORONAVIRUS**

In its efforts to take measures to reduce health-related risks associated with the spread of the coronavirus pandemic and taking its international supply and delivery processes also into account, Tofaş temporarily halted production operations from 3 April to 11 May.

FREE VEHICLE-DISINFECTION SERVICE FOR CUSTOMERS

As part of their efforts to protect public health threatened by the coronavirus pandemic, Fiat, Alfa Romeo, and Jeep® owners were provided with vehicle-disinfection service without regard for their vehicles' age or mileage.

JULY**TOFAŞ RECEIVED COVID-19 SAFE PRODUCTION CERTIFICATION BY TSE**

In recognition of the precautions it has taken and the hygiene standards it is adhering in the effort to combat the spread of coronavirus, Tofaş has been received "Covid-19 Safe Production" certification by the Turkish Standards Institution.

ZERO-CONTACT TAXI PROJECT

In a joint effort to protect public health in the midst of the coronavirus epidemic, Fiat and BiTaksi launched their "Zero-Contact Taxi" project in which Fiat Egea taxis are fitted with an air-filtration and insulation system designed by the Fiat R&D Center to help keep both drivers and passengers from infecting one another.

FCA AND PSA ANNOUNCE MERGED GROUP'S NEW NAME: STELLANTIS

On 18 December 2019 Fiat Chrysler Automobiles and France's Groupe PSA announced that they had signed a merger agreement and that the new group's name would be "Stellantis".

TSE-TOFAŞ SIGN "SAFE SERVICE" CERTIFICATION PROTOCOL

Tofaş and TSE (Turkish Standards Institution) have signed a "Certified Safe Service" protocol under which maximum attention is to be given to abiding by and documenting health-related precautions in all processes from manufacturing to servicing.

TOFAŞ: 2020 HIGHLIGHTS

AUGUST

TOFAŞ-İDO DELIVERY COLLABORATION



Tofaş and İstanbul Fast Ferries Co (İDO) have entered into an agreement under which Tofaş is allowed to use İDO vessels to speed up and increase deliveries of Tofaş-manufactured vehicles.

SEPTEMBER

FIAT ONLINE MAKES ITS FIRST SALES



In a bid both to address consumers' new needs and to give customers a chance to purchase vehicles in a way that is hygienic, convenient, safe, quick, and practical Tofaş's new Fiat Online website has begun making sales.

OCTOBER

SMART COMPREHENSIVE COVERAGE WITH FYA CONNECT



Fiat and Aksigorta have entered into an important agreement that inaugurates a new era in comprehensive automotive insurance. Under this agreement, insurer Aksigorta individualized the terms and conditions of its comprehensive-cover policies based on information that it receives using "Fiat Yol Arkadaşım Connect" technology. Dubbed "Connect Kasko", this project is the first of its kind in Turkey in which smart pricing is achieved through the use of connected-vehicle technology.

NEW JEEP® COMPASS AND 4XE COMPASS PLUG-IN HYBRID IN TURKEY



Two new vehicles equipped with eco-friendly engines—the New Jeep® Compass and the Jeep® Compass 4xe—have been launched. The Jeep® Compass 4xe is the first plug-in hybrid Jeep® model to be sold in Turkey.

CROSS: A NEW MEMBER OF THE FIAT EGGA FAMILY



In addition to undergoing a makeover, the Fiat Egea family has been increased with the addition of a new member: the Egea Cross, which comes in sedan, hatchback, and station wagon body options.

NOVEMBER**SUPPORTING THE DOMESTIC SUPPLY CHAIN**

Tofaş has taken a major step in the direction of creating new collaboration and export opportunities for the national economy in the face of the Covid-19 epidemic by serving as a conduit between its domestic suppliers and Fiat Chrysler Automobiles. Under an agreement with FCA, Tofaş will provide FCA with technical assessment and proposal assistance related to the purchase of Turkish-manufactured parts that are to be used in FCA operations elsewhere in the world.

DECEMBER**İSTANBUL GETS A NEW FERRARI SHOWROOM**

Fer-Mas's showroom in İstanbul's Kuruçeşme district has been given a makeover in parallel with Ferrari's corporate identity and the company's new customer-experience strategy.

ON-SITE CUSTOMS CLEARANCE OF EXPORT-MANUFACTURERS' IMPORTS

As a participant in the trade ministry's "On-site customs clearance for export-manufacturers' imports" pilot project, the first of its kind in Turkey, Tofaş has been contributing to the formulation of governing legislation since 2019. Having completed the application and auditing stages of this project, which it will be the first to implement in the Turkish automotive industry, Tofaş has been awarded "Authorized Economic Operator" status.

TOFAŞ RECEIVES ZERO-WASTE CERTIFICATION

In recognition of its sustainable environmental management attitudes and efforts, Tofaş has been awarded "Zero-Waste Certification" by the Ministry of Environment and Urbanization for the Zero-Waste Management System which it set up to prevent pollution at source, to prevent waste by using resources responsibly and efficiently, and to recover any waste that is generated by separating and collecting it at source.

TOFAŞ AWARDS ITS SUPPLIERS

Owing to the ongoing global Covid-19 pandemic, Tofaş's annual "Suppliers Meeting and Awards Ceremony" was held online this year. Awards were handed out to the company's best-performing suppliers in recognition of their success.

COVID-19 APPROACH AND PREVENTIVE MEASURES AT TOFAŞ



Having adopted a policy of taking a proactive approach specifically for dealing with Covid-19 pandemic-related issues, Tofaş immediately set about taking preventive measures and collaborating with other actors.

In keeping with its own sensitivity towards the matter and with its people-focused management style, Tofaş introduced new practices in order both to protect its employees and other stakeholders and to fulfill its social responsibilities as a member of society.

EMPLOYEES

While seeking to protect employees' health by means of pandemic-specific precautions, the Tofaş Human Resources Department also initiated a number of practices aimed at improving the employee experience during this difficult time.

Since the outbreak of the epidemic, the Pandemic Committee set up within Tofaş has been conducting regular meetings, during which risks are assessed and action plans are developed in light of guidance provided by the Koç Holding Health Committee, the Ministry of Health Scientific Committee, and Tofaş workplace physicians.

Making use of the results of information obtained from regularly-conducted surveys among employees as well as by eliciting their opinions and views, and taking also into account the needs and expectations of personnel, the actions to be taken during each stage of the pandemic were identified. All actions were informed by a desire to provide a safe workplace environment capable of ensuring that the adverse impact of the pandemic on employees' work and family lives would be minimized and not lead to lost income.

The effectiveness of all pandemic-related action was assessed on the basis of four separate auditing criteria. Owing to the measures which it took and to the hygiene standards to which it adhered, Tofaş as a company received "Covid-19 Safe Production" certification by the Turkish Standards Institution. Tofaş also successfully passed FCA's Covid-19 scrutiny with a score of 99%.

Communication

- Throughout the entire process, digital platforms were deployed to communicate with employees by means of coronavirus protection awareness-raising announcements and to provide personnel with information about what precautions are being/need to be taken and other actions in support of day-to-day life.
- Tofaş prepared and published Covid-19 Precautions and Practices, an educational guidebook for employees covering Covid-19 safe-conduct issues both upon their return to work and while away from the workplace.
- During the pandemic, five separate “Employee Experience & Perception” surveys were conducted in order to quickly identify their Covid-19 related needs and to spot any changes in their concerns.

Health & wellbeing

- Thermal cameras were used to scan the body temperatures of all personnel and visitors whenever they entered Tofaş premises.
- A “Daily Health Status Evaluation Questionnaire” disseminated through Tofaş’s internal corporate communications application TofaşGO, was deployed in an effort to proactively monitor employees’ health on a day-to-day basis.
- PPE such as masks, face shields, and gloves were procured and kept constantly in stock in quantities sufficient for all personnel employed at the workplace. To ensure that masks are safely disposed of and destroyed after use in accordance with regulations, collection bins for them were installed wherever needed.
- The ergonomic comfort of remote working employees with health issues of their own was supported by allowing them to borrow external monitors and monitor stands from their workplace.
- A data-matrix scanning feature was added to the TofaşGO app so that 2d barcodes placed on cafeteria tables and in transport buses areas can be used when needed to ensure proper contact tracing.

Hygiene

- In February, well before the observance of the first confirmed case of Covid-19 in Turkey, Tofaş hygiene teams were formed and began regularly disinfecting commonly-touched surfaces.
- All congregation areas were regularly disinfected to protect them against virus spread.
- Essential cleaning and disinfection equipment was provided and personnel were trained in its use. Cleaning and disinfection effectiveness was measured and recorded.

Cafeterias

- Employee meal breaks were rescheduled so as to reduce dining-hall crowding.
- Dining-hall maximum capacity was reduced by half; table and seating layouts were changed; transparent separators were installed on tables.

Employee transportation

- In order to maintain social distancing during company-supplied employee transportation, a rule was introduced allowing only one of two adjacent seats on to be occupied and the number of vehicles in service was increased accordingly.
- The interiors of two Fiat Egeas were refitted with isolated, no-contact compartments and the vehicles were kept ready so that personnel suspected of having been infected with Covid-19 could be taken to hospital safely.

COVID-19 APPROACH AND PREVENTIVE MEASURES AT TOFAŞ



Common areas

- Cafeterias, break rooms, offices, and all other work-related/common areas were reorganized in accordance with social-distancing rules. Warning signs and safe-distance floor markings were placed where needed. Maximum-occupancy limits were specified for indoor areas.
- Assembly-line stations were reorganized in accordance with social-distancing rules and similar changes were made in production areas as well. FFP2-compliant face masks were made mandatory in spaces where social distancing was physically unachievable.
- Improvements were made in air conditioning systems in all production areas and offices so as to keep interiors supplied with 100% fresh-air ventilation.

Financial assistance & benefits

- For personnel whose earnings were adversely affected by the company's reduced-worktime rules, the difference between their normal pay and the short-time work allowance provided by İŞKUR was covered by Tofaş thereby ensuring that employees' were kept paid in full and on time with no loss in their total income.

- In addition to existing company-supplied financial assistance, an "Epidemic Assistance Allowance" was introduced.
- Repayments of all financial assistance received by employees from Koç Foundation were deferred.
- Employees' payments for purchases made from Tofaş Cooperative outlets were deferred.
- Tablet computers were supplied free of charge to field personnel and to specialist-level office workers with dependent children in grades 1 to 8.

Social benefits

- During the four months in which stay-at-home orders were in effect, Tofaş employees were provided with free-of-charge Bein Connect membership.
- Employees were provided with nutrition-consultancy services online.
- The face-to-face psychological counseling services normally provided to personnel under the Tofaş Employee Support Program were moved to an online platform.
- For as long as their restaurants remained open, Tofaş Employee Facilities continued to serve meals albeit in accordance with hygiene and pandemic-related rules and with the substitution of printed menus with a 2d-barcode ordering system. The restaurant also provided takeaway service for orders placed online.

Other measures

- Information and Communications Technology (ICT) infrastructure capable of supporting pandemic-related remote working was rapidly brought on line.
- As part of general efforts to reduce person-to-person contact, such processes as applying for scholarships and financial assistance that normally require coming to a Human Resources unit in order to submit documents were relocated online.
- Tofaş Academy online training content was expanded and all mandatory training was also relocated online.
- The Tofaş Cooperative began accepting online orders and also introduced an online greengrocer service, with all purchases being surrendered to employees as they left at the end of their shift.



TOFAŞ BUSINESS PARTNERS (DEALERS, SERVICES, SUPPLIERS)

Tofaş Academy continued to provide company's dealership and services network personnel with special-development programs through the Virtual Classroom that it set up to deal with the unique demands of the Covid-19 outbreak. Training videos providing information about pandemic-related issues and precautions were made available to everyone working for Tofaş's suppliers and dealers.

In order to soundly manage the risks posed by the pandemic on the Tofaş supply chain, the company communicated and cooperated closely with its suppliers. By taking a professional and steadfast approach in its management of the pandemic process, Tofaş sought to minimize its impact on its suppliers as well.

Tofaş took a major step in the direction of creating new collaboration and export opportunities for the national economy in the face of the Covid-19 epidemic by serving as a conduit between its domestic suppliers and Fiat Chrysler Automobiles. Under an agreement with FCA, Tofaş provides FCA with technical assessment and proposal assistance related to the purchase of Turkish-manufactured parts that are to be used in FCA operations elsewhere in the world.

SOCIETY

In support of efforts to ensure the availability of medical supplies needed in combating the coronavirus epidemic, Tofaş has sent items of personal protective equipment (PPE) which it had designed in its own R&D and then manufactured in its plant to public health agencies and hospitals in all 70 of Turkey's provinces. Tofaş produced 50 thousand face shields along with 1,300 biological sampling booths and intubation booths. It also created an online platform both for receiving equipment requests and for keeping track of manufacturing and shipping operations and for providing open-source information about product designs so that other manufacturers might benefit from them as well.

As part of Tofaş's efforts to protect public health threatened by the coronavirus pandemic, Fiat, Alfa Romeo, and Jeep® owners were provided with vehicle-disinfection service without regard for their vehicles' age or mileage.

In a joint effort to protect public health in the midst of the coronavirus epidemic, Fiat and BiTaksi launched their "Zero-Contact Taxi" project in which Fiat Egea taxis are divided into two compartments by a transparent panel and each compartment is fitted with independently-operating air-filtration and insulation systems designed by the Fiat R&D Center to help prevent both drivers and passengers from infecting one another.

PRODUCTS & SERVICES

In order to address new customer needs and expectations arising from the pandemic, various online products and services were designed and made available to users. In a bid both to respond to consumers' new needs and to give customers a chance to purchase vehicles in a way that is hygienic, convenient, safe, quick, and practical, Tofaş's new Fiat Online website was put into service. Other projects that were launched to enhance customer satisfaction included online disinfection service, video calls, and "Fiat Yol Arkadaşım Connect" Contactless Payment.

Video calls, which were introduced in 2019, were expanded to include all Jeep® and Alfa Romeo showrooms in 2020 and has also been made available at all dealerships as part of Tofaş's pandemic-related digital solutions. Potential customers who would rather not actually visit a "bricks-and-mortar" dealership during a pandemic, can go instead to the www.jeep.com.tr and www.alfaromeo.com.tr websites where they can meet online in real time with a consultant and have a virtual-showroom experience of examining different models.

AWARDS & ACHIEVEMENTS

ONE OF TURKEY'S TOP TEN EXPORTERS



In the Turkish Exporters Assembly's 2019 survey of Turkey's 1,000 biggest exporters, Tofaş ranked 7th.

TURKEY'S 2ND MOST VALUABLE AUTOMOTIVE MANUFACTURER

In the 2020 report on Turkey's most valuable and strongest brands, the thirteenth in a series published annually by the world's leading independent brand valuation and strategy consultancy Brand Finance, Tofaş ranked 23rd among brands in all sectors and in second place among those in the Turkish automotive industry.

ISO ENERGY EFFICIENCY AWARD



In the series of energy-efficiency awards handed out by the İstanbul Chamber of Industry, a Tofaş Paint Shop project to achieve zero-footprint recovery of waste heat using heat pumps placed third in the "Large-Scale Business Energy Efficiency Projects" category.

TURKISH EMPLOYERS' ASSOCIATION OF METAL INDUSTRIES OHS AWARD



A Tofaş Supply Chain Department project to eliminate occupational safety and ergonomic risks by using smart brackets instead of nails in wooden crates received an award in the "Golden Suggestion" category in an OHS (occupational health and safety) competition organized by the Turkish Employers' Association of Metal Industries.

ONE OF TURKEY'S TOP TEN PATENT-AWARD RECIPIENTS



In Turkishtime's ranking of Turkey's top 250 firms based on their R&D expenditures and patent awards, Tofaş numbered among the top ten on both measures. According to the Turkishtime report, Tofaş ranked 7th for the 23 patents awarded to it by the Turkish Patent and Trademark Office in 2019.

FIRST PLACE IN INTERNATIONAL CGI QUALITY AWARDS



Chartered Quality Institute, one of the world's most important quality professional associations, awarded first place in the "System Improvements" category to Tofaş for its "Connected Supplier" project.

IDC AWARD FOR SAP CLOUD COST-EFFICIENCY PROJECT

IDC Turkey, the Turkish office of the International Data Corporation, awarded Tofaş second place for its “SAP cloud cost-efficiency” project. Carried out entirely with Tofaş’s own resources, the project is one of the Turkish automotive industry’s biggest undertakings to migrate system processes to the SAP Cloud Platform. Besides putting Tofaş one step ahead in the sector in terms of nimbleness, functionality, and continuity, this project also allows new technologies to be brought up to speed more quickly.

FIAT: TURKEY’S MOST REPUTABLE AUTOMOTIVE BRAND



Fiat was selected “Year’s Most Reputable Brand” in the “Passenger Car” category of Marketing Türkiye’s “The One Awards” series.

JEEP COMMUNICATION CAMPAIGN AWARD



In the “Sales & Communication” category of the 2019 Gladiator Awards handed out by the Automotive Distributors Association, Tofaş received a “Magazine of the year” award for its “Jeep®: Blend in with nature” communication campaign.

THREE EFFIES FOR FIAT



In annual Effie Türkiye competition in which each year’s most effective advertising and marketing campaigns are judged, Fiat brought home three separate awards: a Silver Effie for its “There’s a reason” image campaign and a Bronze Effie for its “Start the game with the Egea Hatchback family”, both in the Automotives category, and a Gold Effie for its “Use it to the max” Fiat Panda campaign in the “Big success on a small budget” category.

TWO SILVER AWARDS FOR JEEP FROM CRESTA



Jeep®’s “Flags: Go Anywhere Do Anything” creative outdoor campaign picked up two silver citations in the 2020 round of Cresta International Advertising Awards given out in recognition of high standards of creative achievement in the international advertising, digital design, and marketing communications industry. In the campaign, flags were used to visualize Jeep®’s traditional performance under challenging driving conditions in different countries’ off-road worlds.

AWARDS & ACHIEVEMENTS

PANDA CAMPAIGN INSTACHAMP WINNER



Fiat's "Panda 3D Çamur Tepe Tepe Kullan" campaign placed first in the "Feed" category of the ninth round of InstaChamp, an Instagram service that judges and awards advertisements' marketing and communication performance.

"BEST INTEGRATED ADVERTISING" AWARD FROM MIXX



Fiat Doblò's "Sağlam İnsan" advertising campaign earned a Golden MIXX in the "Integrated Advertising" category in the MIXX Awards Türkiye competition.

SOCIAL MEDIA AWARDS SILVER



At the 2020 round of Social Media Awards Turkey, Fiat received a silver award in the "Automotives" category in recognition of its effective use of social media.

JEEP ADVERT AWARDED "CRYSTAL APPLE"

Launched in conjunction with Father's Day, Jeep®'s "İsim Babası" project earned it an award in the "Online Film: Holidays" category in the 2020 round of the Crystal Apple advertising awards.

GLOBAL COACHING AWARD

The "Personalized Learning Strategy" which Tofaş has adopted for the development of its personnel received an award in the "Coaching" category from the European Mentoring & Coaching Council.

NINE INTERNATIONAL HR PRACTICES AWARDS

Nine of the human resources management practices employed by Tofaş earned it accolades from both Stevie Awards and the Brandon Hall Group. The award-winning Tofaş practices receiving citations were "HR Lab", "Health & Social Life at Tofaş", "Digital Assistant Zekky", "Evaluation Center "Personalized Talent Development", "Early Talent", "Local Marketing & CRM Development Programs", "Field Personnel Technical Competency System", and "Digital Corporate Memory Wiki".

PROVA+ INTERNSHIP PROGRAM IN “100 MOST LIKED TALENT PROGRAMS” LIST

In the “Top 100 Talent Programs” league table published by the TopTalent career platform, Tofaş’s “Prova+” internship program ranked 10th as the most-liked talent program in Turkey overall and 2^d in the Turkey’s automotive industry.

SPECIAL JURY AWARD FOR “İYİYE İŞARET” PROJECT



In the “Sales & Communication” category of the 2019 Gladiators Awards handed out by the Automotive Distributors Association, Tofaş received a special jury award for its “İyiye İşaret” social responsibility project.

IDC AWARD FOR PROTECTIVE MEDICAL EQUIPMENT REQUEST & PRODUCTION PLATFORM



An online platform located at covid19.tofas.com.tr was set up by Tofaş as part of its efforts to combat Covid-19 by accepting online requests for protective medical equipment. The platform was awarded second place by IDC Türkiye CIO Awards in the “Future of Business: Human - Machine Collaboration” category.

TOP HONORS FOR PROTECTIVE MEDICAL EQUIPMENT MANUFACTURING PROJECT



The protective medical equipment manufacturing project that Tofaş launched to support healthcare workers in the struggle against Covid-19 placed first in the “Collaboration: Covid-19” category in the “Sustainable Business Awards” series.

AWARD FOR PROTECTIVE MEDICAL EQUIPMENT REQUEST & PRODUCTION PLATFORM

The online platform set up by Tofaş’s Information & Communication Technologies team to ensure that the protective medical equipment manufactured by Tofaş is delivered as quickly as possible and in sufficient quantities won a “Captains of Technology” award in the “Social Responsibility” category.

INSTITUTIONAL INVESTOR RELATIONS

As of end-2020, 63.7% of Tofaş’s shares were held by foreign shareholders while the average foreign-investor share of BIST-traded companies was 48.8% as of the same date.

MEETINGS WITH INSTITUTIONAL INVESTORS

The Tofaş Corporate Investor Relations Department conducted a total of four analyst meetings. These meetings were attended by members of senior management and consisted of a presentation of all the year’s quarterly results announced as of that date.

In addition to these four analyst meetings, 366 other meetings consisting of company visits, teleconferences, and investor conferences held in Turkey and abroad were attended, with the participation of 269 institutional investors and 97 financial analysts last year.

Tofaş took part in two international investor conferences and eight investor video-conferences during the year while 79 teleconferences were conducted with analysts and investors.

SHARE PERFORMANCE

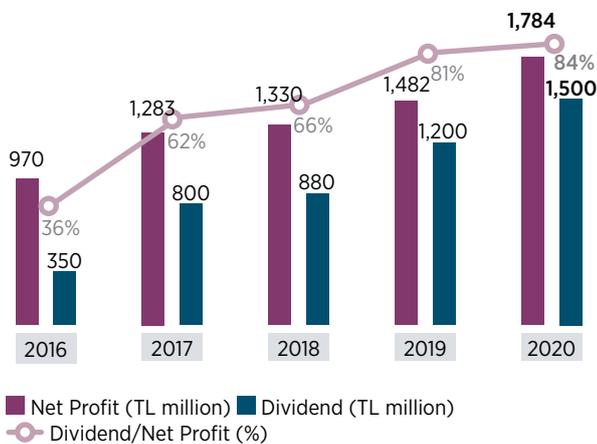
The average value of Tofaş’s publicly-traded shares was 40.9% higher in 2020 than it was in 2019. The company’s stock also outperformed the BIST 100 index during a year in which the index rose by 14.4%.

Taking year-end prices into account however, the value of Tofaş’s stock increased by 45.6% in 2019, thus outperforming the BIST 100 index, which was up by 29.1% in 2019.

TOFAŞ, BIST 100 AND INDUSTRIAL INDEX DAILY MOVEMENT ACCORDING TO CLOSING VALUES, 31.12.2018=100



DIVIDEND PAYMENT PERFORMANCE

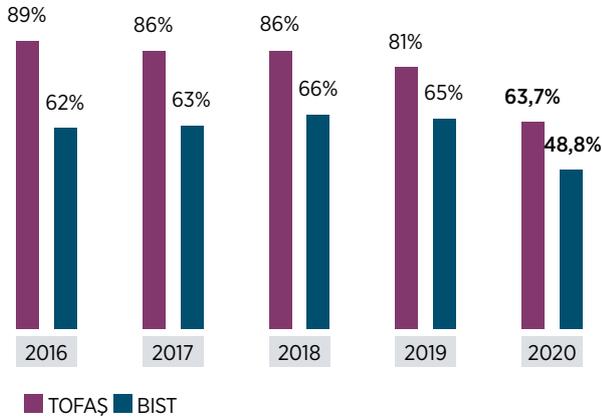


Tofaş’s prior dividend payments are shown below.

(TL MILLION)	2015	2016	2017	2018	2019	2020
Net profit	831	970	1,283	1,330	1,482	1,784
Dividend	365	350	800	880	1,200	1,500
Dividend / Net profit (%)	44	36	62	66	81	84

Tofaş’s management proposes to pay out a 2020 dividend totaling TL 1,500 million in value. This figure corresponds to a 84% dividend based on its 2020 profit.

PERCENTAGE OF PUBLICLY-TRADED TOFAŞ SHARES HELD BY INTERNATIONAL INVESTORS (%)



EARNINGS PER SHARE (TL)



DEVELOPMENTS IN INTERNATIONAL INVESTORS' OWNERSHIP OF PUBLICLY-TRADED TOFAŞ SHARES

As of end-2020, 63.7% of Tofaş's shares were held by foreign shareholders while the average foreign-investor share of BIST-traded companies was 48.8% as of the same date.

CORPORATE GOVERNANCE AT TOFAŞ

The implementation of corporate governance principles as a dynamic process made necessary by developments in capital markets is a matter of decisive and increasing importance for Tofaş. Having committed itself to compliance with the Capital Markets Board's published corporate governance principles and adopted corporate governance as an inhouse corporate culture, TOFAŞ conducts its operations making such improvements and changes as emergent conditions may require. TOFAŞ takes a sustainable approach in the conduct of its corporate governance practices in keeping with the principles of transparency, accountability, fairness, and responsibility as spelled out in the Capital Markets Board's Corporate Governance Communique.

Tofaş has its compliance with corporate governance principles independently audited in a process in which its practices are individually rated under the headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors".

Audited by SAHA, a corporate governance and credit rating services firm, Tofaş's corporate governance rating was reviewed as scheduled and revised once last year. Based on the results of a review of its 2020 operations, the company's corporate governance rating was announced as 9.26 in a report issued as of 2 November 2020. The complete text of this report as well as of previous ones in both Turkish and English is available at <https://tofas.com.tr/en/InvestorRelations/CorporateGovernance/Documents/Corporate-Governance-Rating-2020.pdf>.

TOFAŞ'S CORPORATE GOVERNANCE RATING (%)

Shareholders	86.70
Public disclosures & transparency	94.53
Stakeholders	99.51
Board of Directors	92.46
Average	92.59

Tofaş's shares have been included in the BIST Corporate Governance Index since 2007. Because of the importance that the company gives to corporate governance principles, its compliance with this index's criteria is continuously and dynamically reviewed on a regular basis.

CONTACT INFORMATION

Tofaş's official investor relations webpages in Turkish and English are located at the addresses given below. These pages provide access to current information about analysts' presentations concerning the interpretation of the company's quarterly financial results, financial reports, a calendar of investor relations activities, and other matters that may be of importance to investors.

Tofaş Investor Relations webpage (Turkish):

<https://www.tofas.com.tr/Yatirimcilliskileri/GenelBakis/Pages>

Tofaş Investor Relations webpage (English):

<https://www.tofas.com.tr/en/InvestorRelations/GeneralOverview/Pages>

Institutional Investor Relations Department:

Devran Aydın

Accounting Manager & Investor Relations Executive

Telephone: +90 212 275 3390 Extension: 2754

Email: devran.aydin@tofas.com.tr

Mehmet A. Ağyüz, CFA

Investor Relations Manager

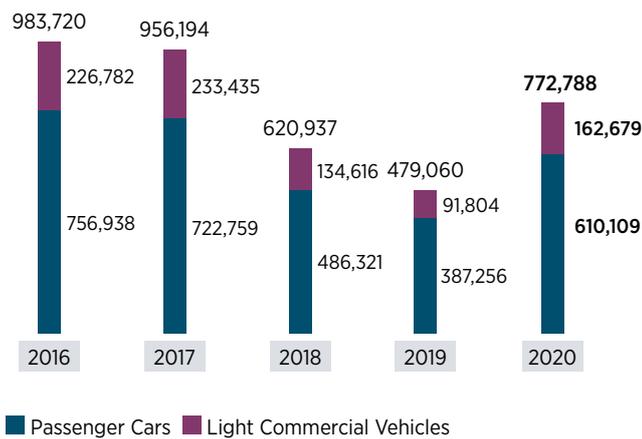
Telephone: +90 212 275 3390 Extension: 2751

Email: mehmet.agyuz@tofas.com.tr

THE TURKISH AUTOMOTIVE INDUSTRY IN 2020 AND TOFAŞ'S POSITION

Having gotten off to a strong start as it embarked upon 2020, the Turkish automotive industry quickly overcame the adverse impact of Covid-19 and achieved remarkable growth beginning in June.

TOTAL DOMESTIC MARKET (UNITS)



Retail sales in Turkey’s passenger car and light commercial vehicle markets numbered 772,788 units in 2020, 61.3% more than in 2019. At 610,109 units sold, automobile sales were up by 57.5% year-on while the LCV market grew by 77.2% with 162,679 units being sold.

Although the market recovery that began in late 2019 continued into the first two months of 2020, as the impact of Covid-19 began to make itself felt in Turkey as well as in the rest of the world the growth in LCV demand began to wane and gave way to contraction in April and May. Owing to deferred demand associated with the 2018-2019 market contraction, to increasing use of personal rather than public transport, falling interest rates, momentum in online sales, and low base effects, demand for vehicles picked up in June and resumed growing from where it had previously left off.

For the fifth year in a row, the Fiat Egea Sedan was once again Turkey’s top-selling automobile and was also the country’s most popular automobile in all of its body-option segments. In 2020 the Fiat brand further buttressed its leading position with an additional increase in its overall market share.

In automotive markets abroad by contrast, the overall European (European Union and European Free Trade Area) market fell short of its 2019 performance owing to the effects of Covid-19 and shrank by 24.3% while the contraction in the LCV market was a less grim 18%. Thanks to scrappage programs introduced in the third quarter, the contraction began to ease off as year-end approached.

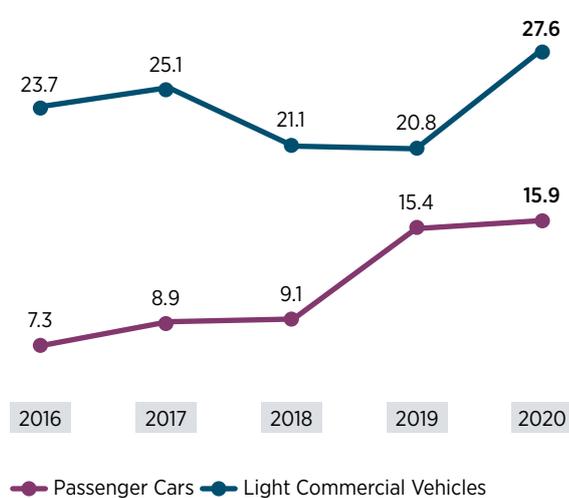
+61.3%

Retail sales in Turkey’s passenger car and light commercial vehicle markets numbered 772,788 units in 2020, 61.3% more than in 2019.

TOTAL DOMESTIC MARKET (UNITS)	2019	2020	CHANGE %
Automobiles	387,256	610,109	57.5%
Light Commercial Vehicles	91,804	162,679	77.2%
Total	479,060	772,788	61.3%

Supported by the continued successful performance of the Fiat Egea family, Fiat's domestic market share increased to 15.1% in 2020.

TOFAŞ'S DOMESTIC MARKET SHARES (%)



18.4%

The 141,976 Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari vehicles sold in 2020 gave Tofaş an overall market share of 18.4%.

DOMESTIC RETAIL SALES

Retail sales of automobiles in Turkey's domestic market were up by 57.5% year-on in 2020 and reached 610,109 vehicles. With a total of 97,015 units sold, Tofaş's Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari brands accounted for a 15.9% market share in 2020, a performance that added another 50 basis points to the 650 basis-point increase which they had achieved in 2019.

Supported by the continued successful performance of the Fiat Egea family, domestic-market sales of Fiat boosted that brand's 2019 14.8% market share by 30 basis points and brought it to 15.1% in 2020. With sales of 79,371 units, the Fiat Egea Sedan was once again Turkey's top-selling automobile for the fifth year in a row while sales of the Fiat Egea Hatchback and Station Wagon models made their own contributions to the brand's overall market share.

Sales in the light commercial vehicle market grew by 77.2% year-on and reached 162,679 units sold in 2020. Registering a 135.5% rate of year-on growth, Tofaş's own sales in the LCV segment outperformed the market as a whole. With the 2020 sales of Fiat and Fiat Professional brands, Tofaş maintained its second-place position in the LCV segment with a 680 basis-point increase in its overall market share while Doblò and Fiorino ensured that Fiat remained the leader of the car-derived van (panel van) segment.

The 137,325 Fiat vehicles that were sold in 2020 gave the brand a 17.8% share of the Turkish automotive retail market's total sales of 137,325 vehicles. This performance corresponds to a 190 basis-point increase in the brand's market share and indicates that the brand successfully defended its leading position in automobile and LCV sales. Jeep® sales doubled year-on in 2020 while Alfa Romeo, Ferrari, and Maserati sales remained steady.

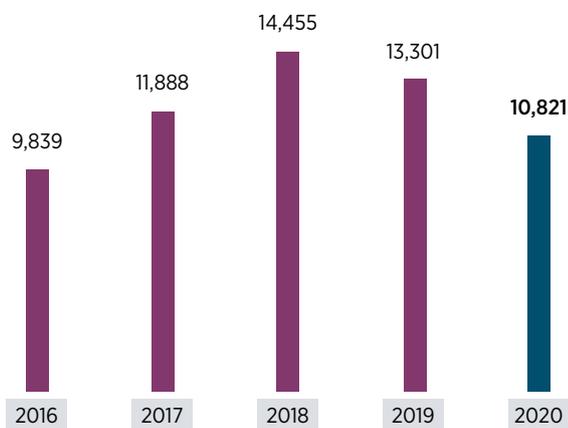
The 141,976 Fiat, Fiat Professional, Jeep®, Alfa Romeo, Maserati, and Ferrari vehicles sold in 2020 gave Tofaş an overall market share of 18.4%, up from the company's 78,692 units and 16.4% market share performance in 2019.

TOFAŞ'S DOMESTIC MARKET RETAIL SALES (UNITS)	2019	2020	CHANGE %
Automobiles	59,602	97,015	+62.8%
Light Commercial Vehicles	19,090	44,961	+135.5%
Total	78,692	141,976	80.4%

THE TURKISH AUTOMOTIVE INDUSTRY IN 2020 AND TOFAŞ'S POSITION IN IT

In 2020 Tofaş exported 118 thousand vehicles and accounted for a 13% share of Turkey's total automotive exports.

TOFAŞ'S ANNUAL EXPORT REVENUES (TL MILLION)



-18.6%

Tofaş's export earnings were down by 18.6% year-on in 2020.

EXPORTS

Owing to the effects of Covid-19, the European automotive market, which includes both European Union and European Free Trade Area countries, fell short of its 2019 performance and shrank by 24.3% on average, with primary-market declines of 19.1%, 25.5%, 29.4%, and 32.4% registered in Germany, France, the UK, and Spain respectively. Thanks to scrappage programs introduced in the third quarter, the contraction lost substantial momentum as year-end approached.

In the European market for light commercial vehicles, the overall contraction was 18%. While all primary markets suffered, the biggest drop (26.5%) was witnessed in Spain while the decline in the UK was an above-average 20%. A surge in online shopping brought about by Covid-19 is posited as one reason why demand was relatively stronger in the LCV market.

In 2020 Tofaş exported 117,903 vehicles, a performance that corresponds to a year-on decline of 39.3%. Even with that shortfall however, Tofaş still accounted for a 12.7% share of Turkey's total export trade by volume last year.

In 2020 Turkey's automobile exports were down by 28% year-on while the twelve-month decline in its LCV exports was around 24%.

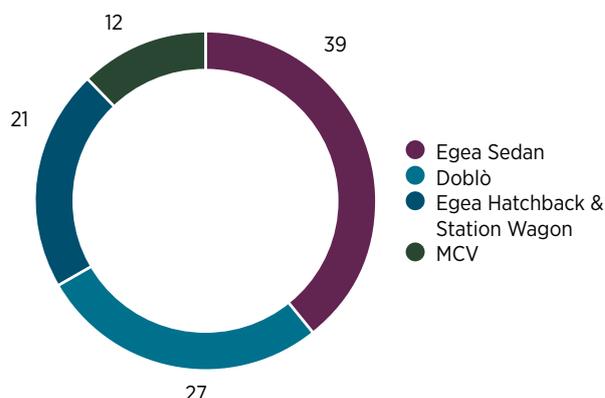
Tofaş's own export earnings were down by 18.6% year-on in 2020 and amounted to TL 10,821 million in value.

EXPORT SALES (UNITS)	2019	2020	CHANGE %
Passenger Cars	107,189	61,502	-42.6%
Light Commercial Vehicles	86,956	56,401	-35.1%
Total	194,145	117,903	-39.3%

PRODUCTION

The 250,630 thousand vehicles which the company produced in 2020 made up 19,3% of the country's total automotive industry output.

In 2020 Tofaş single-handedly accounted for an 19% share of the Turkish automotive industry's total output.

BREAKDOWN OF PRODUCTION (ON UNIT BASIS, %)

PRODUCTION (UNITS)	2019	2020
Egea Sedan	72,984	98,614
Egea Hatchback & Station Wagon	73,119	53,122
Doblò	76,529	68,798
MCV	41,565	30,096
Total	264,197	250,630

AUTOMOTIVE INDUSTRY 2021 OUTLOOK

	2020 Realization	2021
Total automotive market (units)	772,788	700,000-750,000
Retail sales (units)	141,976	120,000-135,000
Export sales (units)	117,903	150,000-165,000
Production (units)	250,630	265,000-290,000
Investment outlays (fixed asset) (EUR million)	108	100

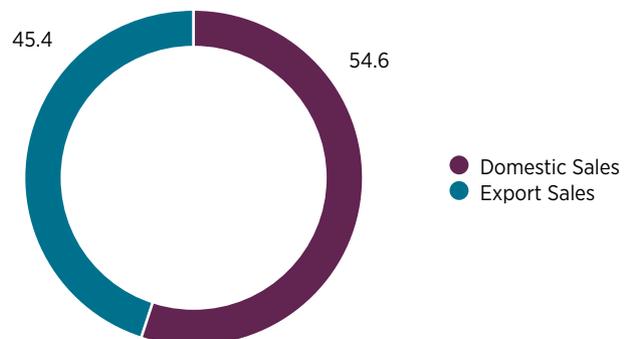
FINANCIAL RESULTS



SALES AND TURNOVER

As a result of the successful performance of its Egea-family and commercial-vehicle portfolios, Tofaş registered strong growth in its home-market sales in 2020.

BREAKDOWN OF SALES (ON UNIT BASIS, %)



SALES (TL THOUSAND)

	2019	2020	CHANGE %
Export Sales	13,301,313	10,821,043	- 18.6%
Domestic Sales	5,355,308	12,441,509	132.3%
Other Income from Operational Activities	240,293	294,195	22.4%
Total	18,896,914	23,556,747	24.7%

SALES (UNITS)	DOMESTIC SALES			EXPORT SALES			TOTAL		
	2019	2020	CHANGE %	2019	2020	CHANGE %	2019	2020	CHANGE %
Passenger Cars	58.329	101.220	+73,5	107.189	61.502	-42,6	165.518	162.722	-1,7
Light Commercial Vehicles	18.845	40.356	+114,1	86.956	56.401	-35,1	105.801	96.757	-8,5
Total	77.174	141.576	+83,5	194.145	117.903	-39,3	271.319	259.479	-4,4

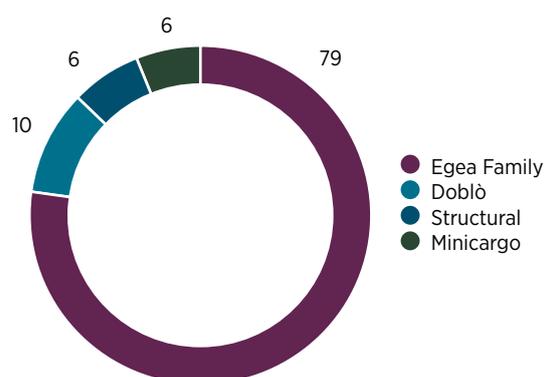
SALES (UNITS)	2019	2020	CHANGE (UNITS)
Domestic Sales	77,173	141,576	64,403
Manufactured	72,390	131,313	58,923
Egea Sedan	51,565	79,371	27,806
Egea HB	3,071	11,124	8,052
Doblò	9,515	23,952	14,437
Fiorino	8,239	16,867	8,628
Imported	4,783	10,263	5,480
Ducato	1,675	3,841	2,166
Fiat 500	700	1,300	600
Jeep®	1,929	4,587	2,658
Fullback	55	1	-54
Alfa Romeo	219	241	22
Panda	137	219	82
Maserati	48	51	4
Ferrari	20	22	22
Fiat	0	0	0
Export Sales	194,146	117,903	-76,243
Tipo	23,160	19,153	-4,007
Tipo HB and SW	70,041	41,687	-28,354
Doblò	56,059	33,090	-22,969
GM	0	0	0
Ram	11,340	10,621	-719
Minicargo	33,504	13,335	-20,169
Others	42	17	-25
Total	271,319	259,479	-11,840

INVESTMENTS AND R&D EXPENDITURES

Tofaş's investments in 2019 amounted to EUR 108.3 million in value. The biggest share of Tofaş's total investments in 2020 went to the company's Egea Project.

2020 INVESTMENTS	EUR (MILLION)
Egea Family	85
Doblò	11
Structural	7
Minicargo	6
Total	108

BREAKDOWN OF INVESTMENTS (%)



FINANCIAL RESULTS

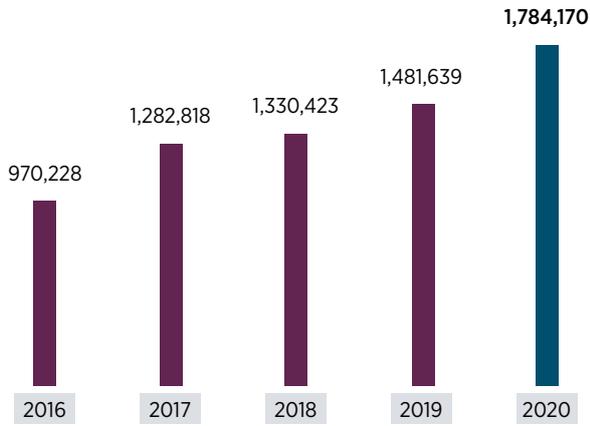
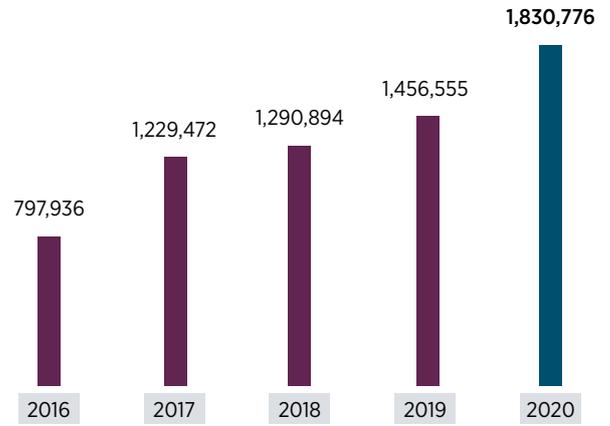
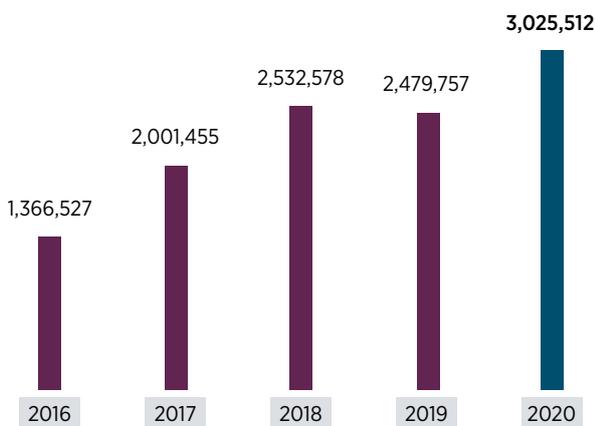


PROFITABILITY

Tofaş registered historically high levels in net profit in 2020. The company's net profit increased by 20.4% year-on and amounted to TL 1,784 million while its consolidated pre-tax profit was up by 25.7% and weighed in at TL 1,831 million. Tofaş's EBITDA increased by 22.0% year-on and was recorded as TL 3,026 million.

Tofaş registered historically high levels in net profit in 2020.

YEARS	EBITDA		PROFIT BEFORE TAX		NET PROFIT	
	TL thousand	Change %	TL thousand	Change %	TL thousand	Change %
2016	1,366,527	27.9%	797,936	29.1%	970,228	16.8%
2017	2,001,455	46.5%	1,229,472	54.1%	1,282,818	32.2%
2018	2,532,578	24.4%	1,290,894	5.0%	1,330,423	3.7%
2019	2,479,757	-2.1%	1,456,555	12.8%	1,481,639	11.4%
2020	3,025,512	22.0%	1,830,776	25.7%	1,784,170	20.4%

NET PROFIT (TL THOUSAND)**PROFIT BEFORE TAX (TL THOUSAND)****EBITDA (TL THOUSAND)**

Net profit was up by 20.4% in 2020 and amounted to TL 1,784 million.

Pre-tax profit increased by 25.7% and reached TL 1,831 million in 2020.

Up by 22.0% in 2020, EBITDA weighed in at TL 3,026 million.

BRANDS & PRODUCTS

FIAT

Egea



The Fiat Egea Sedan first appeared on roads in Turkey in 2015. The automobile's engineering works were carried out mainly by the Tofaş R&D Center in collaboration with FCA. Fiat Egea has a special place in the history of the Turkish automotive industry as 70% of its development was made in Turkey.

Offering a wide range of sedan, hatchback, and station wagon body types, the Fiat Egea is preferred with its impressive design, comfort, utilities, and accessibility features.

Manufactured in Bursa and exported all over the world under Fiat Tipo brand, Fiat Egea was voted "Best-Buy Car Of The Year in Europe" at AutoBest 2016. Fiat Egea succeeded in becoming Turkey's most popular automobile for five years in a row between 2016-2020. According to a report issued by GTÜ, Germany's largest officially-recognized inspection organization of freelance vehicle inspectors, that was published in the magazine Auto Zeitung, in 2019 the Fiat Tipo had the fewest defects requiring repair work (0.84/100 vehicles) in its class during its first main inspection.

Following a Fiat Egea family facelift, the Egea Cross was added to the product line with three body options and made its debut in Turkey and in Europe in October 2020. Already conforming to the final Euro 7 Emission Standard, exports of the new model to European countries began in November last year.

Fiat Connect technology, which makes it easier for drivers to interact with their vehicles, was added to the Fiat Egea family as an optional extra feature in 2018.

500



Deftly combining its sixty years of inherited DNA with new trends in design and offering many opportunities to personalize design details and features, Fiat 500 appeals to a broad audience. Fiat 500 was given a makeover in 2015 in a process that was careful to preserve the car's unique character and stylishness while adding technology and comfort features. Fiat 500's timeless look and feel ensures its distinctive place in the automotive industry. The 500C version of the Fiat 500 is the only convertible in its class on sale in Turkey today.

500L



Going on sale in 2013, the 500L quickly succeeded in becoming the leader of its own segment. A second-generation version of the Fiat 500L made its appearance in 2017 after undergoing a makeover. With its roominess, functionality, attractive design, and drive features the 500L combines "multipurpose family car" and "crossover" characteristics in a single model. A "Mirror" version that comes with new equipment options making it even more competitive was put on sale in 2020.

500X



Put on sale in 2015, the Fiat 500X is the 500 family's crossover member. Fiat 500X's standard-transcending quality, technology, active and passive safety features, and comfort options position it as one of the boldest offerings in the crossover segment. The new 500X SUV went on sale in Turkey in 2020. With a facelifted exterior and with Urban, Cross, and Sport body options, the 500X SUV is an outstanding member of its segment with the capability to appeal to many different audiences.

Panda



On sale in Turkey ever since its introduction in 2004, Panda's convenience of use on city streets, relatively larger dimensions for its class and superior functionality make it a preferred choice. Reflecting the badge's "crossover" spirit, the Panda Cross was put on sale with 4x4 traction as an option.

FIAT PROFESSIONAL

Doblò



In continuous production since 2000, Doblò offers constantly improving durability, performance, and convenience features as well as different body options providing up to a one-ton carrying capacity and a high loading volume. A redesigned and reequipped next-generation Doblò with a roomy interior and economic engine options that continue to make it the preferred choice of big families as well as of tradesmen and artisans appeared on the Turkish market in 2015.

A steadfast companion of those doing business in the Turkish and European markets, RAM-badged Doblòs went on sale in the North American market as the ProMaster City in 2015. In 2016 and 2017 the ProMaster City was chosen by Green Car Journal as "Commercial Green Car of the Year". My Fiat Companion Connect technology was introduced as an option for Doblò owners in 2018. Since October 2019, the Fiat Doblò has been compliant with the Euro 6D emission standard. A special "20th Anniversary" version of the Doblò that had been specially designed by Tofaş R&D engineers to mark the 20th year of the van-based MPV's introduction was put on sale in 2020 in a limited run of just 2,020.

Fiorino



A product of Tofaş's Minicargo project, the Fiorino set a new milestone in Tofaş's history when the one-millionth vehicle rolled off the assembly line in 2016. Both a pioneer and a leader as the hallmark of a class of its own, the Fiat Fiorino is one of the most preferred light commercial vehicles in the Turkish market.

In 2019, the Fiorino Eko, a factory-equipped LPG version of the model that can also be fitted with a 7-inch tablet screen, was introduced. As of October 2019, Fiorino engines had been brought into compliance with Euro 6D emission standards.

In order to meet changing customer needs, an Urban version of the Fiorino was introduced in 2020. With its city-living compatible compact design, range of technology and equipment options, and fuel economy, the Fiat Fiorino remains a popular choice as a business and everyday mobility solution.

Pratico



As the "compact pickup" model of the Fiat commercial vehicle family, the smart design and maneuverability of Pratico make it easy to drive in city traffic. A next-generation version of Pratico with the same chassis as that of the Doblò distinguishes it from other models in its class while a carrying-capacity of up to one metric ton makes it especially useful for those who need to get around in city traffic. As of October 2019, Pratico's 1.6-lit engine had been brought into compliance with Euro 6D emission standards. Fiat Connect technology was added to the Doblò family as an optional extra feature.

BRANDS & PRODUCTS

Ducato



With the introduction of its first model in 1981, Ducato brought new inspiration to the commercial vehicle market. Constantly evolving in the years since then, Ducato has successfully established itself as the premier vehicle in its class in the European market. Its front-wheel drive, a powerful engine, and capacious loading and carrying space revolutionized the light commercial vehicle market. Flexibility, engine capacity, and low operating costs continue to make Ducato one of Europe's most popular commercial vehicles.

With its van, pickup, and minibus versions, Ducato is able to respond to the diverse needs of different customer groups. Ducato vans equipped with a 140 HP engine delivering more power in all body types and a new nine-speed automatic transmission 160 HP engine version were put on sale in 2020. In Ducato school buses Fiat Connect technology activated to move the security level one step further. The system alerts the driver through the Fiat Connect application in case a student is forgotten in the vehicle.

ALFA ROMEO

Giulietta



The legendary Giulietta has been reintroduced in 2010. As Alfa Romeo's representative in the compact hatchback class, the Giulietta is especially preferred by style-conscious owners who like its attractive design, powerful, superior drive quality, and comfortable interiors.

Stelvio



Alfa Romeo set a new milestone in its 107-year history with the 2017 introduction of Stelvio, its first offering in the SUV market. Offering the best acceleration performance in its class, Stelvio distinguishes itself from its rivals by virtue of its Q4 AWD traction system and its perfect weight balance. What's more thanks to its first-class technology and innovative platform, Stelvio achieved a 5-star Euro NCAP rating by racking up 97 out of 100 safety points for adult occupants.

Giulia



Outstanding in its class by virtue of its unrivaled Italian stylishness and superior reliability while also achieving a perfect balance between form and function for an excellent driving experience, Alfa Romeo Giulia made its first appearance on the Turkish market in 2017. Equipped with advanced racing technology, Giulia brought a new point of view in the sports sedan segment with its interior and exterior design features, state-of-the-art technology, high-quality materials, and superior performance.

JEEP®**Compass**

Making its debut in the Turkish market in 2017, the new Jeep® Compass carries on the off-road tradition of the Jeep® badge with its advanced technology, refined interior and strong exterior designs, and full 4x4 performance. Production of the new Jeep® Compass was relocated from its former home in Mexico to the Melfi factory in Italy in October 2020. A 4x2 version of the Jeep® Compass with new engine options and the Jeep® 4xe Plug-In Hybrid, the brand's first rechargeable hybrid model, were put on sale in Turkey in 2020.

Wrangler

The Jeep® Wrangler is an off-road legend that is more than eighty years old. With its superior ground clearance and approach and departure angles, the Wrangler is considered to be the best in its class in terms of off-road capability. The Wrangler's water-fording depth of up to 76 cm make it the most reliable deep-water-capable vehicle in its class as well.

Grand Cherokee

The flagship of the Jeep® brand, the legendary 4x4 Grand Cherokee appeals to consumers with its 3.0-liter diesel engine. The vehicle's attention-grabbing on-road driving comfort, advanced technology, and luxurious interior are matched by superior off-road performance that is delivered by Jeep®-patented Quadra-Lift and Selec-Terrain four-wheel drive systems. With a large baggage space, Grand Cherokee offers much more space for both cargo and passengers.

Renegade

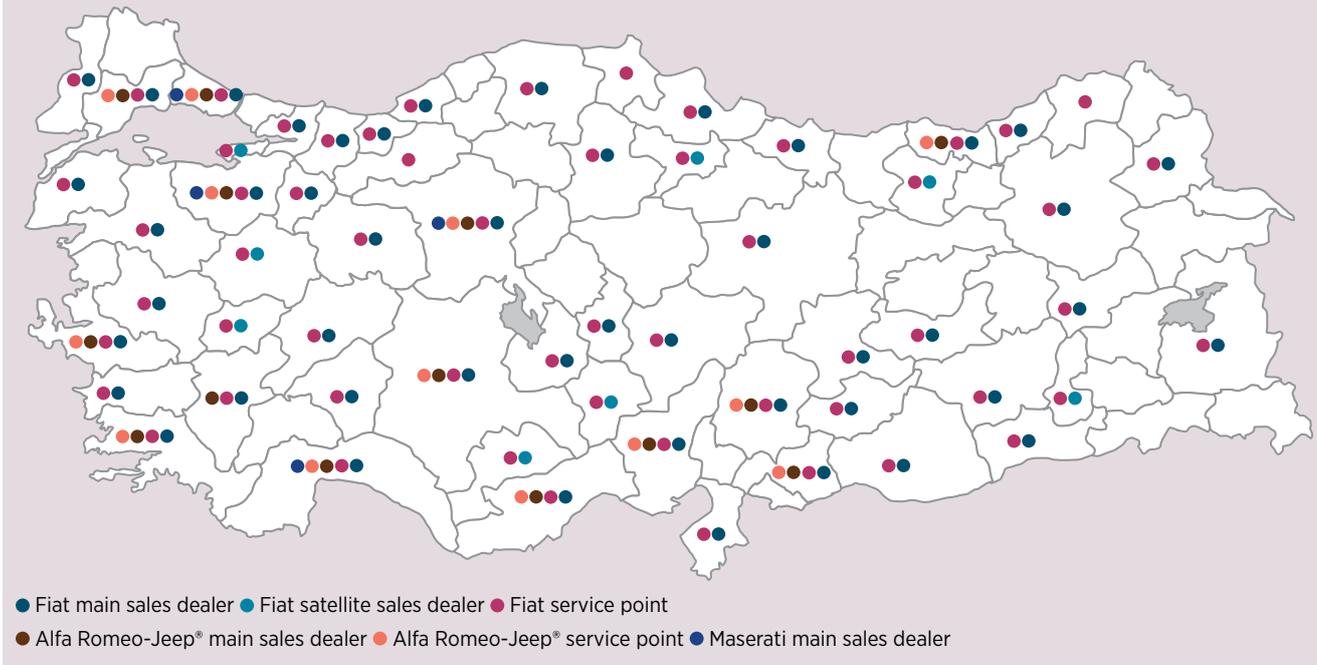
Designed in the USA and built in Italy, Renegade is the smallest, most talented, and most energetic member of the Jeep® family's offerings in the SUV class. Having first entered the Turkish market in 2014, an enhanced, more dynamically-designed version of the Jeep® Renegade equipped with innovative tech, new engine options, and advanced safety features went on sale in Turkey in 2019.

LANCIA

In line with strategic decisions, all models in Lancia series have been dropped except for Ypsilon, which continues to be sold in Italy. Sales of Lancia vehicles were therefore suspended in Turkey in 2015, though after-sales services will of course continue to be provided.

DEALERS NETWORK

Tofaş has 74 dealerships located all over Turkey.



Tofaş constantly enhances customer satisfaction through the long-term, trust-based business relations which it enters into with its dealers, its advanced logistical and distribution competencies, and its advanced after-sales services capabilities.

LONG-TERM, TRUST-BASED BUSINESS RELATIONS

Tofaş has 74 dealerships located all over Turkey. The dealership network for the brands which Tofaş represents sells new vehicles, second-hand vehicles, and spare parts and also provides maintenance & repair services.

Tofaş; constantly enhances customer satisfaction through the long-term, trust-based business relations which it enters into with its dealers, its advanced logistical and distribution competencies, and its advanced after-sales services capabilities.

Nearly all Tofaş dealers qualify as “integrated”, which means that customers can find sales, services, and spare parts at a single location. Many Tofaş dealers also provide customers with such additional services as compulsory and optional motor vehicle insurance coverage and vehicle financing.

All 71 of the Fiat main dealers in the network also service the company’s Alfa Romeo and Jeep® brands. With the inclusion of those not associated with the premises of the network’s main dealerships, there are 97 Fiat sales points and 125 Fiat service points located all over Turkey. There are also 18 Alfa Romeo-Jeep® main dealerships, together with another five locations that only service the vehicles.

CONNECT AND DRIVE AWAY

Taking changing customer needs into account, Fiat Online was made accessible through dealerships in order to give customers the opportunity to purchase vehicles in a hygienic, comfortable, reliable, fast, and practical way. As one of the digital solutions developed to address Covid-19 issues, video-call capability was extended to all Jeep® and Alfa Romeo showrooms and put into use in all dealerships in 2020. Potential customers visiting the www.jeep.com.tr and www.alfaromeo.com.tr websites can meet online in real time with a consultant and have a virtual-showroom experience of examining different models.

SUBSIDIARIES & AFFILIATES

Information about Tofaş's related-party sales and purchases is provided in footnote 27 to the financial statements. Among Tofaş's financial obligations is the carrying value of all bonds issued whether privately or publicly by Koç Fiat Kredi through related parties. As of 31 December 2020 this amounted to TL 286,197. (31 December 2019: TL 192,779.)

KOÇ FIAT KREDİ FİNANSMAN AŞ

Koç Fiat Kredi (KFK) provides financial-solution services for all of the vehicle brands offered for sale through Tofaş. In 2020 approximately TL 2.8 billion worth of credit was disbursed by the company in order to finance purchases of about 36 thousand vehicles. KFK finances 39% of Tofaş's retail sales and its loan portfolio as of 31 December 2020 was worth TL 2.85 billion. Last year KFK continued to fund this portfolio by means of bank loans and marketable security issues, the total value of both of which as of year-end was TL 2.8 billion. The securities issued had a nominal value of TL 250 million.

In 2020 the company's national short-term and national long-term credit ratings were again confirmed as (TR) A1+ and (TR) AA respectively.

As a company that thrives on enhancing innovation, is adept at creating value, and whose corporate culture is focused on digital transformation, KFK is also seeking to extend an agile working model throughout the entire company in order to maintain its competitive edge and to attract value-creating employees.

HIGHLIGHTS	2020
Outstanding Portfolio (TL million)	2,849.5
Outstanding Financed (units)	58,083
Penetration (excluding big fleet sales)	38.9%
Penetration (total Tofaş sales)	24.2%
Loan applications (units)	124,593
Financed units (total)	36,363
Financed units (Tofaş)	34,403
Financed units (2 nd -hand + Iveco)	1,960
Financed amount (total) (TL million)	2,799.5
Profit before tax (TL million)	47.0

FER MAS OTO TİCARET AŞ

Fer Mas was set up in 2005 as a subsidiary in which Tofaş controls a 99.4% stake. The company represents the Ferrari and Maserati badges in Turkey and provides both with after-sales services.

Ferrari



In 2020 Ferrari sold a total of 22 vehicles in Turkey.

In order to better differentiate the badges in its portfolio, Fer Mas Oto Ticaret AŞ renovated its existing showroom located in İstanbul's Kuruçeşme district and opened a new showroom in the same locality as well. The new showroom is being devoted exclusively to Maserati while the existing one now deals solely with Ferrari. Renovated at an investment cost of EUR 350 thousand, the Ferrari showroom has a total of 630 m² of usable space with an indoor-display area capable of accommodating three automobiles.

Maserati



The company's Ankara Birmot, Bursa Mengerler, and Antalya Maserati showrooms and dealerships provide Maserati sales and services support in Turkey. In 2020 they sold a total of 47 automobiles.

During the first quarter of 2020, Fer Mas's Maserati operations were relocated to a new showroom in İstanbul's Kuruçeşme district. Fitted out at an investment cost of EUR 240 thousand, the new showroom contains a Maserati configurator room and a lounge area.

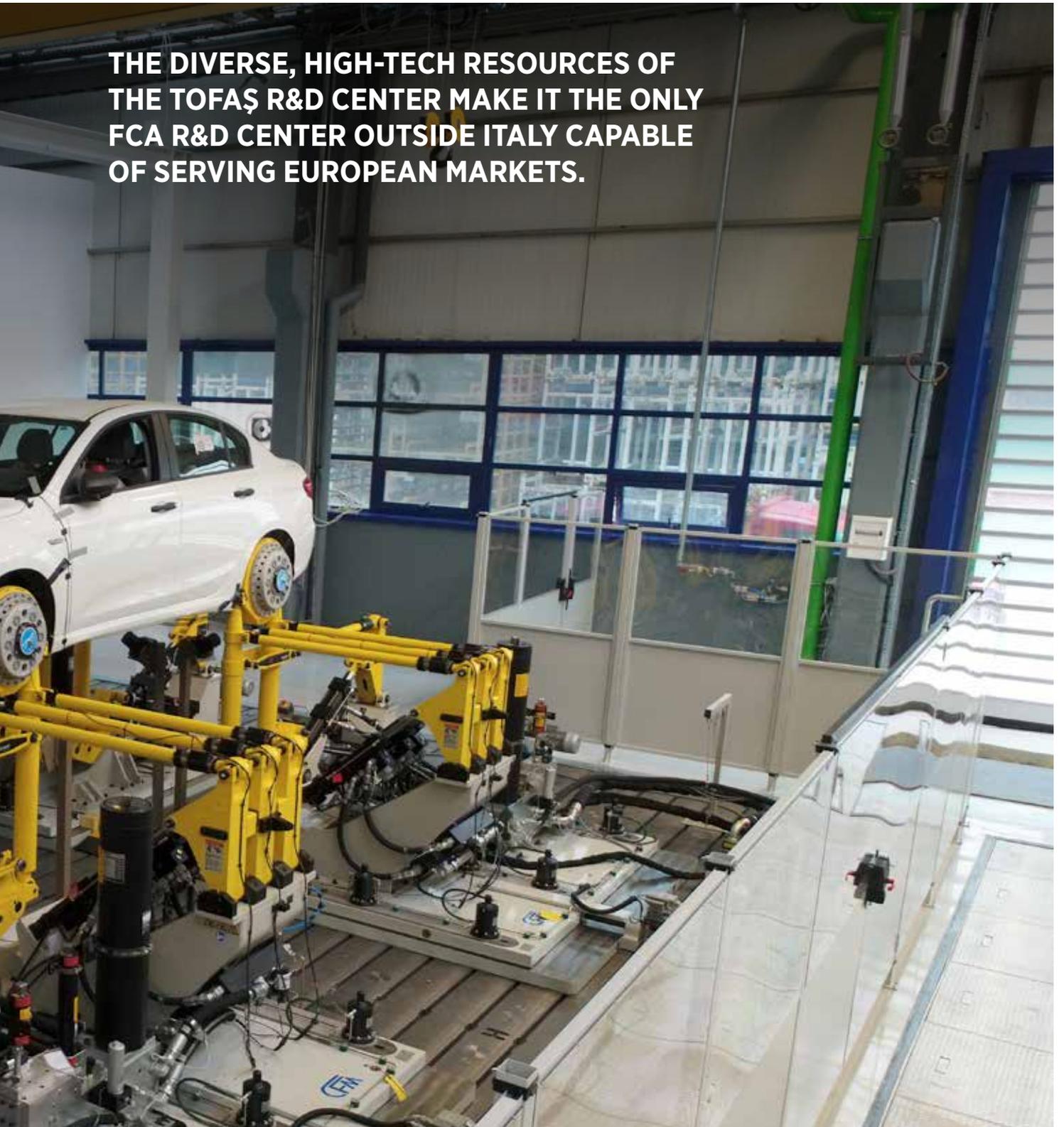
In 2020 Maserati introduced a super sports model, the MC20, and also began production of the Ghibli Hybrid, the first hybrid in the badge's history. The latter went on sale in Turkey in December.

HIGH-TECH

R&D



THE DIVERSE, HIGH-TECH RESOURCES OF THE TOFAŞ R&D CENTER MAKE IT THE ONLY FCA R&D CENTER OUTSIDE ITALY CAPABLE OF SERVING EUROPEAN MARKETS.



R&D OPERATIONS



CONTINUOUSLY INVESTING IN INFORMATION AND TECHNOLOGY

The Tofaş R&D Center's target is to be a globally competitive product and technology development center which, in keeping with requirements, adopts and adapts existing technologies and rapidly deploys new ones. The center seeks to realize this target by successfully formulating projects for new products that address market needs and then supplying such products to market and by improving existing products in line with expectations. In order to achieve these objectives, the Tofaş R&D Center gives importance to working within an expanded R&D network and value-creation chain that encompasses both universities and co-designing suppliers and engineering firms. The center also plans and undertakes innovative-technology research projects so as to support its priorities.

Equipped with everything that it needs to compete with its global peers in the areas of vehicle research and development, the center has a total of 20,110 m² of laboratory and office space. With its high-tech laboratories and diversified range of capabilities, the Tofaş R&D Center is the FCA's only research and development center serving the European market that is not located in Italy.

The Tofaş R&D Center employs a staff of more than 600, with priority being given especially to the recruitment of people who are well versed in their area of specialization. As of end-2020, 117 of the center's personnel held a master's degree or doctorate.

As of 2020, the total value of all of the design and test infrastructure investments completed at the Tofaş R&D Center in the areas of vehicles' concept, styling, bodywork, interior design, suspension, engines, emissions, vibration, and acoustics aspects topped EUR 58 million in value. The Tofaş R&D Center has increased its capability of developing more competitive products with its new test areas. The Tofaş R&D Center invested EUR 10 million in these test areas which were put into operation in 2019 and 2020.

GREATER COMPETENCIES IN PRODUCT DESIGN AND MANUFACTURING TECHNOLOGIES

The Tofaş R&D Center possesses all of the product engineering design and analysis competencies that may be needed to completely design a vehicle from start to finish. The Tofaş R&D Center keeps a close watch on the latest developments in product and production technologies in line

New testing facilities that were commissioned in 2019 and 2020 at an investment cost of EUR 10 million have increased the company's ability to develop even more competitive products.

with the company's strategic goals. Competence development is supported by research projects as well as theoretical and on the job training programs. Tofaş R&D Center constantly improves its competence and product development processes by making use of new technologies. In line with the Tofaş R&D Center's strategic objectives, the company likewise supports research projects that will lead to gains in product development and manufacturing technology knowhow.

The research studies of the Tofaş R&D Center are addressed towards Tofaş's strategic priorities, focusing on three cross-cutting grounds: environmental sustainability, meeting social mobility needs and increased productivity. Studies on productivity give priority to digital optimization of processes and low-cost automation in all areas. The Tofaş R&D center's focus on environmental sustainability addresses such issues as vehicle electrification and reducing vehicles' weights and energy consumption.

JOINT PRODUCT DEVELOPMENT COLLABORATIONS

A prerequisite for Turkey's increasing its international visibility and viability as a product development center is an ability to simultaneously address all of the elements of the R&D value-creation chain. This is why Tofaş gives special importance to joint design and development projects, to marshaling the resources of local engineering firms, and to working together with universities. Undertaking university-industry collaboration projects in parallel with its technology-development operations, Tofaş R&D collaborated with sixteen different universities on about 130 projects in the last fifteen years.

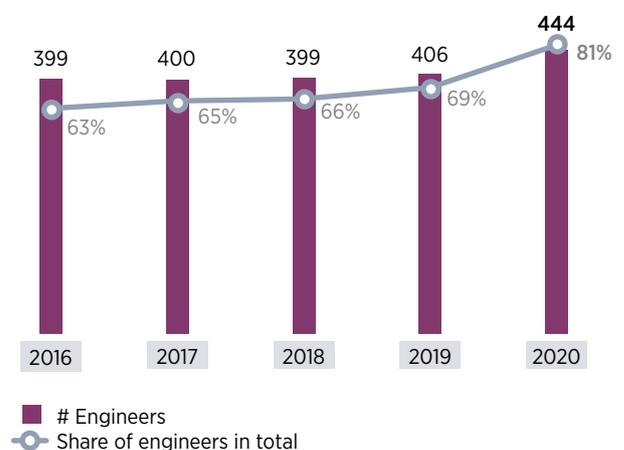
In the many projects that are undertaken with the support of the Scientific and Technological Research Council of Turkey and of the European Union, the Tofaş R&D Center also works together with university faculty members as well as with the

FCA Research Center and various international design centers. Having increased the number of EU Research Projects in which it is active to 26 in 2020 with the acceptance of Tofaş REVOLUTION, LEVIS and ECOFACT H2020 projects, Tofaş R&D also collaborates with nearly two hundred international project partners.

The Tofaş R&D Center's goal is to increase the number of patents that it applies for every year by coming up with new projects and innovative ideas that create added value. As a result of the innovative work carried out by the Tofaş R&D Center, new applications for 36 patents were submitted in 2020.

In the conduct of its 2020 operations, the Tofaş R&D Center was intensively engaged in model-improvement projects for the Fiorino, Doblò, and Egea lines. Tofaş R&D engineers also provided support for Jeep® Compass, Fiat 500 BEV, Maserati and FCA MOPAR R&D projects. The first phase of the project to develop a new Egea model was completed and mass production of the vehicle has commenced. Work is currently in progress on the project's second phase. R&D work has begun with the aim of bringing Fiat Doblò and Fiorino engines into compliance with new emissions standards. Work was also carried out on projects to develop the Doblò, Egea, and Fiorino lines so as to make these models more competitive. Developmental projects will also continue in 2021.

OF ENGINEERS IN TOFAŞ R&D CENTER



DIGITAL TRANSFORMATION

Tofaş is accelerating its “smart-factory” project efforts with a focus on productivity-boosting digital optimization.

Advances in technology deeply affect strategic priorities and practices. In an age of machine learning, Tofaş seeks to ensure successful-management sustainability by balancing traditional and data-driven decision-making processes on the one hand with human-centered and machine-based approaches on the other.

The company is careful to incorporate the needs of changing market and customer relationships into its policies and practices and is mindful also of maintaining a balance between traditional and platform-economy-based new approaches in its business management and revenue-stream models. It takes steps to develop structural solutions and business and process definitions according to the needs of the new economy in order to establish the right balance in the ways that business is done.

Tofaş is accelerating its “smart-factory” project efforts with a focus on productivity-boosting digital optimization. Digital transformation projects with the potential to create changes in Tofaş’s revenue model are also being considered in line with the company’s strategic priorities.

A two-pronged program to implement new technology solutions is being carried out. This program focuses on preparing a data structure and an information governance infrastructure and appropriate competencies on the one hand while developing appropriate application cases for them on the other.

STRUCTURAL READINESS AND TALENT MANAGEMENT

Corporate talent for dealing with new technologies has become the most important lever of strategic and business priorities today. For this reason, Tofaş guides the development and the structural/management changes in its information infrastructure and competencies in such a way as to establish the right balance between the “traditional” and the “new”.

Tofaş will continue to take a benefit-based approach in the conduct of its digital-transformation projects in the period ahead. Such projects will focus especially on undertaking

and carrying out more and higher value-adding projects in its principal business lines, on collaborating more effectively with external resources, on investing in its employees’ digital-domain competencies, and on developing new services and business partnerships.

As an essential element of its digital transformation program, Tofaş invests in the development of its data-management infrastructure and in information technologies such as remote working, 5G, cloud, and cybersecurity while also continuing to improve the features of its existing databases. In 2020, investments were made in order to continue the ongoing robotic transformation of the company’s basic infrastructure and office processes.

Making use of the infrastructure outlined above, commercial, industrial, product, and human-resource management applications continue to be developed and commissioned in line with business priorities. A participatory management structure has been set up in order so as to ensure broad-based guidance and familiarity with application roll-outs.

TALENT AND ECOSYSTEM DEVELOPMENT

Ensuring that Tofaş’s entire value-creation derives the full benefit of the capabilities afforded by new technologies and developing a technology-focused solution ecosystem also fall within the scope of the company’s digital transformation program.

Two important considerations in the implementation of Tofaş’s digital transformation program will be the business-oriented fostering of technology culture and competency throughout the company on the one hand and expansion of the ecosystem so as to include appropriate technology solution partners on the other.

The data scientist capacity of the data science program that Tofaş launched in 2019 was increased as planned in 2020 with the addition of 36 new chatbots that have begun to create value on 11 data science projects in the areas of online training and round-the-clock consultancy. In addition, Tofaş Academy has begun providing training on process analysis and support issues to 16 people through its IoT program and to another 82 people through its RPA program. Areas of specialization have been designated for those who will provide guidance on acquiring and implementing such basic technologies as data science, machine learning, IoT, and robotic process automation. Work has also begun on developing the elements of a platform management system capable of expanding this ecosystem while also taking legal-framework issues into account as well.



Another pillar of these programs is concerned with fostering technology literacy and digital transformation culture both within Tofaş and throughout its value-creation chain. For this purpose, Tofaş Academy, working together with our technology partners, has developed a program that turns digital transformation into a cultural journey whose aim is to support the spread and adoption of technology literacy and digital culture. Individualized, classroom, and video training resources are made available under this program.

Digital optimization, roadmapping, and vision projects aimed at increasing digital-transformation awareness have been carried out in cooperation with the company's external ecosystem. The output of these projects contributes to the overall outline of Tofaş's digital transformation journey.

As part of its corporate initiative approach, Tofaş also regularly takes part in programs with other Koç Holding organizations as well as with external stakeholders such as NGOs, universities, incubation centers, and angel investment networks with the aims of enriching the customer and employee experience and of improving productivity.

In order to provide an environment suitable for developing fast and lean solutions for addressing the needs of Tofaş's supply chain, a special program has been launched that brings the chain into contact with the lean-enterprise world.

FIAT YOL ARKADAŞIM

Developed in-house by Tofaş and bringing connected-vehicle technology to its class for the first time, Fiat Yol Arkadaşım Connect employs remote-access technology that transforms users' habits and their interactions with their vehicles.

Originally introduced in 2018 as both a web and a mobile-based support service, FYA Connect involves an installation of a component that is attached to a vehicle's electronic control unit. Once activated, FYA Connect makes it easy for users to keep track and manage all the details of every aspect of their vehicle, including service history, and also to receive personalized notifications of special campaigns and reminders about periodic maintenance.

New features and capabilities are constantly being added to FYA Connect. 2020 saw the introduction of "Connect Kasko", which makes it possible for Aksigorta comprehensive-cover insurance policies to be customized according to information received through FYA Connect. This customization gives drivers the benefit of smart pricing to get a better deal on their insurance by pricing policies according to the number of days a vehicle is actually used.

HUMAN RESOURCES



Tofaş Human Resources introduced many precautions to protect employees’ health during the pandemic while also taking measures to improving the employee experience during such a difficult period.

Tofaş regards human resources who are both experienced and creative as a driving force of its ability to quickly adapt to changing competitive conditions and to be a leader. The foundations of the Tofaş human resources policy is laid on employing qualified people who are compatible with the company’s operations and on providing employees with a highly motivating workplace environment.

As of end-2020, Tofaş had a total of 6,876 people on its payroll, of whom 1,482 were those paid monthly salaries, and 5,394 were those paid hourly wages

In 2020, production activities at Tofaş were temporarily suspended for a total of 42 days for such reasons as scheduled maintenance & repairs, stock planning, and personnel taking annual leave. A continuous period of 23 of those days was due to a pandemic-related shutdown of the company’s operations.

NUMBER OF PERSONNEL

Monthly salaries	1,482
Hourly wages	5,394
Total	6,876

BREAKDOWN OF EMPLOYEES BY GENDER

Male (monthly salaries)	1,139
Female (monthly salaries)	343
Male (hourly wages)	5,069
Female (hourly wages)	325

AVERAGE AGE OF EMPLOYEES

Monthly salaries	37
Hourly wages	34
Total	35

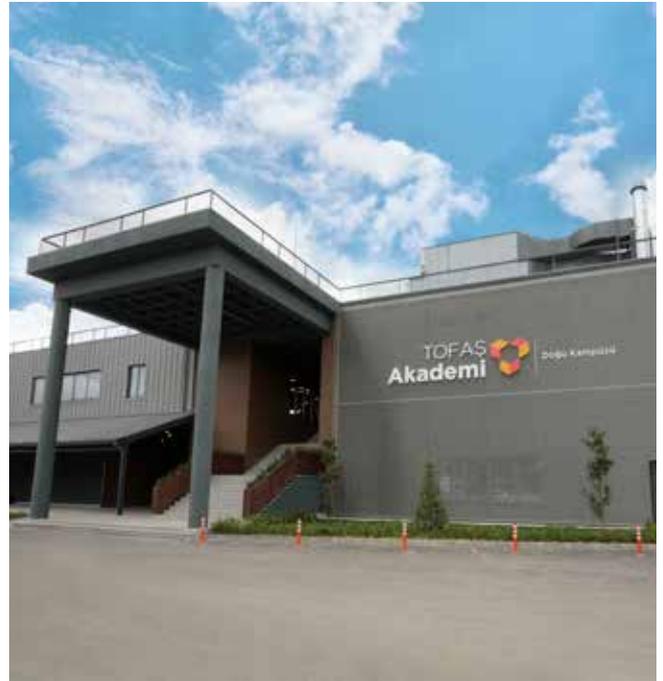
The human resources information provided in the report covers only Tofaş-employed personnel; none of it is related to Fermas or Koç Fiat Kredi employees.

HIRING PROCEDURES

In the conduct of its recruitment and hiring processes Tofaş Human Resources makes use of reliable tools and methods that will help identify and select the best candidates. These tools and methods include competency-based/technical interviews, video/telephone interviews, Assessment Center practices, personal inventories, and reference checks. When adding to its candidates’ pool, Tofaş not only makes use of extramural resources but also publishes position vacancies through the internal announcement systems of Koç Group companies. As part of its efforts to spot and manage talent at an earlier stage, the company keeps its employee-candidate pool replenished by means of a variety of short- and long-term traineeship programs. Through its Assessment Center, which is used to select personnel for managerial roles, it conducts digital “Pre-boarding” and “On-boarding” programs that support the adaptation and development of newly-hired employees by bringing them up to speed more quickly.

Tofaş's Approach to Human Rights

- One of the most important elements of Tofaş's approach to human rights is the issue of diversity. Tofaş believes that diversity is an asset that enriches its corporate culture. Accordingly in the conduct of all recruitment and other human resources processes, decisions are made and action is taken solely on the basis of a person's knowledge, competencies, and skills and no business-related decisions based on any discriminatory criteria such as age, gender, faith, ethnicity, or the like. Tofaş adheres to the principle of "Equal Pay For Equal Work" when determining employee compensation. No matter what their job position may be, all employees are given the same opportunities as their peers.
- Tofaş believes that equal participation in the workforce is a factor that is crucial to social progress. In line with this, Tofaş encourages women to join the workforce and it focuses on measures that will increase the percentage of women among the people that it hires. The company also seeks to improve the working conditions of the women already in its employ.
- No violations of employee rights, no child labor, no forced or compulsory labor, nor any forms of discrimination whatsoever are tolerated at Tofaş under any circumstances. Tofaş also endeavors to promote its own approach to human rights throughout its value-creation chain. Accordingly, Tofaş expects its suppliers and other business partners to abide by the same human-rights principles as it does.
- Another issue of which Tofaş is just as mindful is the protection of employees' unionization rights. Regarding it as important that its employees be represented fairly and equitably in their dealings with company management, Tofaş allows them to exercise their collective bargaining and association rights freely. Tofaş expects its suppliers and other business partners to take the same stance with respect to protecting trade-union rights as it does itself.
- The Tofaş Ethics Committee, which reports directly to the Tofaş Board of Directors, is responsible for dealing with all issues involving human rights at Tofaş. On such matters, Tofaş recognizes the ten principles of the United Nations Global Compact, to which Koç Holding subscribes, as being binding on itself and it strives to be in full compliance with those principles. Tofaş publishes sustainability reports in which all matters pertaining to human rights principles and their implementation are publicly disclosed in a completely transparent way.



In 2020, the innovative learning & technology solutions which Tofaş Academy has developed earned the academy a total of three (2 gold and 1 bronze) awards in the Stevie Awards for Great Employers and the Stevie International Business Awards programs.

TOFAŞ ACADEMY

Tofaş Academy provides training & development services for about 15,000 people consisting not only of Tofaş employees but also the employees of its dealership network, Customer Contact Center, and suppliers.

Tofaş Academy's goal is to provide Tofaş and its value-creation chain with a learning experience that is the most appropriate to people's ability to do today's tasks better and to prepare themselves for the future.

Conducting its operations with 249 instructors and 150 mentors, all of whom are employed by Tofaş, 90% of the Tofaş Academy's technical training is internally sourced. Programs dealing with leadership and behavior issues are prepared according to specific needs and are conducted by both in-house and outsourced training specialists.

HUMAN RESOURCES

PARTICIPANT	REPORT HEADING	VALUE
Monthly salaries	Total number of participants (virtual face-to-face training)	3.230 people
	Ratio of digital training	77.5%
	Average training time/person	26.5 hours
Hourly wages	Total number of participants (virtual face-to-face training)	13.367 people
	Ratio of digital training	29.5%
	Average training time/person	21 hours
Business partners	Number of supplier firms	28 firms
	Number of supplier personnel taking part in training	370 people
	Total training time	1.698 hours
Dealership personnel	Total number of participants (virtual face-to-face training)	4.014 people
	Ratio of digital training	45.28%
	Average training time/person	13.2 hours

The “Health & Social Life at Tofaş” program received a gold award in the “Best Benefits, Wellness and Well-Being Program” category of the 2020 round of Brandon Hall HCM Excellence Awards.

A Digital Transformation School has been set up to promote digital competencies within Tofaş. Besides training Tofaş-employed specialists in such subjects as data science and RPA, this school also conducts agility-development internal coaching programs on new ways of doing business.

Stakeholder development

In early 2020, about 400 sales consultants took part in “Proud To Be Fiat: Together We Are Legends”, an event during which they were provided with a learning experience accompanied by structured development activities.

Last year Tofaş Academy continued to provide training programs for dealership and service outlet personnel through the “Virtual Classroom” infrastructure that it created in order to accommodate for the conditions created by the Covid-19 pandemic. Through these training programs the academy provided training, development, and consultancy services on such topics as “Customer Project Deployment”, “Sales

Competency Development”, “Service & Customer Experience Development”, and “Strengthening the Dealer Digital Learning Experience”.

Inspiring Academy

In 2020, the innovative learning & technology solutions which Tofaş Academy has developed earned the academy a total of three (2 gold and 1 bronze) awards in the Stevie Awards for Great Employers and the Stevie International Business Awards programs.

PERFORMANCE MANAGEMENT SYSTEM

All Tofaş employees are covered by a performance management system that is designed and managed so as to support a corporate culture that focuses on performance and development. The two crucial cornerstones of this system are “Targets” and the “Leadership Principles” referred to as behavioral competencies. Targets are defined at the beginning of each year and are reviewed between an employee and their supervisor during the remainder of the year.

Field personnel technical competency assessment

A system for assessing the technical competency of field personnel was introduced in 2018. This system was designed to respond to the need for a way to keep track of role-based development which would be capable of adapting quickly to Tofaş’s constantly evolving and changing processes, which would conform to specified quality standards, and which could be managed through a single technological platform. The system allows field personnel to keep track of their own progress and to see what competencies they need in order to qualify for other possible positions within the company.

EMPLOYEE BENEFITS

Every white-collar employee who begins working for a Koç Group company joins the Koç Holding Pension & Assistance Fund as part of the hiring process. The fund invests contributions deducted from wages and salaries in marketable securities and real estate assets. Such deductions and their earnings are repaid upon retirement or withdrawing from the fund as a lump sum or pension. Both active fund members and pensioners as well as their spouses and dependent children are covered by health insurance and fund members may also be entitled to various rights such as housing acquisition assistance, financial support to cover specified needs, and insurance against such risks as death, incapacitation due to sickness, and partial disablement.

All Tofaş employees are covered by a complementary health insurance scheme whose premiums are paid entirely by the company. Employees may elect to have coverage provided for their spouse and dependent children as well. As of end-2020, 5,845 Tofaş employees along with 7,171 of their family members were benefiting from this coverage.

To date, 2,443 students have benefited from the scholarship program that Tofaş originally introduced in 2011 for its employees' dependent children. (2020: 285)

In 2016 the company introduced daycare assistance for the dependent children of female employees in order to encourage women's participation in the workplace and to help them better balance their working and home lives. 276 Tofaş employees have benefited from this program in 2020.

As an employer, Tofaş is a member of the Turkish Employers' Association of Metal Industries (MESS). The collective bargaining agreement that MESS entered into with the Turkish Metalworkers' Union on 29 January 2020 will expire on 31 August 2021.

As of 31 December 2020, Tofaş had a total severance pay liability of TL 218,475,69+5.69, all of which amount is covered by provisions that have been set aside. Employees are regularly and systematically provided with such rights and entitlements as may be mandated by laws and regulations.

The fringe benefits provided to the top management within the year ended on 31 December 2020 are explained in the note 27 of the financial report.



SOCIAL ACTIVITIES

The 22 clubs and 16 teams that have been voluntarily formed by Tofaş employees organized 78 events in 2020. More than 30 thousand employees and their family members and guests attended these events last year. Owing to the pandemic, there was a decrease in the number of employee social activities while some activities were moved online.

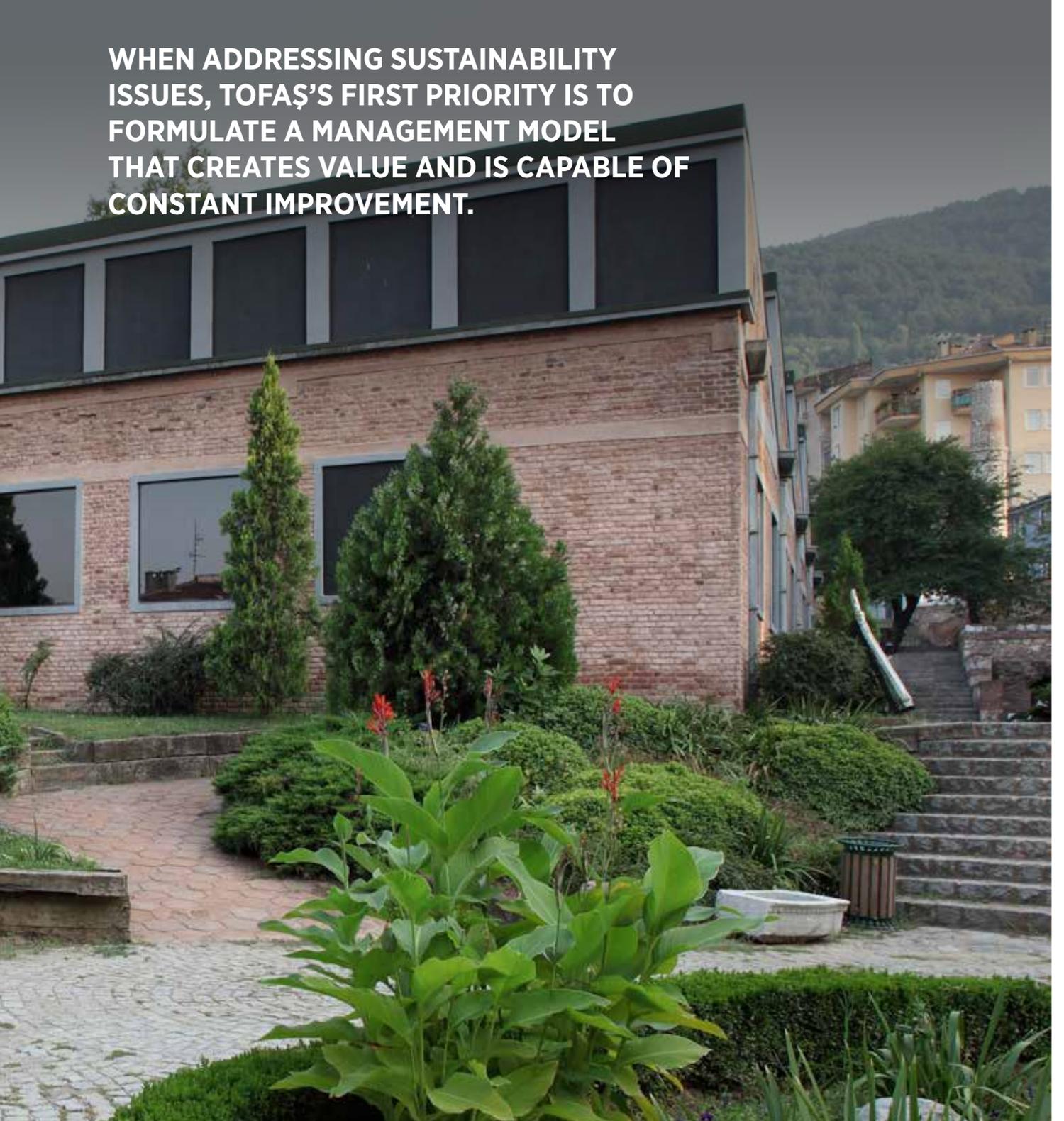
The "Health & Social Life at Tofaş" program which provides a variety of services, practices, and opportunities addressing different needs while also organizing social activities whose aim is to help improve the happiness and health of Tofaş personnel, received a gold award in the "Best Benefits, Wellness and Well-Being Program" category of the 2020 round of Brandon Hall HCM Excellence Awards.

Located at the Tofaş Bursa plant is an employee rec center that contains a restaurant, a cafe, and indoor and outdoor playgrounds that may be used by all Tofaş personnel and their families. Located within the Mustafa V. Koç Sports Complex at the Bursa plant are a fitness center, basketball courts, and a table tennis area for the use of those who enjoy sports. Outdoor sports facilities consisting of a synthetic pitch, tennis courts, and a basketball court that were opened last year also give all employees the opportunity to take part in sports. Tofaş's headquarters in İstanbul houses a fitness center that may be used by all employees.

A VALUE- CREATING MANAGEMENT MODEL



WHEN ADDRESSING SUSTAINABILITY ISSUES, TOFAŞ'S FIRST PRIORITY IS TO FORMULATE A MANAGEMENT MODEL THAT CREATES VALUE AND IS CAPABLE OF CONSTANT IMPROVEMENT.



CORPORATE SUSTAINABILITY POLICY



Tofaş’s sustainability policy embodies an integrated approach which is rooted in stakeholder participation and which takes stakeholders’ expectations and satisfaction into account.

The main pillars of Tofaş’s sustainability policy consist of the tenets of the United Nations Global Compact, to which one of its principal shareholders Koç Holding is a signatory as well as Koç Holding’s own corporate social responsibility approaches on the one hand and of FCI’s sustainability and corporate social responsibility perspective on the other.

A SUSTAINABLE AND VALUE-CREATING MANAGEMENT MODEL

Tofaş’s corporate sustainability policy is dealt with within the framework of business models that take an integrated approach and are based on strategies that are mindful of a sustainable future. Tofaş addresses sustainability and social responsibility issues in the context of their social, environmental, and economic dimensions. The company’s fundamental priority is to create a management model which can constantly be improved and create value.

The Tofaş Corporate Sustainability Policy is informed by the need to elucidate the company’s responsibilities towards all Tofaş stakeholders everywhere and not just those living in the vicinity of the Tofaş plant. Thus is the company equally mindful of both sustainability and corporate social responsibility issues when dealing with its stakeholders.

The company's CEO and senior executives are responsible for:

- Identifying and managing strategic goals;
- Ensuring the operability of risk management, early warning, and control systems;
- Determining corporate goals;
- Ensuring that corporate governance principles are complied with and that compliance performance and results are achieved as expected;
- Improving suppliers' own sustainability practices,
- Behaving transparently when dealing with the public at large on matters involving sustainable environment policies and practices;
- Making stakeholders aware of the company's corporate social responsibility activities, strategies, objectives, and priorities;
- Making adherence to ethical values, combating corruption, and all other corporate governance principles part of the company's corporate culture.

The Corporate Governance Committee, the Audit Committee, and the Risk Detection & Risk Management Committee, all of which report directly to the Tofaş Board of Directors, play an important role in the effectiveness of the board's activities. The duties of the Nomination Committee and the Remuneration Committee may also be carried out by the Corporate Governance Committee. The Board of Directors has overall responsibility for the conduct of risk management processes at Tofaş while the Audit Committee and the Risk Detection Committee are responsible for the fulfillment and execution of risk-management processes as required by applicable laws and regulations. Corporate risk strategies are determined in line with reports submitted to the Board of Directors.

The environmental, social, and corporate governance aspects of the Tofaş Corporate Sustainability Policy are rooted in the tenets of:

- Effectively managing risks and constantly improving all processes;
- Abiding by "Zero-Accident" principles in matters pertaining to occupational health and safety;
- Improving the company's performance and production efficiency;
- Encouraging active employee participation and fostering open communication;
- Making efficient use of energy while protecting environmental balances and natural resources;
- Increasing stakeholder knowledge and community awareness of climate crisis issues;
- Adhering to a sustainable environmental management policy that is grounded in national environmental laws and regulations, applicable environmental standards, and the best available technologies for dealing with such matters;
- Ensuring information security and business continuity in the conduct of all operations;
- Complying with the requirements of national and international laws and regulations;
- Managing stakeholder relations transparently and with common sense;
- Ensuring continuity in customer satisfaction;

The company's corporate governance structure, risk management, business ethics and anti-corruption rules, sustainability management, and stakeholder engagement approaches are all matters of concern when dealing with governance and sustainability issues.

Besides efforts aimed at the deployment and ongoing conduct of corporate governance activities within the company, all due attention is also given to ensuring that the company's external stakeholders are likewise involved in achieving the same aims.

In keeping with this, ensuring the sustainability of all of the company's corporate activities when treating all stakeholders equally, disclosing information responsibly, and abiding by corporate governance practices is one of the company's fundamental objectives.

Tofaş's sustainability policy addresses the company's management of social, ethical, and environmental issues. This policy embodies an integrated approach which is rooted in stakeholder participation and which takes stakeholders' expectations and satisfaction into account. The development and continuity of both sustainability and social responsibility attitudes and practices are achieved within the framework of the company's corporate vision and the kinds of corporate activities that the company's stakeholders prefer.

It is a matter of importance to Tofaş that the management, improvement, and oversight of the company's corporate, social, and environmental impact processes and its management, social, and environmental performance be audited and that the results of these audits be shared with all of the company's stakeholders. Having been developed in line with this approach, Tofaş's corporate sustainability policy is overseen at the Board of Directors level, with related issues being assessed and reported on by committees that are responsible to the board itself. The results of these audits are included and published in each year's sustainability report.

CORPORATE SUSTAINABILITY POLICY

Stakeholder Communication

STAKEHOLDER GROUP	CHANNEL & FREQUENCY
Employees	Polls & surveys (at various intervals); Training activities, Tofaş Ethical Principles, Internal communication platforms (company bulletin screens, intranet), Announcements & notices (continuous); Tofaş Suggestions & Rewards System (immediate); OHS committees, Working groups & committees (at varying intervals); Tofaş in-house publications (three times a year); Performance management & career progression meetings, Social activities (at least twice a year); Management meetings, Communication meetings, Annual reports, Sustainability reports, Environment Day, Worklife Survey (once a year)
Principal Shareholders	General assembly meetings, Annual reports, Sustainability reports (once a year); Board of Directors meetings (as required / at least four times a year); Financial performance reports (four times a year); Material event disclosures (as required)
Minority Shareholders	Investor presentations, One-on-one meetings (as requested); General assembly meetings, Annual reports, Sustainability reports (once a year); Board of Directors meetings (as required / at least four times a year); Financial performance reports (four times a year), Material event disclosures (as required)
Dealers	One-on-one meetings (as requested); Dealership conventions, Annual reports, Sustainability reports (once a year); Tofaş in-house publications (three times a year); Dealership training programs (continuous); Customer satisfaction surveys (once a year)
Suppliers	One-on-one meetings (as requested); OHS committee meetings (once a month); Annual reports, Sustainability reports (once a year); Tofaş Suppliers' Code of Ethics (continuous); Tofaş in-house publications (three times a year); Training & development programs (continuous), Tofaş Suppliers' Summit (once a year)
Product End-Users	Product labels & user manuals, Marketing & communication activities (continuous); Automotives fairs & shows (periodic); Annual reports, Sustainability reports (once a year)
Local Communities	Complaints System, Community projects, Charitable donations & sponsorships (as requested); Information meetings (as required); Annual reports, Sustainability reports (once a year)
Sectoral Actors	Meetings & discussions, Projects and initiatives (as requested); Automotives fairs & shows (periodic); Annual reports, Sustainability reports (once a year)
Local Governments	Meetings & discussions (as requested); Annual reports Sustainability reports (once a year)
Public Agencies & Organizations	Meetings & discussions (as requested); Information reporting (at varying intervals); Audits & inspections (at various intervals / unannounced); Annual reports, Sustainability reports (once a year)
Non-Governmental Organizations	Memberships (continuous); Working group, committee & board memberships (periodic); Joint projects & initiatives, Meetings & discussions (as requested), Annual reports, Sustainability reports (once a year)
Universities & Academicians	Tofaş scholarship & internship resources, Academic congresses & seminars (continuous); R&D project partnerships, sponsorships & support (as requested); Academic research & publication support (as requested); Meetings & discussions (as requested); Annual reports, Sustainability reports (once a year)
Employees' Families	Information programs (continuous); Tofaş in-house publications (three times a year), Social activities (at least twice a year), Environment Day (once a year)
Opinion Leaders	Opinion leader meetings & discussions (as requested), Annual reports, Sustainability reports (once a year)
Media	Interviews & talks (as requested); Meetings & discussions (several times a year); Press statements, Material event disclosures (as required); Annual reports, Sustainability reports (once a year)

Corporate Memberships

Climate Platform (REC Turkey)	Membership
Automobile Industry Association	Board of Directors, Committee, and Working Group Memberships
Automobile Distributors' Association (ODD)	General Assembly and Committee Memberships
Istanbul Chamber of Commerce (ISO)	36 th Group Occupational Committee and Assembly Membership
Bursa Chamber of Commerce and Industry (BTSO)	Assembly and Committee Membership
Turkish Metal Industrialists' Association (MESS)	Membership
Foreign Capital Association (YASED)	Board of Directors and Committee Memberships; Automotive and Sub-Industry Working Group Chairmanship
Uludağ Exporters' Associations Automotive Exporters' Association (OIB)	Vice Chairman of Board of Directors
Bursa Industrialists and Businessmen's Association (BUSIAD)	Board of Directors and Specialization Group Memberships
Demirtaş Industrial Park (DOSAB)	Board of Directors and Training Committee Memberships
Demirtaş Industrial Park and Businessmen's Association (DOSABSİAD)	Membership
Turkey Personnel Management Association Bursa Branch (PERYÖN)	Membership
Foreign Economic Relations Council Eurasia, Africa and Middle East Business Council (DEİK)	Membership
Foreign Trade Association of Turkey (TURKTRADE)	Membership
Turkey Quality Association (KalDer)	Membership
Advertisers' Association (RVD)	Membership
Italian Chamber of Commerce	Representation
World Italian Entrepreneurs Association (CIIM EurAsiaMed)	Board Member
Turkish Industry and Business Association (TÜSİAD)	Membership and Working Group Memberships
DENİZTEMİZ-TURMEPA	Membership
TÜYİD Turkish Investor Relations Society	Membership

CORPORATE SOCIAL RESPONSIBILITY ATTITUDES

Tofaş's sustainability approaches are informed both by its sense of corporate social responsibility and by the company's social impact. Within the framework of these approaches, the company engages in socially-beneficial activities both within the company itself and externally for society at large.

In all matters falling within the scope of social responsibility, Tofaş is mindful of all currently applicable national and international standards while also engaging in efforts to improve such standards.

CORPORATE SOCIAL RESPONSIBILITY



Demonstrating its contributions to society on a variety of levels, Tofaş undertakes long-term projects in the areas of sport, education, and culture & art.

Tofaş focuses on social responsibility projects that will support social progress through a multidimensional approach, will contribute to the national economy, and will create added value for the community. Demonstrating its contributions to society on a variety of levels, Tofaş undertakes long-term projects in the areas of sport, education, and culture & art.

SPORT

Tofaş Sports Club

Backed by many years of investment in the infrastructure-focused team model which it has developed, the Tofaş Sports Club continues to nurture new talent for sports in Turkey.

Tofaş Gymnasium

The Tofaş Basketball team plays its home games at the Nilüfer Tofaş Gymnasium in Bursa. These well-attended encounters also contribute to the social life of Bursa's inhabitants.

Tofaş Next Generation Project

Launched in 2016, the goals of the Tofaş Next Generation Project are to provide all children with an equal opportunity to take part in sports and to foster attitudes and points of view among children that will help them be successful in all aspects of life. The Tofaş Next Generation Project is based on a training and implementation model that focuses on the trainer-family-child triangle in order to foster a generation whose members truly believe that every child should have an equal chance to play basketball.

Since the inauguration of the Tofaş Next Generation Project, about 5,000 children have been reached through fifteen basketball schools set up in different Bursa townships. The little-league basketball teams whose members were chosen from these schools are currently undergoing training at the Mustafa V. Koç Sports Complex. A great many of the members of the Tofaş Sports Club's little-league teams are raised by the Tofaş Next Generation Project.

An e-learning system has also been set up in order to teach local trainers and children's families about the project. Other project activities aimed at fostering basketball culture among the general public include street tournaments as well as sport science and creative drama workshops. As of end-2019, the e-learning system's training videos had racked up about 140 thousand. Due to the Covid-19 pandemic, all Tofaş Next Generation Project training activities were suspended in 2020.

"50 Hoops" Project

With the launch of its "50 Hoops" project in line with its mission to make Bursa "Basketball City" in 2019, the Tofaş Sports Club constructed basketball courts in different parts of the province.



Tofaş Basketball Schools

As of 2019, 3,655 children receive basketball training at 18 Tofaş Basketball Schools operating in 10 cities in order to contribute to the community. Due to the Covid-19 pandemic, all basketball school training activities were suspended in 2020.

Mustafa V. Koç Sports Complex

The premises and facilities of the Tofaş Sports Club Mustafa V. Koç Sports Complex, are available not only to Tofaş personnel but also to Bursa's amateur sports teams and athletes since 2016. With 5,800 m² of space, this complex contains three basketball courts, a fitness center, and a fully-equipped sports rehabilitation center capable of providing whatever forms of physical therapy athletes may require.

EDUCATION

Fiat Laboratories

The "Fiat Laboratory" concept was introduced in 2006 as a component of Koç Holding's "Vocational Education" project. The number of students and teachers taking part in the project at these laboratories reached 2,250 last year.

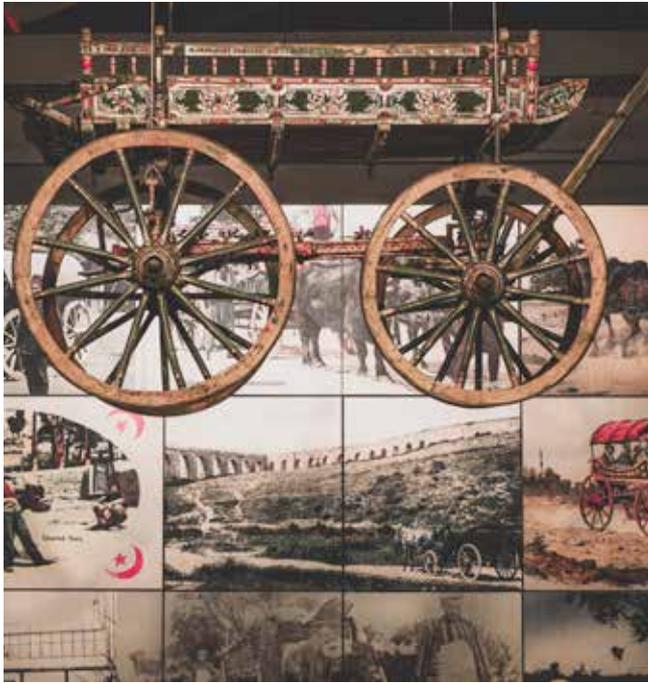
Under this project, labs are set up and installed in schools to support motor-vehicle technology training and education, instructors are provided with training and attend seminars dealing with particular subjects, and students are provided with support in finding traineeship positions as well as jobs after graduation. Under the "Vocational Education" project, students who attend classes at Fiat Laboratories and who satisfy requirements are provided with scholarships every year by the Vehbi Koç Foundation.

In 2019, the term of the existing agreement between Tofaş and the education ministry's General Directorate for Vocational and Technical Education concerning Fiat Laboratories was extended again. Under this protocol, Tofaş will continue supporting the project in the five schools where it is being conducted for another two years.

Tofaş Science High School

Located in the Demirtaş Organized Industrial Zone in the Özlüce district of Bursa's Nilüfer township, instruction at Tofaş Science High School began in 2014.

CORPORATE SOCIAL RESPONSIBILITY



Initiated with Tofaş support at Tofaş Science High School, the “Innovation Workshop” aims to support the instruction of well-educated young people who will shape the future of automotive and engineering field in Turkey and serve as its leaders. Having identified it as a “Project That Inspires”, the Ministry of Education has decided to expand the Innovation Workshop program to embrace all science high schools.

“İyiye İşaret”

In 2019 Fiat launched its “İyiye İşaret” digital platform to make it easier for Turkish speakers who have special hearing needs to communicate. Located at engelsizhareket.fiat.com.tr, the “İyiye İşaret” platform provides anyone in Turkey with hearing disabilities with freely-available visual, sign language and subject expression video resources that include the explanation of words and usage of the words in sentence. The goal of this platform is to help people with hearing disabilities to live more normal everyday lives by better understanding what they read and by better expressing themselves through writing. In the first stage, the number of course-content units was increased from 100 to 350. Work is currently in progress to gradually raise this number to a thousand or more.

CULTURE & ART

Tofaş Museum of Cars and Anatolian Carriages and Tofaş Art Gallery

Located in Bursa’s Umurbey district, the Tofaş Museum of Cars and Anatolian Carriages is a private museum focusing on the Anatolian transport heritage. A former silk-weaving mill that used to be here was restored and converted for use as a museum by Tofaş. On display at the museum is a historical panorama of the history of human transport in Anatolia beginning with a wheel that is 2,600 years old and extending to the present day with examples of Tofaş-built motor vehicles. The museum opened its doors in 2002 and has received about 800 thousand visitors since then.

Located within the same grounds as the museum is the Tofaş Art Gallery housed in the Umurbey Hammam, the original construction of which dates to 1430. To date the gallery has hosted six exhibitions. “The Poise Of The Steelyard: Scales, Weights & Measuring Instruments”, a show with past and present-day examples of such equipment, attracted more than 200 thousand visitors as of end-2020.

A “Tofaş Museum” audio guide was introduced in 2020 for use by visitors to the museum and also to allow the museum to be experienced in a virtual environment.

Pamukkale Hierapolis archaeological excavations

Since 2005 Tofaş has been sponsoring archaeological excavations at Hierapolis, the extensive ruins of one of the five biggest ancient cities in Turkey. Coterminous with the Pamukkale thermal zone, both Hierapolis and Pamukkale were declared UNESCO World Heritage sites in 1988. Excavation work, which is being overseen by the Ministry of Culture and Tourism and the Denizli governor’s office, continued during the 2019 season with Tofaş’s support. The excavations are being carried out by an international team of about seventy archaeologists, architects, restorers, conservators, and other experts mainly from Italy and Turkey.

Among the other significant Hierapolitan remains that have been unearthed are two necropolises, baths, a basilica, a martyrium, the Frontinus Gate, a gymnasium, an Apollo temple, and the so-called Pluto’s Gate (Plutonium), a shrine sacred to the ancient god of the underworld, Pluto.

ENVIRONMENT



Tofaş's environmental approach is to possess a World-Class Environment Management System that makes use of proactive and efficient management tools. In order to achieve its “Zero Waste/Zero Loss” goal, the company's maxim is “If you don't cause pollution in the first place, then there's nothing that you have to clean up.”

Regarding environmental protection as an important element of its social responsibility, Tofaş focuses on effectively managing and, as much as possible, on minimizing both the direct and the indirect adverse environmental impact of all aspects of its value-creation chain.

Published as a section of Tofaş's 2020 annual report, this environmental-performance report covers all environment-related activities carried out by Tofaş Türk Otomobil Fabrikası AŞ during the period beginning on 1 January 2020 and ending on 31 December 2020. Unless otherwise noted, this report does not cover the environmental performance either of Tofaş's Fer Mas Oto Ticaret AŞ or Koç Fiat Kredi Finansman AŞ subsidiaries or of dealerships. Because not all 2020-year data had been collected as of the time this report was being written, performance figures are presented as 11+1. For the same reason, the 2020-year data published in this report has not been independently verified.

ENVIRONMENT & ENERGY POLICY

Tofaş seeks to pass a clean and livable world on to future generations through a sustainable approach when dealing with environment and energy-related matters. In the conduct of all of its operations, Tofaş complies fully with all national and international requirements and it strives constantly to reduce the environmental impact of its manufacturing activities and of its products and services by making continuous improvements in its performance and through the use of appropriate technologies.

As the first automotive manufacturer in Turkey to be awarded ISO 14001 Environmental Management System certification, which it received in 1998, Tofaş has had a well-established and sustainable environmental management system ever since. In 2018 Tofaş successfully completed the certification audit for its transition to the ISO 14001:2015 version of the standard.

Tofaş deploys effective, integrated environmental management systems in order to:

- Prevent pollution at source and reduce environmental risks;
- Reduce the environmental impact of its products by taking a life-cycle approach ;
- Use energy and natural resources responsibly and efficiently;
- Increase the environmental and energy-conservation awareness of employees, other stakeholders, and society at large.

Tofaş has committed itself to the mobilization of its resources and means in order to achieve these aims.

ENVIRONMENT

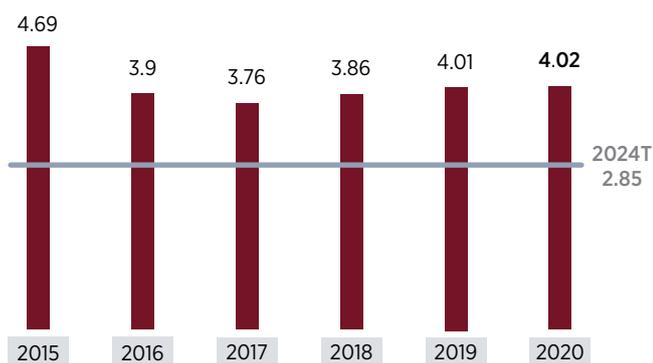
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Environmental issues are handled by the Tofaş Sustainability Committee and by the Tofaş Sustainability Working Group in line with Tofaş's Environmental and Energy Policy. Both

committee and working group report directly to the Tofaş Board of Directors concerning the company's environmental performance. Tofaş publishes its environmental activity and performance results as well as its short, medium, and long-term targets in a completely transparent manner through its annual sustainability reports and on its corporate website. Every year Tofaş also publicly discloses its Carbon Disclosure Project responses on how it deals with climate-change and water-management issues.

Environmental target	Performance indicator	2020**	2020 (H)	2024 (T)	2020-2024
Energy consumption	GJ/vehicle	4.01	4.07	3.31	-17.4%
Greenhouse gas emissions	tCO ₂ e/vehicle	0.383	0.355	0.335	-12.50%
VOC emissions	gr/m ²	30.9	33.29	25.9	-16%
Water consumption	m ³ /vehicle	3.06	3.38	2.86	-6.50%
Waste water discharged	kg/vehicle	2.19	2	0.5	
Treated water quality	COD (% regulatory requirement)	< 40%	< 40%	< 40%	-
Total waste generated	kg/vehicle	37.65	46.05	32.85	
Hazardous waste generated	kg/vehicle	5.37	6.15	4.28	
% waste disposed in landfill	%	0	0	0	-
Ozone-depleting substances	Kg Stock	24	24	0	-100%

ENERGY CONSUMPTION (GJ/VEHICLE)



The average energy cost of every vehicle produced by Tofaş in 2020 was 4.02 GJ. Despite its being a quite unfavorable year for the automotive industry as a whole, Tofaş continued its efforts to reduce its overall power use with the result that it succeeded in keeping it per-vehicle energy consumption just below the 4.07 GJ target which it had set for the year.

2020 figures show 11+1 performance.

As of the date this report was being written, 2020 data had not been independently verified but previous-year figures had been

	2015	2016	2017	2018	2019	2020
Total energy consumption (GJ)	1,303,923	1,496,302	1,446,336	1,165,961	1,042,245	993,438
Direct energy consumption - natural gas (GJ)	805,475	895,259	862,084	676,304	593,241	578,984
Indirect energy consumption (GJ)	498,448	601,043	584,252	489,657	449,004	414,454
Energy consumption/ manufactured vehicle (GJ)	4.69	3.88	3.76	3.86	4.01	4.02

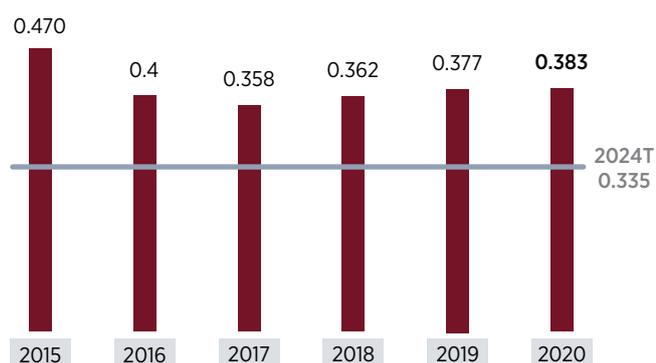
WATER CONSUMPTION (M³/VEHICLE)

Tofaş makes use of water extracted from underground sources. Average fresh water consumption, which was around 3.33 m³/vehicle in 2019, was down by 3.06% in 2020. The company has set itself a target of reducing this to 2.86 m³/vehicle by 2024 with the help of water-recycling projects.

Tofaş was able to reuse 60 million m³ of water in 2020 thanks to its in-plant circulation system.

2020 figures show 11+1 performance.

As of the date this report was being written, 2020 data had not been independently verified but previous-year figures had been.

GHG EMISSIONS INTENSITY PERFORMANCE (tCO₂e/VEHICLE)

As a result of the World Class Manufacturing-methodology efforts in which Tofaş engaged to lessen its energy consumption and CO₂ emissions, the company reduced its CO₂ emissions by about 3,000 tons in 2020.

*** Emissions are calculated according to the methods set forth in the following guidelines:

Intergovernmental Panel on Climate Change-IPCC National Greenhouse Gas Inventory Guidelines, 2006

Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard (Revised Version)

2020 figures show 11+1 performance.

As of the date this report was being written, 2020 data had not been independently verified but previous-year figures had been.

	2015	2016	2017	2018	2019	2020
Direct greenhouse gas emissions (Scope 1) (tCO ₂ e)	68,904	77,808	68,467	50,062	46,266	45,653
Indirect greenhouse gas emissions (Scope 2) (tCO ₂ e)	61,753	74,463	69,136	59,253	53,247	50,303

ENVIRONMENT

INDUSTRIAL WASTE (KG/VEHICLE)



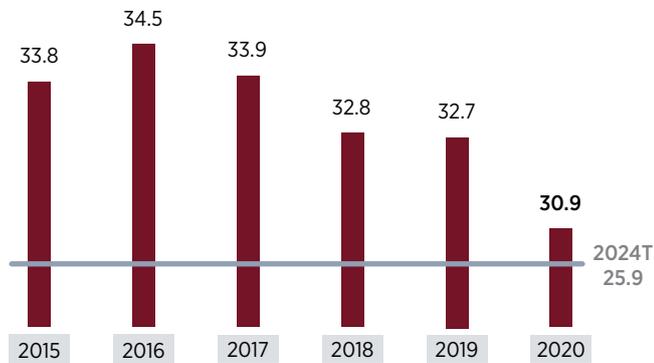
All (100%) of the industrial waste generated in the course of Tofaş’s production operations is recovered and used as raw-material inputs and fuel by cement-makers. This means that Tofaş has effectively achieved its no-disposable-waste (zero-landfill) goal.

2020 figures show 11+1 performance.

As of the date this report was being written, 2020 data had not been independently verified but previous-year figures had been.

* Excludes pressed sheet-metal waste and non-production-related waste.

VOC EMISSIONS (GR/M2)



Over the last decade Tofaş has achieved around a 25% reduction in its volatile organic compound (VOC) emissions through improvements in its operational controls. Along with changes in manufacturing processes such as the use of solvent-free cleaning products, a switch to one-bell spray-painting technology, the introduction of electrostatically-applied water-borne paints, and the commissioning of the company’s nitrotherm spray project, Tofaş has been able to achieve VOC-emission performance ratings that are well below EU-prescribed limits.

2020 figures show 11+1 performance.

As of the date this report was being written, 2020 data had not been independently verified but previous-year figures had been.

Tofaş successfully passed the environmental audits to which it was subjected both by statutory authorities and by independent agencies in 2020 with a “zero non-compliance” rating.

One consequence of Tofaş’s Environment & Energy Policy is that it seeks both to reduce waste at source and to recover and recycle as much as possible of any waste that may be generated. Thus for example 100% of the industrial waste resulting from its manufacturing processes is either recovered or else used as raw material and energy inputs in the cement industry, thereby helping the company to achieve its “Zero Waste Disposal” goal Tofaş’s Zero Waste Management System, which was set up to prevent pollution at source, to use resources responsibly and efficiently and prevent their waste, and to source-separate, collect, and recycle waste, was awarded “Zero-Waste” certification by the Ministry of Environment and Urbanization.

Supporting the transition to a low-carbon economy through its energy-efficiency efforts, Tofaş is also a corporate member of the Climate Platform. Tofaş has also committed itself to the “2 °C Challenge” program, an internationally-promoted corporate-mission statement that calls for global policies and actions to tackle climate change. The hundreds of energy efficiency projects which the company has undertaken are steadily reducing the energy density of its operations. When new investments are to be undertaken or changes are to be made in machinery and equipment, environmental-impact and energy-efficiency procedures are standardized both by initiating a Kanban (lean/just-in-time manufacturing) process and by adhering to best-available-technology (BAT) practices.

Environmental audits conducted both by authorities and by stakeholders in 2020 ascertained that Tofaş was in full compliance with all requirements.

Environmental management issues are also incorporated into the company’s annual performance-target assignment and evaluation system.

Tofaş’s environmental management approach is grounded in the values and principles of its principal shareholder Koç Holding and of FCA. The company regards protecting natural resources and conducting its operations with minimum environmental impact as being among its primary responsibilities. In addition to managing its own direct environmental impact, Tofaş is also committed to continuously reducing its indirect impact by improving the environmental performance of operations taking place throughout its entire value-creation chain.

Tofaş gives great importance to raising awareness about environmental issues and to promoting environmental awareness among its own employees and those of its business partners. In order to increase environmental awareness among its own personnel, during 2020 Tofaş provided a total of 4,921 hours of environmental training through the digital-platform training modules of Tofaş Academy. Every visitor and contractor employee entering any of Tofaş’s premises is required to undergo workplace-safety and environmental-risk and rule training and this training must be repeated at least once a year. Energy-conservation and environment-protection projects and competitions are used along with visual and other materials to increase environmental awareness within the factory.

Various events marking the observance of World Environment Day every year on 5 June are also a tradition at Tofaş.

In addition to managing its own direct environmental impact, Tofaş is also committed to continuously reducing its indirect impact by improving the environmental performance of operations taking place throughout its entire value-creation chain. The company takes a life-cycle approach when considering the environmental impact of its products and services and it manages their negative or positive effects accordingly.

ENVIRONMENT

In 2020 Tofaş undertook more than 200 new energy efficiency projects implementing WCM energy management methodologies and techniques.

While striving to reduce the environmental impact of the production and use of the vehicles it makes, Tofaş is also constantly engaged in projects to make those vehicles more eco-friendly. The company sets targets for increasing the use of eco-friendly/recyclable materials in its vehicles while also recovering reusable elements from end-of-life vehicles and ensuring that everything else is disposed of in accordance with national and international regulations. Some of the projects developed under the leadership of the Tofaş R&D team to increase recycling and eco-friendly material use percentages in vehicles are as follows:

- OCEAN FABRIC: Production of seat covers made from fabrics produced from PET bottles recovered from the sea;
- Recycling of industrial PET bottles and innovative production of parts from recycled materials;
- MULTICYCLE: Using methods to restore recovered and recycled plastics over and over again indefinitely by restoring them to their original raw-material state;
- Using bio-based polymer in the manufacture of vehicle parts.

Tofaş cooperates with non-governmental organizations, professional associations, and statutory authorities in the development and formulation of environmental policies and when dealing with environmental issues. Besides being a member of the Turkish Automotive Manufacturers Association and taking part in various Turkish Industrialists' and Businessmen's Association working groups, Tofaş also seeks to contribute to the betterment of its value-creation chain through collaborations with universities and joint undertakings with other professional associations and chambers.

SUSTAINABLE MANUFACTURING ATTITUDES

Having adopted sustainable-manufacturing principles in the conduct of its operations, Tofaş achieves natural resource use efficiency by implementing the "5R" (Refuse, Reduce, Reuse, Recycle, Recover) hierarchy in all of its production processes.

In 2020 Tofaş undertook more than 200 new energy efficiency projects implementing WCM (World Class Manufacturing) energy management methodologies and techniques. With the inclusion of other projects that were launched in the last quarter of 2019, the total number of such projects having an impact on the company's operations was 289 in 2020. Thanks to these projects, 43,115 GJ of energy were conserved and CO₂ emissions were reduced by 3,000 tons.

As a result of a comprehensive assessment carried out at Borsa İstanbul in 2020 by EIRIS, one of the responsible investment industry's leading research providers, Tofaş remained one of 50 firms in Turkey whose shares qualify for inclusion in the BIST Sustainability Index. In 2020 Tofaş once again submitted its responses concerning climate-change and water-use issues to the Carbon Disclosure Project.

In order to keep all of its stakeholders informed about its targets on environment and sustainability issues, Tofaş transparently publishes the results of its efforts in these areas in sustainability reports and on its corporate website.

GREEN PRODUCTS

Environment-focused projects such as vehicle electrification, alternative fuels, eco-friendly materials, vehicle weight reduction, and recycling take the front stage among Tofaş's technology research activities. Some of these projects were concerned with issues whose results are expected to be incorporated into existing products or new models in the years ahead.

CLIMATE CRISIS

Tofaş has set itself a target of reducing its production-related GHG emissions by at least 33% (as compared with 2011) by 2024.

Scientists are generally in agreement that the problem of climate change today is largely the result of greenhouse gas emissions generated by human beings. Efforts are now being made throughout the world to create legal frameworks and control mechanisms that will allow measures to be taken so that this situation can be dealt with. The automotive industry for its own part has been actively involving itself in such efforts by identifying what needs to be done to resolve the problem not only at the level of industry-wide organizations but also, out of their own sense of responsibility, by individual producers.

It is Tofaş's principle to increase environment- and climate change-responsibility awareness throughout its value-creation chain by informing and educating suppliers, dealers, and customers. Tofaş makes a detailed effort to develop vehicles whose emissions are lower and/or which use alternative fuels in order to satisfy stakeholders' expectations on such issues.

At the same time Tofaş also sees climate crisis as an issue that has statutory and regulatory dimensions (such as emission limits), physical and operational dimensions (such as radical changes in weather conditions), and financial dimensions (such as emissions-trading). The company formulates early proactive corporate risk management responses to the sorts of risks that all these dimensions might pose.

Tofaş recognizes that when its operations are considered from a product-lifetime perspective and the needs and expectations of its stakeholders are taken into account, a significant component of its impact on the climate crisis arises from the use of Tofaş-made vehicles as well as from their production. Wishing to make it possible for its stakeholders to take care of their mobility, transportation, and delivery needs more sustainably, Tofaş seeks to develop and produce vehicles whose emissions are lower and/or which use alternative fuels. Recognizing that the transition to a low-carbon economy is a process that involves constant development and improvement, Tofaş publicly discloses the progress that it makes in this direction every year.

21% of Tofaş's R&D operations are related to emissions reduction.

In support of the transition to a low-carbon economy, Tofaş takes part in projects to increased conventional-engine efficiency, expand the use of alternative fuel systems, and develop electric and hybrid vehicles that are undertaken in line with FCA's product strategies.

During 2020, Tofaş worked on the following projects:

- Fully electric vehicle development
- Battery management systems development
- Integration of a wireless high-speed charging system (100 kW) into a vehicle
- Computer-aided analysis and simulation (HiL, SiL etc.)
- Model-based embedded software development
- Electric vehicle control-unit development
- Development and integration onto a vehicle of a 48 V Light hybrid system
- In-wheel driving systems application

CLIMATE CRISIS

Tofaş reduces its production-related greenhouse gas (GHG) emissions by investing in improving the energy-efficiency of its plants and their operations. For example the Tofaş Paint Shop's Solarwall Technology & Process Air Heating Project is based on the principle of using air directly heated by solar energy in production processes. A trailblazing renewable-energy project in the Turkish automotive industry, the Solarwall system achieves a 35% reduction in process-related energy use. By using solar energy to heat air, Tofaş is avoiding the combustion of 2,181 GJ of natural gas every year while also reducing its GHG emissions by 122 tCO₂e annually.

Tofaş also engages in efforts to improve the energy efficiency of its distribution operations. The company works with its suppliers and dealers and informs its customers in order to promote environmental and climate-change awareness and responsibility throughout its entire value-creation chain.

Tofaş commissioned its ISO 14064-1 Greenhouse Gases Management System in 2020 and has been having its annual GHG emissions reports verified ever since. The company's ISO 50001 Energy Management System was also commissioned in 2013. Independently-conducted audits performed in 2020 found no instances of standards noncompliance in either system. At the time this report was in preparation, no Tofaş operations or other activities had been included in any carbon pricing system, no carbon credits had been purchased, and no carbon-pricing mechanisms were being implemented within the company.

Tofaş keeps a close watch on European Green Deal policy initiatives with the aim of incorporating them into its own strategies and efforts to tackle the climate crisis. Tofaş has set itself a target of reducing its production-related GHG emissions by at least 33% (as compared with 2011) by 2024 and it is also currently working on projects to achieve carbon-neutrality in its plants. The company's projects to reduce production-related emissions and the emission-reductions it achieves through them are independently verified and certified every year.

Tofaş reduces its production-related greenhouse gas emissions by investing in improving the energy-efficiency of its plants and their operations.

OCCUPATIONAL HEALTH & SAFETY

Occupational health and safety (OHS) ranks the first among the elements of World Class Manufacturing methodology, since it is the most important one. It is also an area in many aspects of which the Tofaş plant serves as a reference model within the FCA community. The plant is visited by firms wishing to observe Tofaş's OHS operations and practices in action. Adhering to a proactive and lean WCM-based approach to occupational health and safety issues, Tofaş seeks to protect everyone coming into contact with its operations from risks that could be detrimental to their health or safety by fostering a sustainable OHS culture and by creating environments that are intrinsically safe.

TARGET: ZERO ACCIDENTS AND OCCUPATIONAL DISEASES

Tofaş strives to maximize OHS awareness not just among its own employees but also among its trainees, visitors, suppliers, and contractors. To this end, Tofaş commits itself to:

- Fulfilling all of its OHS-related statutory and other obligations;
- Abiding by the principle that all employees have a shared responsibility for contributing to continual-improvement (kaizen) processes;
- Soliciting the opinions of all personnel about OHS practices and ensuring participation in them;
- Reducing OHS risks by eliminating OHS threats;
- Continually improving OHS targets and performance in order to achieve sustainably zero work-related accident and illness rates.

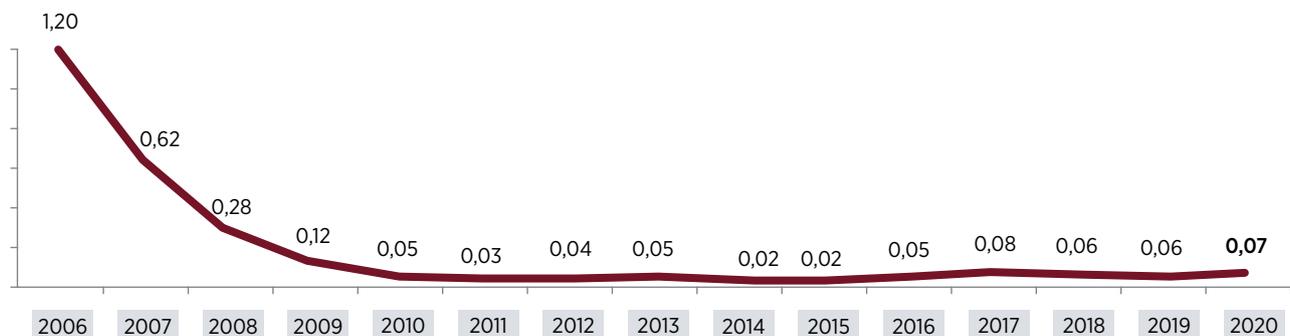


Tofaş makes use of an OHS Management System in order to achieve zero work-related accident and illness rates. Since the introduction of World Class Manufacturing (WCM) OHS practices at Tofaş, employee full-day absences due to work-related accidents have fallen by 96%.

Recognizing that training makes the biggest contribution to a shared OHS culture, OHS training is always given the highest priority at Tofaş. During 2020, 5,185 employees were provided with a total of 49,404 hours of OHS training.

49,404 hours of OHS training were given to 5,185 employees in 2020.

LOST DAY ACCIDENT RATE



* ≥1 day lost time (accident number x 100,000 /working hours)

QUALITY MANAGEMENT



Having scored 81 points within the scope of WCM studies, Tofaş is ahead of any other automotive plant where WCM methodology is being adhered to.

Seeking to directly understand its customers' quality expectations, Tofaş strives to raise the quality of its manufacturing and service processes and to maximize its quality competitiveness throughout its value-creation chain. The company's quality management system is regularly updated and improved in light of changes in customers' expectations.

Possessing a quality culture that is centered on customer satisfaction, Tofaş encourages its employees to take part in and to improve quality management as a matter of principle. This approach gives the company a significant competitive edge as a world-class manufacturer.

Tofaş's quality policy was updated in 2020 in order to comply with current trends and expectations and to include the requirements of ISO 9001: 2015 revisions. The current version of Tofaş's quality policy may be found at tofasc.com.tr/en/Sustainability/Policies/.

In 2020 Tofaş underwent and successfully passed integrated ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018 Standards Certification audits. In 2020 Tofaş also successfully passed the Conformity of Production audit conducted annually by Turkish Standards Institution on behalf of the Ministry of Industry and Technology and it was awarded Conformity of Production certification.

Tofaş was awarded internationally-recognized "Authorized Economic Operator" (AEO) accreditation by the Ministry of Trade in 2014. Possession of this accreditation entitles firms with foreign-trade operations to a variety of benefits and conveniences when clearing customs. One of the requirements of AEO accreditation is its renewal at five-year intervals based on the results of on-site inspections. Tofaş successfully passed its inspection and was accredited again in 2020.

Tofaş has been taking part in the Trade Ministry's "Onsite Imports Clearance for Manufacturer-Exporters" pilot project since the project's inception in 2019 and also contributes to the development of applicable legislation. Tofaş successfully completed the application and auditing processes required to qualify for this status and became the first member of the Turkish automotive industry to do so in 2020. As a program-accredited manufacturer-exporter, Tofaş itself oversees the customs-clearance of its imported goods and materials, which significantly reduces time and money costs in the conduct of its imported inputs processes.



Some of the projects undertaken by the Quality Department during 2020 received favorable coverage in a number of international publications.

- Identification, prioritization, and verification of critical factors in electrical connector connection process complexity (Assembly Automation)
- Development of a decision support system (DSS) for the estimation and quantification of failure risk at workstations by revealing the production complexity in the automotive sector (Journal of Enterprise Information Management)
- Comparison of CMM and laser tracker BIW (complete body) measurement system capabilities and uncertainties (Measurement Journal)
- Use of the first two steps of the universal problem-solving approach in the seven-step approach to complex and cross-functional diagnosis (Measurement Journal)
- Warranty Expenditure Estimation Module (Quality World)

FCA'S BEST QUALITY PERFORMANCE FIGURES

Results of some of last year's independently-conducted assessments of Tofaş quality are presented below.

As of midyear-2020:

- **New Vehicle Buyer Survey:** Qubo, a passenger-car version of the Fiat Fiorino, received the highest quality score of any model covered in the survey.
- **First-Time Capability:** Tofaş passengers achieved "best model" status in the FCA EMEA region.

As of end-2020:

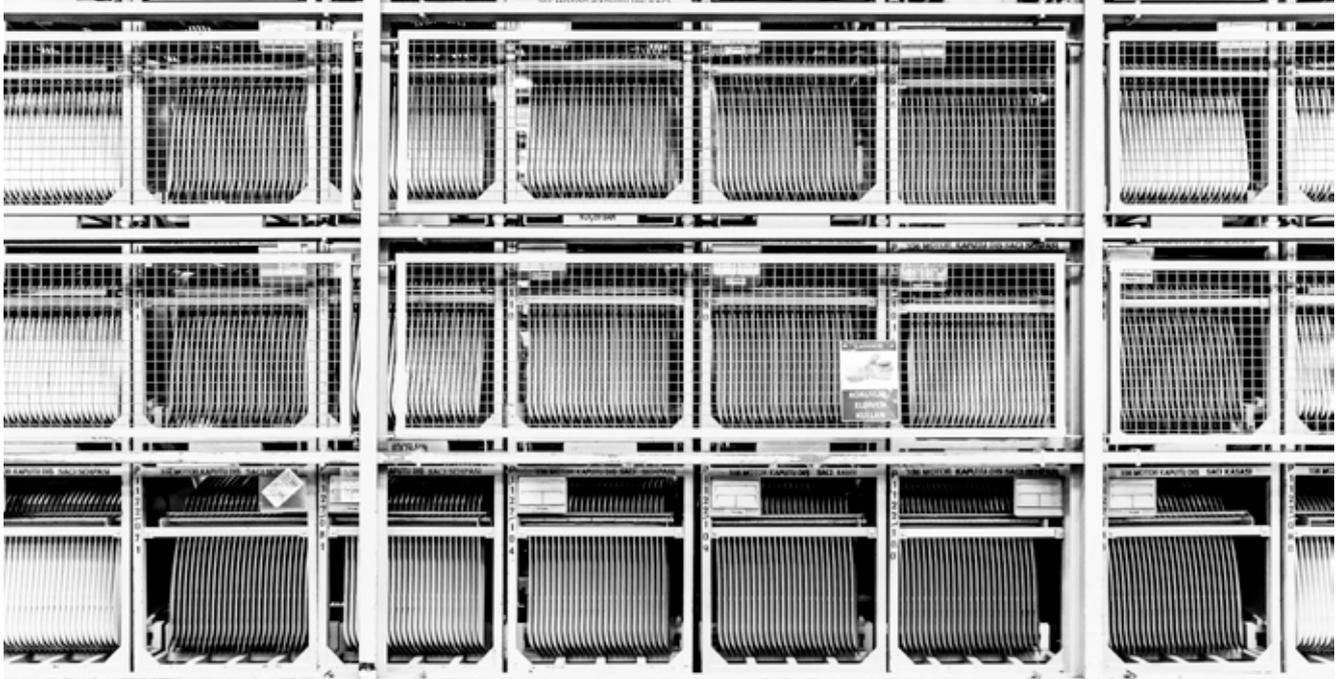
- **Vehicle Body Geometry Quality Assessment:** The Egea Sedan model was cited as the 2nd best model in the FCA EMEA region.
- **Functional and Dynamic Vehicle Quality Assessment:** A customer survey found that Tofaş was the best automotive plant in the FCA EMEA region.

WORLD CLASS MANUFACTURING

World Class Manufacturing (WCM) is a constellation of methodologies and techniques that can be used to systematically improve and develop one's manufacturing competitive strengths. The WCM program, which was launched in 2006 with the aim of bringing manufacturing operations within FCA up to world-class standards, is now in effect at more than 200 FCA plants and about 400 FCA suppliers around the world. WCM's focus on such issues as workplace safety, quality, cost, logistics, and environmental wellbeing, is rooted in the "Concept of Zero": zero workplace and environmental accidents, zero manufacturing defects, zero production losses, and so on. The WCM precept "Do it right the first time" is proactively adhered to in all processes.

Having introduced the WCM methodology employed in FCA plants around the world in its own plant in 2006, in 2013 Tofaş became one of the first three FCA operations to be awarded "Gold" status. Continuing to push its production standards to even higher levels since then, in 2019 the company's WCM score was increased from 77 to 81, thereby globally positioning Tofaş ahead of any other automotive plant and in second place among any plant in any sector where WCM is being adhered to. Focusing on constantly increasing production standards in the course of its WCM journey, Tofaş's systematic approach and involvement of its employees in the process has enabled the company to significantly improve its workplace accident, external quality-control, productivity, and mechanical downtime performance.

SUPPLY CHAIN MANAGEMENT



Since the day it was founded, Tofaş has given great importance to localizing its procurements and reducing its dependence on imports. Tofaş today procures an average of 75% of its components other than engines and transmissions from domestic suppliers.

In the conduct of its supply chain management operations, Tofaş seeks to safeguard its competitive strength, to reduce its production and procurement costs, to achieve the best possible quality and delivery performance in goods and services procurements, and to ensure the sustainability of all of these processes. In line with these aims and recognizing that suppliers and their personnel are among the most important elements of its value-creation chain, Tofaş helps its suppliers constantly develop their capabilities, achieve organizational excellence, and enhance their business success and productivity.

Tofaş's procurements fall under three main headings defined as: Direct Materials, Spare Parts, Services & Industrial Procurement. In 2020 Tofaş's total procurements budget amounted to EUR 2.3 billion in value. In the conduct of its procurements processes, Tofaş works with more than 2,500 suppliers, making purchases from 148 direct materials suppliers based in fourteen of Turkey's cities.

CONTRIBUTING TO THE GROWTH AND DEVELOPMENT OF DOMESTIC SUBMANUFACTURING

Since the day it was founded, Tofaş has given great importance to localizing its procurements and reducing its dependence on imports by contributing substantially to the development of a home-grown automotive supply sector. Tofaş today procures an average of 75% of its components other than engines and transmissions from domestic suppliers.

Because it sees localizing as one of its short and medium-term strategies, Tofaş works together with its suppliers on projects related to the domestic production of electric-electronic, mechatronic, and similar high-added-value components. Such efforts not only contribute to Tofaş's own development but also support suppliers (whom Tofaş recognizes as its business partners) in their efforts to compete and succeed at the global level.

Through its Connected Supplier program, Tofaş supports its suppliers by encouraging the conduct of digital-platform projects through a network that links suppliers, local startups, and Tofaş together. By supporting its own suppliers, Tofaş is also supporting Turkey's automotive manufacturers and suppliers in general as well.

AN EXTENSIVE AND COMPLEX SUPPLY CHAIN

Tofaş works with an extensive and complex supply chain from which, in the main, it procures preformed sheet metal components, forged & cast machined components, mechanical & electromechanical components, electrical installments, molded plastic and rubber components, seats, door panels, vehicle glass, glove compartments, bumpers, mufflers, chemicals, interior & exterior trim, and connectors. In order to ensure and support the continuity of its manufacturing operations, Tofaş also engages in a broad range of service and other procurements such as capital goods and related services, contractor services, maintenance & repair services, and training & consultancy services. Owing to the importance of supply-chain continuity, a multifaceted risk-management approach is prioritized in the conduct of purchasing processes and of supplier relations.

IMPROVEMENTS IN PROCUREMENT PROCESSES

Whenever Tofaş considers the procurements aspects of its new projects, it gives particular attention to acquiring the latest technological abilities for the Turkish automotive industry on the one hand and to boosting its own competitive strength on the other. In line with this, Tofaş encourages international firms that are global manufacturers of

automotive components to invest in Turkey or to enter into joint ventures with local suppliers.

Some international firms are being encouraged to invest in Turkey themselves and/or to enter into joint ventures with local suppliers.

The Procurements Department continues its efforts to increase competitiveness by simplifying business processes using up-to-date methods and through their digital transformation. In line with this, Robotic Process Automation projects related to Tofaş's operational processes were commissioned in 2020.

SUPPLIER DEVELOPMENT

In the conduct of all of its procurements operations, Tofaş focuses on establishing and maintaining business-partner relationships while making efforts to help its suppliers to enhance their performance in many different areas such as product design, organizational and technical improvements, quality, cost-improvement, physical and financial risk mitigation, manufacturing process improvement, collective procurement, and sustainability. Tofaş's primary goal is to create a proactive and autonomous procurements process that completely replaces previously-existing ways of doing business that are merely reactive and focused on "problem-fixing".

In line with the Connected Supplier/Digital Transformation strategy that Tofaş introduced in 2019, the GoTECH Technology Summit was conducted online in 2020 with the aim of creating synergies among suppliers on the one hand and domestic technology-suppliers and startups on the other.

Since 2009, Tofaş has been encouraging its suppliers to take part in the World Class Supplier (WCS) program, which involves employing WCM methods in the conduct of their own operations. As of end-2020, Tofaş was working with a total of fifteen suppliers who conducting their operations subject to all WCM rules and procedures and eleven whose operations were compatible with core WCM requirements. In the FCA's WCM ranking of the hundreds of suppliers with which it works globally, four of Tofaş's domestic suppliers are in the top eleven and have attained "Bronze" status. The top firm in the same list is also a supplier that Tofaş supports.

Tofaş's annual "Tofaş Supplier Convention & Awards Ceremony" was held online in 2020, at which time awards were handed out to eighteen suppliers in eight categories.

CUSTOMER SATISFACTION POLICY

TRANSPARENCY

Detailed information about Tofaş is available to all stakeholders 24 hours a day seven days a week via its websites and the Tofaş Customer Care Center. Any questions, requests, or complaints that stakeholders may have may be forwarded to the company through the same channels.

ACCESSIBILITY

Please direct all queries as appropriate to:

- Fiat Care Center: 444 22 55
www.fiat.com.tr
- Alfa Romeo and Lancia Care Center: 444 19 10
www.alfaromeo.com.tr
www.lancia.com.tr
- Jeep® Care Center: 444 53 37
www.jeep.com.tr

RESPONSIVENESS

All requests for information submitted via company websites and attention centers are responded to within specified periods of time.

OBJECTIVITY

All questions, requests, and complaints are addressed and responded to fairly and without prejudice.

FEES

No fees are charge of anyone who submits questions, requests, or complaints.

CONFIDENTIALITY

All personal information that is submitted to Tofaş is treated with the strictest confidence and is never revealed to any outside party.

CUSTOMER FOCUS

Tofaş takes pains to resolve customers' problems, to satisfy customers' needs, and to protect customers' rights under all conditions within the framework of company policies and the requirements of law.

ACCOUNTABILITY

All questions, requests, and complaints that are received are recorded upon arrival. When they are responded to, a full account is given of all decisions and actions that were taken along with the justifications for them.

CONTINUOUS IMPROVEMENT

All communications received from Tofaş stakeholders are used proactively as feedback for making improvements in the company's business processes, products, and services.

TOFAŞ CODE OF ETHICS AND ANTI-CORRUPTION POLICY

Ethical behavior of the highest sort is an essential priority and responsibility of every Tofaş employee.

Tofaş's commitment to the advanced business ethics that are part of the bedrock of its corporate culture inform all of the company's activities and operations. This means that ethical behavior of the highest sort is an essential priority and responsibility of every Tofaş employee. However not only Tofaş employees but also Tofaş dealers, suppliers and business partners, and all other stakeholders with whom the company actively engages are likewise expected to abide by the company's ethical guidelines.

The Tofaş Board of Ethics is responsible for the implementation of the Tofaş Code of Ethics and for overseeing compliance with its rules.

Tofaş adheres to a no-tolerance approach when dealing with matters involving bribery and corruption. The company is committed to undertaking its activities fairly and honestly in line with legal and ethical guidelines. In all of the policies and procedures that it formulates, Tofaş strives to be in full compliance with the requirements of laws and regulations, with ethical and professional standards, and with universally-recognized principles. Within this scope, risks of bribery and corruption are identified and actions are taken to reduce them. Compliance with company ethical guidelines is supported by means of in-house group training sessions, regular ethical guideline announcements, and online training resources.

The 10th principle titled "Anti-Corruption" of the United Nations Global Compact to which Koç Holding, one of Tofaş's major stockholders, is signatory, is an indispensable part of Tofaş's approach to business ethics and anti-corruption.

All forms of discrimination be they based on language, race, gender, political affiliation, religious belief, or similar considerations are prohibited in the conduct of business and workplace relationships at Tofaş. Work agreements between the company and its employees may not incorporate any terms or conditions which, directly or indirectly, would subject an employee to prejudicial treatment on the grounds of gender or pregnancy at the time the agreement is entered into, while it is in effect, or when it is terminated except in cases where job-related risks, employee safety, or the requirements of law dictate otherwise. The principle of "Equal Pay For Equal Work" applies to everyone and no employee may be paid more or less based on their gender. All hiring, assignment, and promotion decisions must be based on objective performance criteria and never on such considerations as language, religion, gender, race, or the like. Tofaş condones neither the employment of children nor any form of forced or compulsory labor.

Tofaş's Code of Ethics, Anti-Corruption Policy is available at: tofas.com.tr/en/Sustainability/Policies/





TOFAŞ'S CORPORATE GOVERNANCE PRACTICES ARE INFORMED NOT JUST BY THE PRINCIPLES OF TRANSPARENCY, ACCOUNTABILITY, FAIRNESS, AND RESPONSIBILITY BUT ALSO BY ITS ATTITUDES TOWARDS SUSTAINABILITY.

INFORMATION ON THE CAPITAL STRUCTURE AND SHAREHOLDING OF THE COMPANY

The Company's capital, shareholders who own more than 10% of the capital:

As of 31 December 2020, the Company's recorded equity ceiling was TL 1 billion, and its issued (paid) capital was TL 500 million.

SHAREHOLDER	SHARE GROUP	SHARE AMOUNT (TL)	VOTING RIGHT	SHARE RATIO (%)
FCA Italy S.p.A.	D	189,279,856.87	18,927,985,687	37.8560
Koç Holding A.Ş.	A	187,938,121.26	18,793,812,126	37.5876
Temel Tic. ve Yat. A.Ş.	A	175,693.44	17,569,344	0.0351
Koç Family	A	1,166,042.17	116,604,217	0.2333
Others	E	121,440,286.26	12,144,028,626	24.2880
Total		500,000,000.00	50,000,000,000	100

There was no change in the Company's capital and shareholding structure in the period 1 January 2020 – 31 December 2020. The last time the Company made a bonus issue increase at the rate of 11.111111% from internal sources to a total of TL 50,000,000 was in 2005, and in the following years, including 2020, there was no capital increase. Information on Capital increases since the foundation of our company can be found on the website www.tofas.com.tr.

Tofaş is listed in BIST-30 and BIST-100 Indexes as well as the Corporate Governance Index and Sustainability Index.

Each shareholder has one voting right at the General Assembly Meetings and there is no privileged vote. However, Board Members and Auditors are elected among the nominees who will be nominated by Group A and D Privileged Shareholders. (Article 10 of the Company Articles of Association) As per the Company's shareholding structure and as specified in Company's Articles of Association, only A and D Group shareholders have the privilege of nominating

the Members of the Board of Directors and Members of Auditing Board and one of the nominees for each of these committees should meet the requirements for independence as set forth by the regulations by Capital Markets Board. There is no privilege regarding allocation of dividends (as per Article 18 of Articles of Association). Detailed information and explanations relating to these matters are contained in more detail in the Corporate Governance Principles Compliance Report within the annual report.

In addition, there was no lawsuit which may affect the finances and activities of the Company and there was no administrative or financial sanction imposed on the Company or the members of its managing bodies due to breach of legislative provisions. There was no capital risk and it is concluded that the activities can continue. There are no legislative changes that could significantly affect the Company's operations. State incentives benefited by the Company are included in the footnote number 14 of the Financial Report.

There was no capital risk, and it was concluded that the capital is adequate for continuation of operations, as specified also in the related Committee report. Necessary additional actions are being taken to improve the financial structure of the Company.

No material events took place after the end of the operating period, which might affect the rights of shareholders, creditors and other related persons and organizations, and there is no additional information that the management deems fit in relation to other matters.

The shareholders can access corporate, financial and stock exchange data regarding the Company under the “Investor Relations” section at www.tofas.com.tr website and access information on other issues regarding the Company by sending an e-mail to borsa@tof.com.tr.

Amendments to the Articles of Association During the Reporting Period

In 2020, there were no amendments to the Articles of Association.

The Company’s Articles of Association are also available for review on our Company’s website at www.tofas.com.tr.

Dividends Distributed in the Last Three Years and Ratios:

In accordance with the Turkish Commercial Code, the Capital Market Legislation, provisions of the Articles of Association, and the Profit Distribution Policy,

- cash dividends in the total amount of TL 1,200,000,000.- corresponding to 240% (240% gross, 204% net) of the 2019 profit were paid out during 2020 as of 20 March 2020.
- cash dividends in the total amount of TL 800,000,000.- corresponding to 160% (160% gross, 136% net) of the 2017 profit were paid out during 2018 as of 21 March 2018.
- cash dividends in the total amount of TL 350,000,000.- corresponding to 70% (70% gross, 59.50% net) of the 2016 profit were paid out during 2017, starting from 3 April 2017.

A detailed table of allocation of dividends in the mentioned and previous years is accessible at www.tofas.com.tr for review.

Subsidiaries and Affiliated Companies

As of 31 December 2020, our Company holds a share of:

- 99.99% (TL 44,999,996) in the nominal capital (TL 45,000,000) of its İstanbul-based affiliated company, Koç Fiat Kredi Finansman A.Ş. (KFK),
- 100% (TL 5,500,000) in the nominal capital (TL 5,500,000) of its İstanbul-based affiliated company, Fer Mas Oto Ticaret A.Ş. (Fer Mas).

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

SECTION I: DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In 2020, full compliance was achieved with the applicable compulsory principles of the Corporate Governance Communiqué II-17.1 while compliance was achieved with most of the noncompulsory principles.

Although the aim is to achieve full compliance also with the noncompulsory Corporate Governance Principles, full compliance has not yet achieved due to reasons such as; difficulties in practicing some of the principles, continuing evaluations in our country and on international platform about complying with some of the principles, some of the principles not fully matching with the existing structure of the market and our Company. The process regarding the principles, which have not yet been adopted, is in progress and they are scheduled for adoption following the completion of managerial, legal, operational and technical infrastructure works in a manner to assist the Company in effective management. Comprehensive activities carried out within our company within the scope of the Corporate Governance Principles, and principles that was not complied with in relevant departments and conflicts of interest (if any) arising for this reason, are explained below.

In 2020, Corporate Governance activities were carried out particularly to achieve compliance with the Capital Markets Law that includes the new regulations of Capital Markets Board of Turkey (CMB) about Corporate Governance Principles, and with the Communiqués based on this Law. Within this context, our Board of Directors and our Committees were formed in line with the requirements in the Corporate Governance Communiqué and the Board of Directors' Committees so set up pursue their activities efficiently.

Board of Directors' and executive managers' remuneration policy was determined and presented for the shareholders' information at the General Assembly. With the informative document prepared for the General Assembly; (i) General Assembly information (that must be announced according to the principles) such as privileged shares, rights to vote, organizational changes, (ii) résumés of the candidate Members of the Board of Directors, (iii) Board of Directors' and executive managers' remuneration policy, (iv) necessary reports that must be prepared and necessary information that must be announced regarding the related party transactions, were presented for the information of our shareholders and

investors 3 weeks in prior the General Assembly. Furthermore, our Company's corporate website and Annual Report were reviewed, necessary revisions were made in order to achieve full compliance with the principles.

In the upcoming period, developments in the legislation and practices will be taken into account and necessary activities will be carried out in order to achieve compliance with the Principles.

Within the scope of the Compulsory Corporate Governance Principles, in the context of exceptions in practicing the Corporate Governance principles – as per the first paragraph of the 6th Article of the Corporate Governance Communiqué; our Company's status is a "joint venture" (JV) composed of "two juridical persons" who "equally control the management with an agreement" while the number of the independent members of the Board of Directors is "two" in line with this regulation. With the CMB decision n.5/129 (date: 16.02.2012) approval was received for that it was sufficient to determine the number of the independent members of the Board of Directors as 2 (two).

Furthermore; as per Article 5 paragraph 6 of the said Communiqué, nominees for independent membership on the Board of Directors were determined in conformity with the requirement that reads "It is sufficient that [...the principle.....] is met by at least half of the independent members " with respect to the criterion of "being considered a resident in Turkey in accordance with the Income Tax Law" as specified in paragraph (d) of the first clause of the compulsory principle numbered 4.3.6, and necessary permission has been obtained from the CMB. Along this line, the necessary consent has been received for the Board of Directors' independent member nominees with the CMB decision no. 29833736-110.07.07-E.1225 and dated 02.02.2018, and the independent members were elected at the General Assembly as at 18 March 2020 for a one-year term of office.

The implementation of Corporate Governance Principles has a decisive and ever-increasing importance for the Company as a result of the developments in Capital Markets and as a dynamic process. The Company continues its efforts to adopt corporate governance as a corporate culture by adopting the Corporate Governance Principles issued by the CMB, making the necessary improvements and regulations based on current conditions on areas that require adoption and making the necessary changes. We integrate sustainability into our corporate governance practices in accordance with

the principles of transparency, accountability, fairness and responsibility, as described in the Corporate Governance Communiqué.

Following suit of previous years, our activities were meticulously carried on in 2020 by keeping a close eye on the changes made in the legislation or capital market regulations, and in line with our Company's corporate governance activities.

Within the framework of our corporate governance practices, our corporate governance rating was revised once periodically by the corporate governance rating firm SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. Within the scope of the Corporate Governance Rating Report issued on 2 November 2020 upon review of 2020 operations, our rating score was upgraded once again and declared as 9.26 (92.59). The rating report can be reviewed on our Company website.

Due to reasons also mentioned above, full compliance has not yet been achieved with the non-compulsory Corporate Governance Principles specified below. Detailed information regarding the issue is presented in the relevant sections below. Our Company is not exposed to any conflicts of interest by reason of failure to fully comply with the non-compulsory principles.

Regarding principle no. 1.4.2, privileges listed below in section 2.4 were specified in our Articles of Association.

Regarding principle no. 1.5.2; our Articles of Association do not stipulate minority rights for those who hold less than one twentieth of the capital, and thus rights were provided within the framework of the general regulations in the legislation.

Regarding principle no. 4.3.9; there is no target ratio and time set for the ratio of female members on the Board of Directors, and evaluation of the matter continues. Detailed information regarding the issue is given in section 5.1. below.

Regarding principle no. 4.4.5; the Company has in place long-standing and consistently implemented processes related to how the Board of Directors meetings will be held; however, there is no internal written regulation specific to this matter.

As per principle no. 4.5.5., board members are assigned to committees based on their knowledge and experience levels and in accordance with applicable regulations. Some board members serve on multiple committees. Board members, who

serve on multiple committees, are responsible for ensuring communication and cooperation between committees that oversee areas related to each other.

Regarding principle no. 4.6.1; there has been no specific initiative aimed at performance evaluation at the Board of Directors level.

Regarding principle n. 4.6.5: remuneration of the Members of the Board of Directors and managers who have administrative responsibilities is disclosed collectively in parallel to the common practice in the footnotes of our financial statements and at the General Assembly meetings.

Our Company has espoused a sustainable approach to governance by ensuring a broad-based establishment of the corporate governance concept as a dynamic process and corporate culture, in line with the implementation of Corporate Governance Principles. Additionally, in case of a significant change during the period, such change will be included in the interim activity report.

2020 Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) of Tofaş Türk Otomobil Fabrikası A.Ş., which is prepared according to the new reporting formats as per the CMB decision no. 2/49 dated 10 January 2020 is attached to the annual report (page 113-128) and it will also be separately disclosed on the Public Disclosure Platform (KAP) within due time deemed appropriate by the CMB.

SECTION II- SHAREHOLDERS

2.1 Investor Relations Department

Our Company's Financial Director, and the Financial Risk Management and Investor Relations Unit, Accounting Unit and Legal Counseling Unit, organized under the Financial Directorate, are assigned with the performance of the duties stipulated under Article 11 of the CMB's Corporate Governance Communiqué no. II-17.1.

The functions of the Investor Relations Unit are performed by Mr. Mehmet Aydın Ağyüz, Financial Risk and Investor Relations Manager, and Mr. Devran Aydın, Accounting Manager, who report to Mr. Fabrizio Renzi, CFO. Mr. Devran Aydın, Accounting Manager, holds the licenses that are required by the related Communiqué.

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Along this line, as of 2020, the duties set forth under Article 11 of the Corporate Governance Communiqué are being fulfilled by Mr. Mehmet Aydın Ağyüz and Devran Aydın under the supervision of the Company's Financial Director, Mr. Fabrizio Renzi. In the Corporate Governance Committee, which functions within the frame of the operating principles set out by our Board of Directors, Mr. Fabrizio Renzi serves in addition to the existing members. Working under the title Accounting Manager and Investor Relations Executive in the Department, Mr. Devran Aydın holds Capital Markets Advanced Level License (Capital Market Activities Level 3 Certificate) and Corporate Governance Rating License.

Within the scope of the considerations stipulated in Article 11 of the CMB Corporate Governance Communiqué, Investor Relations Department Report was prepared regarding the activities carried out in 2020, and was presented to the Board of Directors as of 04 February 2020 after it was discussed in the Corporate Governance Committee.

Within this framework; the Risk Management and Investor Relations Unit made investor and analyst company visits, and attended teleconferences, domestic and international investor conferences. A total of 366 meetings were held, including 269 corporate investor and 97 financial analyst meetings.

During the year, two investor conferences abroad and eight video conferences were attended. In addition, 79 meetings were held with analysts and investors via teleconference.

As of the end of 2020, 64% of the Company's publicly-floated shares were being held by foreign investors.

The General Assembly meeting, which was organized during the reporting period within the frame of shareholder relations, was convened as per the legislation in force via Electronic General Meeting System (e-GEM). The meeting, announcements and records regarding the meeting were organized in conformity with the capital market regulations, the Company's Articles of Association and other internal regulations.

Relevant procedures concerning the activities of the Committees under the Board of Directors are monitored and records are kept. The issues including public disclosures, responds to shareholders' and investors' information requests

are handled and monitored, and material event disclosures are made through the Company's corporate website, such portals as e-Company and e-Governance, and PDP within the scope of the Capital Market legislation.

In addition to the above, as stated in the Declaration of Compliance section above, the Company's corporate governance rating was revised upwards to 9.26 (92.59%) upon the annual periodic review performed.

During the reporting period, 26 material event disclosures were released; disclosures of an important nature for the investors, along with their translations into the English language, were posted on the corporate website as well as on PDP. In 2020, 220 queries were received from shareholders in writing or via telephone, and information continued to be provided as necessary. While queries were mostly concerned with financial statements, sales performance, projections, there were requests for annual reports and sustainability reports. Moreover, necessary responses were given to information requests regarding capital market regulations.

2.2. Dividend Rights

There is no privilege regarding participation in Company profit or allocation of dividends. Dividends are distributed equally regardless of the whole current shares or their dates of issuance and acquisition.

Our Company's Dividend Policy is available in the Company's Annual Report and on the corporate website; also, the Dividend Policy covering matters related to dividend distribution has been laid down for the approval of the General Assembly, and the General Assembly Meeting Minutes incorporate the fact that it has been ratified. Accordingly, profit distribution is made as per the provisions of the Turkish Commercial Code, Capital Market regulations, Tax Regulations, other applicable legislation and the article concerning profit distribution of the Articles of Association. A balanced and consistent policy between the shareholders' and Company's interests is pursued in profit distribution in line with the Corporate Governance Principles; in principle, the net distributable profit for the period is calculated as per the Capital Market regulations by taking into account the market projections, the Company's long-term strategies, investment and financing policies, profitability and cash status, and the maximum amount of cash dividends and/or bonus shares are

distributed to our shareholders, so long as it can be covered from our financial records, and to the extent permitted by the applicable regulations and financial means. Furthermore, within the scope of this Profit Distribution Policy, the aim is to make profit distribution within maximum one month after the General Assembly meeting while the profit distribution date is decided by the General Assembly. The General Assembly or the Board of Directors, in case authorized by the General Assembly, may decide to distribute dividends with installments in conformity with the Capital Market Regulations.

According to the Articles of Association of the Company; the Board of Directors, provided that it is authorized by the General Assembly and it complies with the Capital Markets Regulations, may make advanced dividend payment.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY:

3.1. Annual Report

Board of Directors prepares the annual and interim Annual Reports with the details to fully and accurately inform the public on company activities. Information listed by Corporate Governance Principles are included with due care.

Our Annual Report for the past period, prepared in conformity with the Corporate Governance Principles stipulated in the CMB's "Corporate Governance Communiqué" n.II-17.1 that entered into force after being 03.01.2014) is an accurate and reliable source just like in the previous years, available both in print and online via our website.

In addition, necessary additions have been made to our Annual Report which has been produced in view of the provisions of the Regulation on Determining the Minimum Contents of Annual Reports of Companies published by the T.R. Ministry of Customs and Trade in the Official Gazette dated 28 August 2012, and our Annual Report is being updated within the frame of the legislation and regulations.

The headings in the present Annual Report have been addressed under 6 main sections: These main sections are titled as "Tofaş At a Glance", "Management", "Activities", "Sustainability", "Capital Structure, Corporate Governance and Other Issues", and "Financial Information".

The following subsections are listed under the main sections: Key Financial and Operational Indicators, Institutional Investor Relations, Board of Directors, Senior Management, Automotive Industry, Tofaş's Place in the Industry, Subsidiaries, Sustainability and Social Responsibility Policy, Customer Satisfaction Policy, Agenda of General Assembly Meeting, Declaration of Corporate Governance Principles and Compliance Report, Associate Company Report, 2019 Dividend Distribution Proposal, Consolidated Financial Statements, and Independent Auditor's Report.

The Annual Report for the past period was prepared in strict conformity with the Corporate Governance Principles stipulated in the CMB's "Corporate Governance Communiqué" No. II-17.1, Article 2.2. titled "Annual Report", and contains accurate and complete information.

The 2020 Annual Report has also been prepared and reviewed in accordance with applicable laws and regulations.

SECTION IV- STAKEHOLDERS

4.1. Keeping Stakeholders Informed

Based on the concept of "stakeholders" referring to employees, suppliers, customers and basically third parties in direct relationship with the company, our Company develops policies for various stakeholders and/or stakeholder groups.

All rightful parties and stakeholders are entitled to the same practices, implementations and effective communications. Our corporate governance practices ensure the protection of our stakeholders' rights, which are both defined by relevant regulations and also those which are not defined yet.

Necessary and systematic communication channels have been established to keep the Company's stakeholders informed on matters that are of concern to them. Additionally, the Company has also made available the necessary mechanisms for reporting the illegitimate and unethical transactions to the Audit Committee via Internal Audit. Both the Audit Committee and the Early Detection of Risk and Risk Management Committee pay maximum attention to these matters during the meetings. Besides Tofaş Rules of Ethical Conduct and Operating Guidelines for the Ethics Board, Anti-bribery and Anti-Corruption Policy was issued in 2015, and posted on the

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corporate website. Within the scope of anti-bribery and anti-corruption program, necessary guidelines, procedures and policies have been produced and put into force.

Specifically, headings such as Human Resources, Business Management Policies, Rules of Ethical Conduct and topics related to Tofaş Dealer Network and Supply Chain Management practices are addressed in the Company's Annual Report.

We adhere to, and are guided in our actions by, the principles spelled out in the "United Nations Global Compact", to which our partner Koç Holding is a signatory, and which are implemented at Koç Group companies in the audit and reporting of related processes, and by the principle of being a responsible corporate citizen together with all our employees, dealers, suppliers and authorized service outlets.

Tofaş Code of Ethics, Anti-Bribery and Corruption Policy, procedures concerning the Ethics Board's activities can be accessed on our Company's Internet and Intranet sites. Any deviation from these guidelines and policies can be notified via electronic mail (etikkurul@tofas.com.tr) or in writing by our employees, business partners and all other stakeholders. Any notifications made to the Board shall be kept in confidence.

Through the communication and whistleblower line, stakeholders can notify illegitimate practices and unethical acts and actions to Tofaş Ethics Board for handling by the relevant Committee. The Ethics Board will adhere to the procedures in its preliminary assessment.

Tofaş Ethics Board is formed of the Company's CEO, related Directors, HR Director and the Company's Chief Legal Counsel. The Board holds periodic meetings; in addition, the Ethics Board is required to meet within no later than two business days upon invitation by any one of its members.

The Board is ex officio or upon any application, entitled to make necessary investigation and research about actions and practices contrary to principles. Notifications can be named or anonymous. For the investigation and research it will make about actions and practices contrary to principles, the Board may request information and documents from entities by using channels of public authorities.

In terms of Corporate Governance Principles, the system implemented and the Board decisions taken within the scope of the Company's internal control are submitted for the information of the Audit Committee. The Audit Committee determines the methods and criteria to be implemented for reviewing and resolving the complaints received regarding the Company's accounting and internal control system and independent audit, and for handling the Company employees' notifications regarding the Company's accounting and independent audit within the frame of confidentiality principle. Furthermore, relevant issues can also be separately addressed by the Early Detection of Risk and Risk Management Committee, if deemed necessary.

Anti-Bribery and Anti-Corruption Policy sets out the basics about the topic. Information on the Tofaş Ethics Board and its operation setting out the duties, responsibilities and operating principles of the Ethics Board are available to the public on Tofaş website.

4.2. Participation of Stakeholders in Management

Procedures allowing the participation of the stakeholders in the improvement of administrative matters and expressing their ideas actively in this respect are in place in our company. The process and mechanisms to ensure that beneficiaries as stakeholders participate in Company Management regarding the issues related with them are supported and implemented by the Company.

With the objective of becoming WCM (World Class Manufacturing) and WCC (World Class Company), similar implementations are being developed and maintained. For its outstanding manufacturing capacity, our Company has earned gold level status in WCM in 2013, and repeated this achievement also in the following years. Additionally, our Company undertakes strategic efforts based on total quality philosophy, such as quality planning and quality control systems, quality improvement methods, Kaizen studies, and open door meetings, all of which aim to increase productivity. Detailed information relating to these efforts is provided in the Annual Report and the Sustainability Report.

Stakeholder expectations are managed and addressed by relevant Departments. To this end, systematic meetings and training programs are organized so that employees, suppliers and customers can voice their demands. Also, surveys such as “working life assessment questionnaires” are conducted in line with Human Resources Policies. In addition to the corporate website, the Company also has an intranet and an internal publication (“Tofaş Gazete”) aimed at improving internal communication and facilitating information flow.

In addition to dealership council and dealership organization meetings, there is a system through which customer demands and satisfaction level are analyzed. The company management evaluates this information, takes necessary actions and provides feedback accordingly. Moreover, activities regarding “Customer Relations Principles” and similar practices ensure effectiveness and maximization of customer relations and implementation of policies towards improvement of the service quality. In connection with these practices, we have planned and implemented studies covering current events within the reporting period. Additionally, practices aimed at customers and suppliers are monitored and updated continuously in line with modern practices.

Within the frame of relations with customers and clients, any and all actions to ensure customer satisfaction during marketing, sale and post-sale of the goods and services of the company have been taken and put into practice. A prompt response is made to customer queries and demands regarding our products and the customers are provided with the required feedback. Maximum efforts and resources are used for proactive solutions to company complaints. Improvement studies are organized systematically and high quality is assured by means of quality certifications and quality standards.

The principles and policies for suppliers as well as satisfaction criteria in customer centered product and services are regularly measured and followed up by the related units of the company. Furthermore, we attach importance to arrangements related to customers and suppliers based on the market developments. Comprehensive application procedures are available in this regard.

In addition to those, the Customer Relations Management department continued to work effectively and in coordination in 2020 as it did in previous years to enhance customer satisfaction concerning marketing and sales of the Company’s products and services.

Our company accords utmost importance to practices that are built upon quality, efficiency and institutionalization. Also due care “governance” methods that will increase participation of beneficiaries in management in line with the stakeholders’ feedback. Therefore, beneficiaries’ comments and feedback are regarded as important inputs with respect to significant decisions that bear an implication in respect of beneficiaries or that directly concern them.

Furthermore, “Sustainability Management” and “Stakeholder Relations” bear significance in terms of “Governance and Sustainability”, as underlined in the Sustainability Report which has been prepared under the Company’s Sustainability Policy and which can be accessed and reviewed from our website. Necessary efforts are being spent to implement these two topics effectively. Working environment, improving the value chain and corporate citizenship gain visibility as our key parameters. Additionally, “we deem it as a primary responsibility to establish an environment of communication” with a special focus on “transparency with stakeholder groups”, as mentioned in the Sustainability Reports. We seek stakeholders’ opinions about our operations and we constantly inform them. “When planning our activities, we take into account the characteristics of stakeholder groups in order to develop the most appropriate channels.”

4.3. Ethics and Social Responsibility

Social activities for the district where the plant is located and the society in general are organized, carried out and followed up according to corporate social responsibility and societal impact area criteria. Related activities during the reporting period are detailed in the Annual Report. Furthermore, the internal publication (Tofaş Gazete), which is periodically published on the intranet (TofaşGO) and in print, covers our social initiatives ranging from corporate to individual activities, as well as various news and information. In addition to sponsorship of a range of printed works, sponsorship support is extended to Koç Group’s social responsibility initiatives and/or associations, foundations and organizations working for social causes.

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In this context, support is given to projects in a wide range of disciplines from education to sports, from cultural activities to the arts. These initiatives include, among others, Fiat Laboratory, Master's Program, Tofaş Science High School, Tofaş Sports Club, Tofaş Basketball Schools, Bursa Museum of Cars and Anatolian Carriages, Pamukkale Hierapolis Archaeological Excavations, and New Generation Tofaş Project sponsorships. The Company's social responsibility policy focuses on dynamics that will drive corporate and social development.

Activities that will raise awareness and recognition, and "sustainability perspective" are important elements of these social responsibility initiatives and sponsorships.

The Sustainability Policy is of particular importance in this respect. Information on these topics is available in the Company's Annual Report and Sustainability Report and also on the environmental, social and corporate sustainability application at our corporate website.

There were no complaints regarding environmental issues during the reporting period and we have records including environmental assessment reports. We have been implementing effective practices and inform our stakeholders within the scope of environmental sensitivity policies with the existing ISO certificates related to meeting quality and effectiveness standards. Furthermore, our Company continues its extensive activities related to Social Responsibility projects and environmental protection and presents them to the knowledge of the public. Furthermore; with comprehensive Corporate Social Responsibility projects, issues of protecting the environment, energy management and awareness and activities for climate change are given maximum importance.

Additionally, Tofaş was the first automotive company to be included in Borsa Istanbul (BIST) Sustainability Index in 2014. Tofaş fulfilled all criteria, and qualified for inclusion in the BIST Sustainability Index in 2020 as well.

Tofaş's Environment & Energy Policy reflects the Company's environmental sensitivity and efforts related to about sustainable manufacturing and green products.

The Company takes necessary steps to ensure compliance with, and implementation of ethical rules in general. Related information has been presented in detail in the relevant subsections hereinabove. The members of the company comply with the generally accepted ethical rules forming a part of the regulations and arrangements. Furthermore, ethical rules were put into writing under the Corporate Governance Principles, and made public on our website under the title "Tofaş Ethics Rules and Implementation Principles". The said document is referred to within our Company's "Personnel Regulations". These ethical rules cover issues regarding our shareholders, disclosure of information, employee activities, stakeholders and the Board of Directors.

An Ethics Board was established within the scope of Company's Corporate Policies. Moreover, "Ethics Rules and Implementation Principles" has been distributed to Tofaş employees working at any level, and necessary information is provided also periodically.

Tofaş Code of Ethics applies to all Tofaş employees, Board of Directors members, Shareholders, Subsidiaries, Dealers and Suppliers - in brief all Tofaş people.

All Tofaş people are expected to comply with Tofaş Code of Ethics. Tofaş People are obliged to abide by Tofaş Code of Ethics.

Tofaş does not exercise discrimination in whatsoever manner in its business dealings on the basis of language, race, gender, political affiliation, philosophical belief, religion, sect or similar reasons. Unless dictated by reasons pertaining to the nature of the job such as the risk associated with the specific position, employee safety, legal obligations, etc., different practices are not implemented directly or indirectly by reason of gender or pregnancy when concluding an employment contract, formulating its terms and conditions, and/or terminating it. Lower remuneration cannot be determined due to gender for the same or equivalent job. Recruitment, appointment and promotion are based on objective performance criteria without discriminating on the basis of language, religion, gender, race, etc.

In accordance with Tofaş Code of Ethics, all employees of the Company fill out a Conflict of Interest Statement form, pledging that they will not be involved in any situations that may generate a conflict of interest and therefore negatively impact their decisions, impartiality or loyalty to the Company.

For our employees, in particular, and for all our shareholders in the value chain we have created, Tofaş tries to expand the practices that have respect and awareness for human rights. As a consequence of our approach in this issue, absolutely no “child workers” are employed in Tofaş; and there are no “involuntary servitude” practices.

One instance of the importance Tofaş gives to human rights and practices related to them is to be seen in the first article of the Tofaş Code of Ethics which states that the company “respects human rights and the constitutional rights of freedom of association and collective bargaining”.

Acting in compliance with the principles determined by the “United Nations Global Compact”, to which our partner Koç Holding is a signatory and which is implemented at Koç Group companies in the audit and reporting of related processes, has been espoused within the frame of the principle of being a role model of corporate citizenship together with all our employees, dealers, suppliers and authorized service outlets.

The Company confirms that its anti-corruption policy, procedures and systems are adequate and in place. To this end, the Early Detection of Risk and Risk Management Committee oversees internal audit, internal control, anti-corruption and anti-bribery mechanisms implemented by the Company.

Related activities have been carried out exercising due care in 2020, as in previous years.

The Company’s Information Disclosure Policy was revised and posted on PDP on 30 November 2016. All stakeholders, shareholders in particular, and the public are informed of any amendments or updates to the Policy.

SECTION V – BOARD OF DIRECTORS

5.1. Board of Directors’ Structure and Formation

The task and duties of the Chairman of the Board of Directors and the CEO are assumed by different persons. Company CEO is an executive Member of the Board of Directors. Members of the Board of Directors pay attention to spare the necessary time for the Company affairs. There are no restrictions for them to assume other tasks outside the company. Particularly for the reason that independent members’ Professional and sectoral experience has significant contribution to the Board of Directors, there is no need for such restriction. Before the General Assembly, members’ résumés and tasks they assume outside the company are presented for the shareholders’ information.

Corporate Governance Committee carries out the tasks of the Nomination Committee within our Company.

The number of independent member candidates presented to the Corporate Governance Committee for 2020 was two. ID information, statement of candidacy and résumés of these persons were evaluated at the Corporate Governance Committee meeting held on 7 January 2020 and at the Board of Directors meeting no. 2020/01 held on 7 January 2020, and a decision was taken to nominate all of them as independent member candidates. All Independent Members of the Board of Directors presented their independence statements to the Corporate Governance Committee. As per the sixth paragraph of the 5th Article of the mentioned Communiqué, Ms. Neslihan Tonbul and Mr. Sergio Duca were determined as Board of Directors’ independent member candidates in conformity with the regulation “minimum half of the independent members (would be sufficient)” for the criteria “to be considered resident in Turkey according to the Income Tax Law” stipulated in the paragraph (d) of the first clause of the compulsory principle n.4.3.6. After the necessary consent received with the CMB decision n. 29833736110.07.07-E.1151 (date: 24 January 2020) for the independent member candidates of the Board of Directors within the scope of the Article n.4.3.7 of the Communiqué, the independent members were elected for a one-year term at the General Assembly held on 18 March 2020.

As of 2020 operating period, there were no situations that would prejudice independency.

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Independent Member of the Board of Directors Ms. Neslihan Tonbul's Independence Statement is given below;

I do declare that I am a candidate for assuming the role of an "Independent Member" in the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. (Company); within the scope of the criteria stipulated in the legislations, the Articles of Association of the Company and the CMB's Corporate Governance Communiqué II-17.1, and within this scope;

a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) the Company and (ii) the subsidiaries of Company, and (iii) shareholders who control the management of Company or who have significant influence in Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,

b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,

c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,

ç) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,

d) I am considered a resident in Turkey according to the Income Tax Law (n.193) dated 31/12/1960,

e) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,

f) I will be able to devote the sufficient time for the activities of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,

g) I have not been a member of the Board of Directors of the Company for more than 6 years in total within the last decade,

ğ) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,

h) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors,



NESLİHAN TONBUL

Independent Member of the Board of Directors Mr. Sergio Duca's Independence Statement is given below;

I hereby declare that I stand for serving as an 'independent member' on the Board of Directors of Tofaş Türk Otomobil Fabrikası A.Ş. (the Company) under the criteria set out in the Company's Articles of Association and Corporate Governance Principles Communiqué no. II-17.1 released by the CMB, save for the criteria "being considered a resident of Turkey for the purposes of the Income Tax Law". In this context, I hereby declare as follows:

- a) Within the last five years, no executive employment relation that would give important duties and responsibilities has been established between myself, my spouse, my second degree relatives by blood or by marriage and (i) the Company and (ii) the subsidiaries of Company, and (iii) shareholders who control the management of Company or who have significant influence in Company and juridical persons controlled by these shareholders; and that I neither possess more than 5% of any and all capital or voting rights or privileged shares nor have significant commercial relations,
- b) Within the last five years, I have not worked as an executive manager who would have important duties and responsibilities or have not been a member of the Board of Directors or been a shareholder (more than 5%) particularly in the companies that provide auditing, rating and consulting services for the Company (including tax audit, legal audit, internal audit), and in the companies that the Company purchase products and services from or sells products and services to within the framework of the agreements signed (during the timeframe of selling/purchasing of the products and services,
- c) I do have the professional training, knowledge, and experience that will help me properly carry out the tasks and duties I will assume as a result of my independent membership in the Board of Directors,
- ç) In accordance with the legislations, I will not be working fulltime in public institutions and organizations (except working as an academician at the university) after being elected as a member,
- d) I do have the strong ethical standards, professional standing and experience that will help me positively contribute to the activities of Company and remain neutral in conflicts of interests between Company shareholders, and that will help me take decisions freely by taking the rights of the stakeholders into consideration,
- e) I will be able to devote the sufficient time for the activities of the Company to an extent that will help me pursue the activities of the Company and fulfill the requirements of my tasks and duties,
- f) I have not been a member of the Board of Directors of the Company for more than 6 years in total within the last decade,
- g) I have not been an independent member of the Board of Directors in more than three of the companies controlled by the Company or by the shareholders who control the management of the Company and in more than five of the publicly traded companies in total,
- ğ) I have not been registered and announced on behalf of the juridical person elected as member of the Board of Directors,



SERGIO DUCA

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Summary information about the members of our Company's Board of Directors and their positions as of the end of the reporting period is as follows:

NAME SURNAME	POSITION	CURRENT POSITIONS HELD OUTSIDE THE PARTNERSHIP	INDEPENDENT/NON-INDEPENDENT	COMMITTEES AND POSITION
ÖMER M. KOÇ	Chairman	Chairman of the Board of Directors in Koç Holding A.Ş.	Non-independent	None
PIETRO GORLIER	Vice Chairman	Chairman of the Board of Directors in Fiat Industrial S.p.A & Chairman of the Board of Directors and CEO in Chrysler Group (FCA Group)	Non-independent	None
CENGİZ EROLDU	Executive Member	None	Non-independent	None
TEMEL KAMİL ATAY	Member	None	Non-independent	None
LEVENT ÇAKIROĞLU	Member	CEO and Member of the Board of Directors at Koç Holding A.Ş.	Non-independent	None
DAVIDE MELE	Member	CEO of Fiat Group S.p.A. EMEA & Chairman of the Business Development in Fiat	Non-independent	Corporate Governance Committee - Member
İSMAİL CENK ÇİMEN	Member	Chairman of Koç Holding A.Ş. Automotive Group	Non-independent	Corporate Governance Committee - Member Risk Early Detection and Management Committee Member
GIORGIO FOSSATI	Member	General Counsel for Fiat Chrysler Automobiles N.V.; General Counsel for FCA EMEA	Non-independent	Risk Early Detection and Management Committee - Member
NESLİHAN TONBUL	Independent Member	Member of the Board of Directors at Turcas Petrol, independent member of the Board of Directors at Vakıfbank International (Vienna), Advisor at New Zealand Trade and Enterprise, Senior Advisor at Cambridge Family Enterprise Group' (USA).	Independent	Audit Committee - Chairman & Risk Early Detection and Management Committee - Chairman - & Corporate Governance Committee - Member
SERGIO DUCA	Independent Member	Chairman of the Board of Statutory Auditors at Enel S.P.A	Independent	Corporate Governance Committee - Chairman & Audit Committee - Member & Risk Early Detection and Management Committee - Member

Curriculum vitae of current Board Members and Company CEO are included in the relevant section of the Annual Report.

We believe that diversity of knowhow, experience and point of view in our Board of Directors will have positive impacts on the Company activities and will enable the Board of Directors to work effectively. Furthermore; Corporate Governance Principle n.4.3.9 is evaluated within this scope. Our evaluations continue to set a target ratio and policy for female Members of the Board of Directors who also serve as an instrument for representing different ideas. One woman member was serving on our Board of Directors as at the end of the reporting period.

5.2. Functioning of the Board of Directors

Titles or agenda items regarding Resolutions of the Board of directors are prepared and issued periodically and as necessary. The number of the meetings of the Board may vary depending on emerging needs.

The Board of Directors has made 22 decisions in 2020 and the minutes of meetings regarding the decisions are duly registered. Board of Director meetings are called and convened whenever Company business requires it.

The relevant unit coordinates the meeting agenda, minutes, and board resolution records. When there is a dispute regarding a board resolution, the relevant case, along with its justifications, is recorded. Board resolutions also should contain relevant inquiries and responses in this regard. Board decisions are made by attendance and positive vote of absolute majority of members (within the scope of Article 10 of the Articles of Association). Requirements set forth by Corporate Governance Principles by CMB are reserved.

No weighted votes or vetoing rights are granted as per the TCC. Articles 10 and 11 of the Articles of Association govern the election, formation, decision quorum and term of office of the Board of Directors, the distribution of tasks in the Board of Directors, representation and delegation of management. As mentioned above, all Board of Directors decisions are passed by the attendance and affirmative votes of the absolute majority of all members. However, attendance and affirmative votes of at least two non-independent Board members representing Group A shares and of at least two non-independent Board members representing Group D shares are required for achieving this quorum as per Article 10 of the Articles of Association. The provision of Article 15 of the Articles of Association is reserved with respect to decisions requiring the attendance and affirmative vote of independent members.

Article 11 of the Company Articles of Association regulates "Division of Tasks, Representation and Transfer of Management for the Board of Directors". In addition, other items the Articles of Association also cover the required issues. The Company management is specified pursuant to Turkish Trade Code and the relevant regulations mainly based on representation and binding of the company, and the authorities are exercised pursuant to legal requirements. Duties and responsibilities of members of the Board of Directors and the executives of the Company are included in the legal regulations, capital market regulations and the Articles of Association.

The Corporate Governance Committee carries out the procedures related to nominating candidates to the seats on the Board of Directors, and to election and appointment of the nominees. There is an "Officers' Liability Insurance" policy for our Company's Board of Directors members and senior executives separately for Koç Holding and FCA Italy S.p.A. representing Group A and Group B.

While overseeing the Company's operations, the Board of Directors assesses whether a conflict of interest is likely to arise, and the outcomes of such conflict, if applicable, and passes the necessary decisions to the best interests of the Company. Moreover, The Board of Directors ensures regulatory compliance in related party transactions, considers possible misconduct risks, and meticulously addresses related party transactions.

5.3. Number, Structure and Independency of Committees Formed under the Board of Directors

Pursuant to the Article 11 of the Articles of Association, an Executive Committee consisting of 4 persons -2 Group A and Group D shareholders - can be established if and when deemed necessary. The Committee can be established among the members of the Board of Directors in order to carry out the necessary actions between two Board meetings.

Pursuant to the relevant CMB Communiqué, an Audit Committee has been set up and pursuing activities since 2003; the Committee is responsible for presenting its opinion and proposal regarding the financial results to the Board of Directors based on available information derived by following up financial matters, reviewing periodical financial statements and notes thereto, carrying out the necessary activities as defined by the Corporate Governance Principles and reviewing the Independent Auditor's Report. The Audit Committee is also charged with monitoring the internal audit process and it is constituted by independent Board members

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pursuant to the CMB Communiqué No: II-17.1. In 2012, the operating principles of the Audit Committee were revised and publicly disclosed.

The Audit Committee has been reconstituted by the Board of Directors decision no. 2020/12 dated 18 March 2020. As at the end of the reporting period, Ms. Neslihan Tonbul (Chairman – independent Board member) and Mr. Sergio Duca (Member – independent Board member) were serving on the Committee.

Furthermore, Corporate Governance Committee under Corporate Governance Principles been established in 2008. Corporate Governance Committee has started its activities in accordance with the Corporate Governance Principles, regulations issued by CMB as per the related legislation and the activities of the Company regarding Corporate Governance Principles. Compliance of the Company with Corporate Governance Principles is followed up by the Board of Directors, rules of procedures of Corporate Governance Committee have been revised in 2018 and disclosed.

The Corporate Governance Committee has been reconstituted by the Board of Directors Decision no. 2020/12 dated 20 March 2020. As per the said decision, the Committee was formed of Mr. Sergio Duca (Chairman – independent Board member), Ms. Neslihan Tonbul (Member – independent Board member), Mr. İsmail Cenk Çimen (Member – Board member), Mr. Davide Mele (Member – Board member) and Mr. Fabrizio Renzi (CFO).

As per the governing provisions of the new Turkish Commercial Code effective as of 01.07.2012, Early Detection of Risk and Risk Management Committee has been established with the purposes of efficiency of Committees established under the Board of Directors, early detection of risks which may jeopardize the Company's existence, improvement and progression, implementation of measures related with such risks and risk management and implementation and follow-up of Company's internal control, internal audit and risk management activities and its rules of procedures have been set as of 2012.

Early Detection of Risk and Risk Management Committee was restructured by the Board of Directors decision no. 2020/12 dated 20 March 2020. As at the end of the reporting period, the Committee was formed of Ms. Neslihan Tonbul (Chairman – Independent Board Member), Mr. Sergio Duca (Member – Independent Board Member), Mr. İsmail Cenk Çimen (Member – Board Member) and Mr. Giorgio Fossati (Member - Board Member).

Board members are assigned to committees based on their knowledge and experience levels and in accordance with applicable regulations. Some board members serve on multiple committees. Board members, who serve on multiple committees, are responsible for ensuring communication and cooperation between committees that oversee areas related to each other. The Chairmen of these Committees should be selected among Independent Board Members as per the mentioned Communiqué on Corporate Governance Principles. Both Independent Board Members are members of each committee. Mr. İsmail Cenk Çimen, member of Corporate Governance Committee is also a member of Early Detection of Risk and Risk Management Committee. Board Member is a member of both Committees for their coordination.

Audit Committee, Corporate Governance Committee and Early Detection of Risk and Risk Management Committee hold periodic and other meetings as required by the legislation. In accordance with the rules of procedures, meetings with a certain agenda can be held other than periodic meetings. In this context, Audit Committee, Early Detection of Risk, Risk Management Committee and Corporate Governance Committee have held 8, 6 and meetings respectively in 2020.

Board of Directors is informed about the committee roles, its activities and the reports. When required, experts and other managers who are not Committee members but related with the agenda can be invited to the Committee. Furthermore, task groups consisting of people with required experience and information can be formed. The committees act in line with their responsibilities and submit their comments and recommendations to the Board. Final decisions are made by the Board. The Board of Directors expressed its positive opinion regarding the efficiency of the Committees.

5.4. Risk Management and Internal Control Mechanism

A risk management is envisaged and internal control organization is established depending on financial and administrative activities of the company and the functioning and effectiveness of the internal auditing shall be followed up according to capital market regulations and rules.

Board of Directors is responsible for proper functioning of internal control system and internal audit and CEO will make the coordination on behalf of the Board of Directors. Early Detection of Risk and Risk Management Committee as well as the Audit Committee will follow-up proper functioning of internal control system, internal audit and risk management and submit the results to the Board of Directors.

Thus, corporate risk management and internal control systems were established by the Board of Directors. The activities of these processes and systems are coordinated within the Committees. Internal Control Systems and Internal Audit Process are primarily monitored and pursued in the Audit Committee. Furthermore; the effectiveness of these systems are evaluated by the Early Risk Detection and Risk Management Committee together with the corporate risk management process.

In line with the Risk Management Policy, Company's risk management is organized in conformity with the legal regulations and legislation to make reporting to the Board of Directors. Within this framework the policy is based on the following principles; "protecting company assets and values", "ensuring commercial, financial and operational confidence" and "ensuring sustainability in corporate risk management". In addition to this, Company Management is financially, commercially, operationally and organizationally responsible for taking and implementing all measures necessary for corporate risk management and internal audit activities.

As of the end of 2020, it has been assessed that proactive measures are taken against financial and operational risks and predictable potential risks through the Company's internal control system, internal audit activities and corporate risk management and that the Company meets the legislative requirements regarding internal control, internal audit and risk management. After reviews, it has been stated that no important problems were observed on the effectiveness of internal controls for providing effective, secure and uninterrupted provision of Company's activities and services; integrity, consistency, timely availability and reliability of data provided by the Company's accounting and financial reporting system; effectiveness, efficiency and adequateness of internal controls aimed at providing security and the running of internal control, internal audit and risk management system regarding the preparation of consolidated financial tables in accordance with the applicable legislation and corporate risk management and the internal control system function well and the related records are kept.

The Internal Audit Department directly reports to the Company's CEO who at the same time is a Member of the Board of Directors. This department examines processes and prepares reports regarding current and potential risks and proposes solutions. Predictable risks attached to the activities will be evaluated, information flow will be followed up by the

Board Member and CEO and the results will be evaluated by the Audit Committee and Early Detection of Risk and Risk Management Committee and submitted to the Board of Directors.

Within this framework, the Board of Directors carries out risk management activities via the Early Detection of Risk and Risk Management Committee, as stated in related sections hereinabove. The Early Detection of Risk and Risk Management Committee reviews the effectiveness of the risk management systems, and reports its activities and assessments to the Board of Directors. The Committee's activities are covered in the section titled "Activities of the Early Detection of Risk and Risk Management Committee" of this Annual Report. The Annual Report also includes the Auditor's Report containing the independent auditor's assessment and clearance about the topic.

5.5. Strategic Targets of the Company

Company's strategic targets are set, approved, and implemented by the Board of Directors. Board of Directors makes assessments by periodically reviewing the level of achieving Company's targets, and activities and previous performance of the Company. In this context, the Board of Directors ensures that necessary measures are taken in a manner most appropriate to Company's risk, growth and revenue balance in terms of strategic decisions while it administers the Company by overseeing the Company interests.

As per the strategic priorities and objectives, the mission, vision and values of the Company have been formulated and published and renewed upon revisions in line with the improvements. Board of Directors audits the management and performance of the Company within the scope of providing necessary resources and risk management by identifying Company's strategic targets.

Vision, mission and values along with designation and implementation of Company's strategic objectives will be completed by the Company top-level management, submitted to the Board of Directors and followed-up. Strategic decisions of our Company were implemented in 2020 according to their priorities. Based on the strategic targets, the Board of Directors reviews and evaluates previous year's performance, compares the results with targets and determines the upcoming year objectives proposed by the senior management.

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Board of Directors will coordinate the Company Top-Level Management in designation of Company's strategic objectives, actively participate in approval and implementation processes, periodically review the level of achievement of objectives, activities and performance of the Company and evaluate the functioning, efficiency and outcomes of the related system.

In accordance with the vision and methods offered by the Board of Directors and the legislation, Company Top-Level Management will use its maximum efforts to ensure effective management of the Company and periodically inform the Board of Directors and the related Board Committees as per the regulations and the legislation based on Directorates on behalf of the CEO and all stakeholders.

The Board of Directors exercises the necessary degree of responsibility with respect to the sustainability of these strategic efforts, as well as to enhancing their efficiency.

5.6. Financial Rights

Board of Directors is responsible for Company's determined and publicly announced operational and financial performance targets. Furthermore; remuneration principles for the Members of the Board of Directors and executives who have administrative responsibilities were printed and presented to the shareholders' information with a separate agenda item at the General Assembly.

Our Company's "Remuneration Policy for the Members of the Board of Directors and Executive Managers" – that includes all their rights, benefits and remuneration of the Members of the Board of Directors and executive managers as well as the criteria and remuneration principles used in determining these rights, benefits and remuneration – was presented to our shareholders' review on our corporate website and in the Annual Report and also with the "Informative Document" issued three weeks prior to our Ordinary General Assembly held on 18 March 2020. Subsequently, the policy was put into practice after the General Assembly. No revisions were made to the said policy during 2020.

The policy, which has been publicly disclosed on the corporate website and in the Annual Report, has been included in the agenda of the Ordinary General Assembly meeting that will be held to address 2020 activities, the date of which will be released by the Board of Directors once it is definitively set. The policy will be laid down for the opinions of shareholders in the General Assembly Meeting.

The total amount of payments made and benefits provided to Members of the Board of Directors and Executive Managers within the framework of the Remuneration Policy, are evaluated every year by the Corporate Governance Committee and Board of Directors. In our financial statements' footnotes, the payments made and benefits provided to the Members of the Board of Directors and executive managers are classified together and publicly announced in parallel to general practices.

Furthermore, the Company does not perform any transactions that may create conflicts of interest and does not lend money, extend credit, or does not give surety to any of the members of the Board of Directors or executive managers who have administrative responsibilities.

In the reporting period and as of 2020, no loans were granted to the members of the Board or to the senior managers and no credit was utilized by them; none of them received benefits through third-persons and moreover, no indemnities or similar were provided in their favor.

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There has been no such transaction notification.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.		X				For donations, a separate agenda item was included in the general assembly agenda, and the details of donations with highest amount were explained in the general assembly information document. The balance, not detailed in the information document, consists of various donations to various institutions and organizations, each below TL 210,000, which do not constitute an important information for investors. Donations below this amount are not followed by our investors, and it is planned to continue making announcements with this materiality limit in the following years.
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.			X			At the General Assembly, there is one right to vote for each share, but there are no privileges in right to vote. Shareholders attending the General Assembly meeting use their rights to vote in proportion to the nominal value of the total shares. However, Members of the Board of Directors must be elected from among the candidates who will be nominated by the Privileged Shareholders of Group A and D. (10 th Article of the Articles of Association). This issue is legally confirmed due to the fact that our Company's status is a "business partnership" (joint venture) composed of "two juridical persons" who "equally control the management with an agreement".
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	Tofaş does not have a mutual affiliate relationship that brings along a dominance relationship.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights are not granted to those who have a share of less than one-twentieth of the capital in line with the articles of association. In line with general practices, minority rights have been granted within the framework of general provisions in regulations. No request has been received from investors in this regard, and general best practice examples are followed, and no changes are foreseen in this regard in the near future.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Dividend has been distributed.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.		X				In our Articles of Association, the principles for transfer of shares are regulated, there is a restriction on the transfer of non-registered shares, however there are no practices that make it difficult for registered shareholders to freely transfer their shares or there are no provisions restricting the transfer of their shares.
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					Since there is no legislative change that could significantly affect the company's activities and there is no conflict of interest with the service providers in matters such as rating, no explanation has been made about these matters in the annual report.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				There is Directors and Officers liability insurance, but the amount is lower than mentioned here.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			It is considered that providing diversity in terms of knowledge, experience and outlook at our Board of Directors will contribute positively to the activities of our company and the effective operation of our board of directors, and the current board structure reflects this perspective. Although there is no policy for the minimum rate of female members in the board of directors, the rate of female board members is 10%. Although policy development on the subject is not on the agenda at this stage, it can be evaluated in the following years in case of an increase in the number of suitable candidates.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.		X				No physical meeting was held in 2020 due to the Covid-19 pandemic, however the board members were regularly informed about the company's performance and relevant developments, but all of the decisions were taken by shuffling method.

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				There is no such definition. The time of presentation of information to the board members is determined by taking into account both subject and process on the board of directors, whereby the members are informed in advance of a reasonable time
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	Although they could express their opinions, no such notification has been received from the board members who could not attend the meeting
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.			X			Although our company has consistently maintained processes for many years regarding how the board of directors meetings will be held, there is no written internal regulation specific to this issue
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Due to the significant contribution of work and sectorial experiences of board members to the Board of Directors, they are not allowed to take other duties outside the company. Resumes of our board members are included in our activity report. Thanks to the effective work of the board of directors, there is no change foreseen in the short term in the existing practice, which is considered to not create any negative situation in terms of corporate governance
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Members serving on more than one committee ensure communication and increase the opportunities for cooperation between committees working on related issues. The existing committee structure is evaluated effectively, taking into account the efficient work of the board members with the contribution of their knowledge and experiences; therefore no need for a change is foreseen in the near future.

DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES AND COMPLIANCE REPORT

	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.			X			In accordance with the principles of the committees, it is possible for the committees to claim opinions from the independent professionals. However, committee members did not claim any independent expert opinion.
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy service received in this regard
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Although the performance of those who have administrative responsibility are evaluated and they are rewarded accordingly, no special practice has been adapted on this issue at the level of board of directors. The best practices on the subject are being researched and their implementation can be evaluated in the medium term.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			In line with general practices, payments to both board members and executives with administrative responsibilities are disclosed to the public collectively through the Ordinary General Assembly and in our financial statement footnotes. Market practices are closely monitored on this issue, which is considered important in terms of confidentiality of personal information, and it is envisaged to act in parallel with common practice

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/ etc.) organized by the company during the year	Above 300
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	Although the right to request a special auditor as an individual right has not been regulated in our contract, in accordance with Article 438 of the Turkish Commercial Code, each shareholder, if necessary for the exercise of shareholder rights and if the right to obtain information or review has been used before, may ask the general assembly to clarify it even if it is not included in the agenda. There was no such demand in 2020.
The number of special audit requests that were accepted at the General Shareholders' Meeting	The shareholders did not have such a request.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/820947
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	It is provided.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There are no transactions that are not approved by the majority.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	None.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	www.kap.org.tr/tr/Bildirim/820944
The name of the section on the corporate website that demonstrates the donation policy of the company	It is shared in the Investor Relations" - "Corporate Governance" - "Corporate Governance Policies" on the company website https://www.tofas.com.tr . The upper limit for donations is determined by the general assembly.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/830498
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 14 of the Articles of Association
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	General Assembly is open to the participation of stake holders and the media without a right of voice.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	There are no shares with voting privileges
The percentage of ownership of the largest shareholder	%37,86

CORPORATE GOVERNANCE INFORMATION FORM

1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	There are no decrees in the articles of association regarding the scope of minority rights.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	In our company web-site https://www.tofas.com.tr/en/Pages/default.aspx under the "Investor Relations" tab, under the "Corporate Governance" section below the title "Corporate governance policies" https://www.tofas.com.tr/en/InvestorRelations/CorporateGovernance/Documents/Dividend-Policy.pdf
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	It was decided to distribute dividends.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	It was decided to distribute dividends.

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
18/03/2020	0	88.66%	0%	88.66%	Corporate Web Site - Investor Relations - Corporate Governance - General Assembly Meetings	Corporate Web Site - Investor Relations - Corporate Governance - General Assembly Meetings	None	0	https://www.kap.org.tr/tr/Bildirim/830498

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	In our company web-site https://www.tofas.com.tr /en/ Pages/default.aspx under the "Investor Relations" tab, under the "Corporate Governance" section below the title "Corporate governance policies" https:// www.tofas.com.tr/en/ InvestorRelations/ CorporateGovernance/ Documents/ Disclosure-Policy.pdf
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	In our company web-site https://www.tofas.com.tr /en/Pages/default.aspx under the "Investor Relations" tab, under the "Corporate Governance" section https:// www.tofas.com.tr/en/ InvestorRelations/ CorporateGovernance/ Pages/default.aspx
List of languages for which the website is available	Turkish: https:// www.tofas.com.tr/Pages/ default.aspx English: https://www.tofas.com.tr /en/Pages/default.aspx
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Declaration of Corporate Governance Principles and Compliance Report " section under the title "Section V – Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Declaration of Corporate Governance Principles and Compliance Report" section under the title " Section V – Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Declaration of Corporate Governance Principles and Compliance Report" section under the title " Section V – Board of Directors
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	"Information on the Capital Structure and Shareholding of the Company" section
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	"Information on the Capital Structure and Shareholding of the Company" section
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Declaration of Corporate Governance Principles and Compliance Report" section under the title " Section I – Declaration of Compliance with Corporate Governance Principles
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Declaration of Corporate Governance Principles and Compliance Report" section under the title " Section II – Rights to Vote and Minority Rights

CORPORATE GOVERNANCE INFORMATION FORM

g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	"Corporate Social Responsibility" section
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Company has been acting according to Labor Law number 4857
The number of definitive convictions the company was subject to in relation to breach of employee rights	22
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Tofaş Ethical Board
The contact detail of the company alert mechanism	etikkurul@tofas.com.tr
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	None
Corporate bodies where employees are actually represented	Various committees have been established to coordinate employee relations and employees also have representatives in each of these committees. However, no representative has been selected and/or assigned to coordinate relations directly with the employees except for the employee union relationships.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Succession plan formed all key management positions, following the approval of CEO, The Chairman gives final approval.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	"In its personnel recruitment and hiring practices Tofaş makes use of techniques such as personality inventorying, competency-based interviews, foreign language proficiency exams, technical interviews, role-requirement analyses, presentations, and reference checks that will help it make the best and most appropriate choices among candidates. In the conduct of its recruitment processes, Tofaş ensures that announcements concerning vacant positions are visible among all Koç Group companies through the group's internal bulletin board system"
Whether the company provides an employee stock ownership program	There isn't an employee stock ownership program.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	All forms of discrimination be they based on language, race, gender, political affiliation, religious belief, or similar considerations are prohibited in the conduct of business and workplace relationships at Tofaş. Work agreements between the company and its employees may not incorporate any terms or conditions which, directly or indirectly, would subject an employee to prejudicial treatment on the grounds of gender or pregnancy at the time the agreement is entered into, while it is in effect, or when it is terminated except in cases where job-related risks, employee safety, or the requirements of law dictate otherwise. The principle of "Equal Pay For Equal Work" applies to everyone and no employee may be paid more or less based on their gender.
The number of definitive convictions the company is subject to in relation to health and safety measures	0

3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Company Web Site - Sustainability -Policies - Code of Ethics, Anti-Bribery and Corruption Policy
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Company Web Site - Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	In the "Code of Ethics, Anti-Bribery and Corruption Policy" of the company: https:// www.tofas.com.tr/en/ Sustainability/Policies/ Pages/default.aspx
4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	None
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	None
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	9
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Activities of the Early Detection of Risk and Risk Management Committee" section, segment "C
Name of the Chairman	ÖMER MEHMET KOÇ
Name of the CEO	CENGİZ EROLDU
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are not the same person.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	There is liability insurance for the top management, but the amount is lower than mentioned here.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None
The number and ratio of female directors within the Board of Directors	1, 10%

CORPORATE GOVERNANCE INFORMATION FORM

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
ÖMER M. KOÇ	Non-executive	Not independent director	06.04.2016	-	Not considered	No	Yes
PIETRO GORLIER	Non-executive	Not independent director	02.11.2018	-	Not considered	No	Yes
CENGİZ EROLDU	Executive	Not independent director	13.01.2015	-	Not considered	No	Yes
TEMEL KAMİL ATAY	Non-executive	Not independent director	14.04.1994	-	Not considered	No	Yes
LEVENT ÇAKIROĞLU	Non-executive	Not independent director	01.04.2015	-	Not considered	No	Yes
DAVIDE MELE	Non-executive	Not independent director	02.11.2018	-	Not considered	No	Yes
GIORGIO FOSSATI	Non-executive	Not independent director	18.02.2016	-	Not considered	No	Yes
NESLIHAN TONBUL	Non-executive	Independent director	15.03.2018	https://www.kap.org.tr/Bildirim/740020	Considered	No	Yes
SERGIO DUCA	Non-executive	Independent director	15.03.2018	https://www.kap.org.tr/Bildirim/740020	Considered	No	Yes
KENAN YILMAZ	Non-executive	Independent director		-	Not considered	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	In line with the Turkish Commercial Law and the related clauses of our Articles of Association, our Board of Directors convene physically when there is a necessity regarding the Company's operations. During the reporting period, no physical meeting was held due to Covid-19, while the decisions could be taken in accordance with the procedure determined in the Turkish Commercial Code Article 390 - Subclause 4.
Director average attendance rate at board meetings	%100
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	There is no description on the subject. The timing is based on subjects and continuum of the items on the agenda.
The name of the section on the corporate website that demonstrates information about the board charter	In the Articles of Association which can be found in Company Web Site - Investor Relations - Corporate governance policies
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Declaration of Corporate Governance Principles and Compliance Report " section under the title "Section V – Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	Corporate Governance Committee: https:// www.kap.org.tr/tr/Bildirim/220675 Audit Committee: https:// www.kap.org.tr/tr/Bildirim/202214 Early Risk Detection and Risk Management Committee: https://www.kap.org.tr/tr /Bildirim/238875

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	NESLİHAN TONBUL	Yes	Board member
Audit Committee	-	SERGIO DUCA	No	Board member
Corporate Governance Committee	-	SERGIO DUCA	Yes	Board member
Corporate Governance Committee	-	NESLİHAN TONBUL	No	Board member
Corporate Governance Committee	-	KENAN YILMAZ	No	Board member
Corporate Governance Committee	-	DAVIDE MELE	No	Board member
Corporate Governance Committee	-	FABRIZIO RENZI	No	Not board member
Committee of Early Detection of Risk	-	NESLİHAN TONBUL	Yes	Board member
Committee of Early Detection of Risk	-	SERGIO DUCA	No	Board member
Committee of Early Detection of Risk	-	KENAN YILMAZ	No	Board member
Committee of Early Detection of Risk	-	GIORGIO FOSSATI	No	Board member

CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Compliance Report, the Board of Directors section
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Compliance Report, the Board of Directors section
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Duties are undertaken by the Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Corporate Governance Compliance Report, the Board of Directors section
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Duties are undertaken by the Corporate Governance Committee
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Under the sections " Chairman's Message" and "CEO's Assessment"
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Remuneration Policy for Top-Level Managers and Members of the Board of Directors
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Remuneration Policy for Top-Level Managers and Members of the Board of Directors

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee	-	100%	100%	8	8
Corporate Governance Committee	-	80%	40%	7	7
Committee of Early Detection of Risk	-	100%	50%	8	8

SUSTAINABILITY PRINCIPLES COMPLIANCE STATEMENT

Tofaş has been keeping a close watch on sustainability-related good practices, including those set out in the Capital Markets Board's "Sustainability Principles Compliance Framework", for many years and it seeks to comply as much as possible with generally-accepted sustainability-related best practices in the conduct of its operations. Tofaş's management of many issues related to sustainability was already consistent with the CMB framework when that framework went into effect in 2020. In effect this means that Tofaş AŞ is in compliance with many of those principles. Compliance with CMB sustainability principles is not mandatory but, in keeping with the "Comply or Explain" approach with which the framework is informed, companies are required to state in what respects they are not in compliance with them and to explain why. Full compliance with some principles may not yet have been achieved for many reasons such as difficulties in their implementation, uncertainties about specific principles at the national and/or international levels, incompatibilities with existing company structures, incomplete information owing to compliance reviews that are still in progress, etc. Tofaş is currently examining international sustainability practices capable of contributing to its goal of creating sustainable value while also collecting data using technical infrastructure that it is developing in-house. The company intends to correct any instances of non-compliance once these and similar projects have been completed.

Tofaş sustainability practices that coincide with the principles in the CMB Sustainability Principles Compliance Framework are described in detail in the Sustainability and Human Resources sections of the annual report. Our explanations about core principles that have not been fully complied with are presented below. The impact of non-compliance with non-mandatory principles on the company's environmental and social risk-management processes is being monitored and is dealt with as part of its general sustainability-related efforts.

- In order to enhance the reliability of the data that it publishes, such data is independently verified and the scope of such verification is expanded every year by increasing the number of parameters by which it is measured. Both verified data and any unverified data (together with the reasons for non-verification) are publicly disclosed in the appropriate sections of the report. Environmental-performance indicators are regularly subjected to independent verification. As of this writing, Tofaş's water, greenhouse gas emissions, and energy-consumption performance in 2020 is still undergoing verification and only verified data related to the company's performance in previous years' is presented at this time.
- As is discussed in detail in the Sustainability section of Tofaş's 2020 annual report, the climate crisis is an environmental issue of the utmost concern for the company. In line with this urgency, Tofaş is developing a strategy whereby these risks may be managed at the highest level and performance targets may be determined within the framework of national and international developments. As part of its general sustainability-related efforts, Tofaş's Scope 1, Scope 2, and Scope 3 emissions are regularly calculated and all such data is independently verified pursuant to the requirements of the ISO 14064-1 standard. In a similar way, energy-consumption performance indicators are also monitored and independently verified in accordance with the requirements of ISO 50001. On both matters however, Tofaş is still working on identifying science-based target parameters and will publicly disclose such targets as they are determined.
- As of this writing, no Tofaş operations or other activities have been included in any carbon pricing system, no carbon credits have been purchased, and no carbon-pricing mechanisms are being implemented within the company. A variety of low-carbon-economy transition-strategy tools are currently under consideration. Those which are deemed to be strategy-appropriate will be implemented, after which they will be publicly disclosed.
- The relationship of all company operations with United Nations 2030 Sustainable Development Goals is publicly disclosed in Tofaş's sustainability reports while a general overview of its processes' fitness for purpose is presented in its annual reports. (<http://ir.tofas.com.tr/2020/en/index.html>)
- The most recent versions of Tofaş's personal data protection and data security policies are always available on the company's corporate website at tofas.com.tr.
- The Tofaş Human Rights Policy, the Tofaş Anti-Bribery & Anti-Corruption Policy, and the Tofaş Supply Chain Policy are being updated and will be published separately once they have been approved by the Tofaş Board of Directors. Tofaş's approaches with respect to human resources (pg 67), anti-bribery & anti-corruption (pg 93), and supply chain (pg 90) issues are discussed in the relevant sections of this report.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Description of Principle	Related Section/Page in the Annual Report
A. General Principles	
The Board of Directors (BoD) will determine the ESG priority issues, risks, and opportunities, and establish the relevant ESG policies accordingly. Internal guidelines, work procedures, etc. may also be developed to ensure effective implementation of these policies. The decision regarding these policies are taken and disclosed publicly by the BoD.	Sustainability, page 72-73
The Company will set its strategy aligned with the ESG policies, risks and opportunities. It will set and publicly disclose short- and long-term targets conforming to the Company strategy and ESG policies.	Sustainability, page 72-73
The Company will determine and publicly disclose the committees/units in charge of executing the ESG policies. The responsible committee/unit will report the activities carried out as per the policies annually, and in any case, within the deadline set for the public disclosure of annual reports within the BoD's related guidelines.	Sustainability, page 72-73
The Company will create and publicly disclose implementation and action plans in line with the short-and long-term targets set.	Sustainability, page 72-73
The Company will define and announce ESG Key Performance Indicators (KPIs) comparatively by years. In the presence of verifiable data, KPIs will be presented together with local and international sectoral comparisons.	Sustainability, page 72-93
The Company will disclose the innovation activities for improving the Company's sustainability performance in relation to business processes or products and services.	R&D Activities, page 62 and Sustainability page 84-86
The Company will report, and publicly disclose, its sustainability performance, targets and actions at least annually. It will disclose information on its sustainability activities within the annual report.	Sustainability, page 73
Essentially, the Company will use a direct and concise language in conveying material information so that stakeholders can easily understand the Company's position, performance and development. Detailed information and data can be disclosed separately on its website, and separate reports directly fulfilling the needs of diverse stakeholders can be drawn up.	Sustainability, page 73
The Company will exercise utmost care with respect to transparency and reliability. It will objectively explain all developments related to material issues in disclosures and reportings within the scope of balanced approach.	Sustainability, page 73
The Company will specify which United Nations (UN) 2030 Sustainable Development Goals (SDGs) its activities are linked to.	Sustainability, page 73. Linkage to Sustainable Development Goals are included in the Sustainability Report: http://ir.tofas.com.tr/2020/tr/index.html
The Company will make disclosures regarding the lawsuits filed and/or concluded against the Company for environmental, social and governance matters.	page 96, 130, 170
The Company will make public its sustainability performance measurements, if verified by independent third parties (independent sustainability assurance providers), and will endeavor to increase such verifications.	Sustainability Principles Compliance Statement
B. Environmental Principles	
The Company will disclose its policies, implementations and action plans in relation to environmental management, and environmental management systems (known as ISO 14001 standard) and programs.	Environment, page 79
The Company will achieve compliance with laws and other applicable regulations on the environment, and will disclose the same.	Environment, page 83
The Company will specify the scope of the environmental report, reporting period, date of report, data collection process and restrictions regarding reporting conditions to be covered in the report that will be prepared in accordance with the Sustainability Principles.	Environment, page 79

Description of Principle	Related Section/Page in the Annual Report
The Company will disclose the highest-ranked individual in charge of environment and climate change at the Company, along with related committees and their respective roles.	Environment, page 80
The Company will disclose the incentives made available for the management of environmental matters, including achievement of targets.	Environment, page 83
The Company will explain integration of environmental matters in business targets and strategies.	Environment, page 79, 83, 84 and Climate Crisis page 85, 86
The Company will disclose sustainability performances associated with work processes or products and services, along with improvement steps therefor.	Environment, page 80, 81, 82
The Company will explain how environmental issues are managed not just with respect to its direct operations but throughout the Company's value chain, and how it integrates its suppliers and customers in its strategies.	Supply Chain, page 90, 91
The Company will disclose whether it is involved in policy-making processes in universal issues (sectoral, regional, national and international), environmental associations that it is a member of, its collaborations with related organizations and NGOs, and the tasks it undertakes, if any, and the activities it supports, if any.	Page 83, 84, 74, 75
Environmental indicators (GHG emissions (Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect)), air quality	Page 80, 81, 82
The Company will periodically report its environmental impacts comparatively in the light of energy management, waste and wastewater management, waste management and biodiversity implications.	Page 80, 81, 82
The Company will disclose the standards, protocols, methodology employed for collecting and calculating data, along with the details of the base year.	Page 80, 81, 82
The Company will disclose the status of environmental indicators for the reporting year in comparison to previous years (increase or decrease).	Page 80, 81, 82
The Company will set, and disclose, its short- and long-term targets for mitigating its environmental impacts. These targets are recommended to be Science Based as suggested by the UN Climate Change Conference of the Parties (COP). The Company will also provide information about the progress achieved, if applicable, in the reporting period with respect to the targets it has set previously.	Page 80, 81, 82
The Company will disclose its strategy and actions to combat the climate crisis.	Page 85, 86
The Company will explain its programs or procedures for preventing or minimizing the potential negative impacts of the products and/or services it offers; it will also explain its actions for driving reduction of GHG emission quantities of third parties.	Page 85, 86, 90, 91
The Company will disclose the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/savings and cost savings derived on the same.	Page 79, 86
The Company will report its total energy consumption data (excluding raw materials) and discloses its energy consumption in terms of Scope-1 and Scope-2.	Page 80, 81, 82
The Company will provide information about the electricity, heat, steam and cooling generated and consumed during the reporting period.	Page 80, 81, 82
The Company will work towards increasing the use of renewable energy and transition to zero- or low-carbon electricity, and will explain these efforts.	Page 84, 85, 86
The Company will disclose data on its renewable energy generation and consumption.	Page 86

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Description of Principle	Related Section/Page in the Annual Report
The Company will develop energy-efficiency projects, and disclose the quantity reduced in energy consumption and emissions enabled by these efforts.	Page 84, 85, 86
The Company will report on the quantity of underground or overground water withdrawn, consumed, recycled and discharged, the resources, and procedures (total water withdrawal on the basis of resources, water resources affected by water withdrawal, and percentage and total volume of recycled and reused water etc.).	Page 81
The Company will disclose whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).	Page 86 and Sustainability Principles Compliance Statement
The Company will disclose the carbon credits saved or purchased during the reporting period.	Page 86 and Sustainability Principles Compliance Statement
The Company will disclose the details if carbon pricing is applied at the Company.	Page 86 and Sustainability Principles Compliance Statement
The Company will specify all compulsory and voluntary platforms that it reports its environmental information to.	Page 80, 84
C. Social Principles	
The Company will develop a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and regulatory framework and legislation governing human rights and work life in Turkey. It will also make public the said policy, and the roles and responsibilities for its implementation.	Page 66, 67, 68, 69
The Company will secure equal opportunities in recruitment processes. In its policies, it will incorporate equitable workforce, improving working standards, women employment and inclusion (not discriminating on the basis of women, men, faith, language, ethnicity, age, disabilities, refugees, etc.), while looking out for the implications for the supply and value chain at the same time.	Page 66, 67, 68, 69
The Company will explain the measures taken throughout the value chain for protecting the rights of groups susceptible to certain economic, environmental, social factors (e.g. low-income groups, women, etc.) or for securing minority rights/equal opportunities.	Page 66, 67, 68, 69
The Company will report on progress in relation to actions for preventing and remedying discrimination, inequalities, human rights violations, and forced labor. It will explain the actions to prevent child labor.	Page 66, 67, 68, 69
The Company will disclose investments made in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work-life balance solutions and talent management. It will establish the mechanisms for resolution of employee complaints and labor disputes, and determine conflict resolution processes. The Company will regularly disclose the activities for ensuring employee satisfaction.	Page 66, 67, 68, 69
The Company will establish and publicly disclose occupational health and safety policies. It will disclose the measures adopted for protection against workplace accidents and for protecting occupational health, along with statistical data on accidents.	Page 87
The Company will establish and publicly disclose personal data protection and data security policies.	https://tofas.com.tr/en/Sustainability/Policies/Pages/default.aspx https://www.tofas.com.tr/Yatirimcilliskileri/FinansalSonuclar/Documents/protection_and_processing_of_personal_data_V1.pdf

Description of Principle	Related Section/Page in the Annual Report
The Company will establish and publicly disclose a code of ethics (including business, work conduct, compliance processes, advertising and marketing ethics, clear disclosure efforts etc.).	Page 93
The Company will disclose its activities and initiatives in relation to social investments, social responsibility, financial inclusion and access to finance.	Page 66, 67, 68, 69
The Company will organize information meetings and training programs for employees about ESG policies and implementations.	Page 83
The Company will carry out its activities in relation to sustainability taking into consideration the needs and priorities of all its stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and NGOs, etc.).	Page 73, 74
The Company will develop and publicly disclose a customer satisfaction policy regarding customer complaints handling and resolution.	Page 92
The Company will maintain continuous and transparent communication with stakeholders; it will disclose with which stakeholders it communicates for what purpose, about which topic and how often, as well as the progress achieved in sustainability-related activities.	Page 73, 74
The Company will publicly disclose the international reporting standards it has embraced (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) etc.).	Page 80, 84 and http://ir.tofas.com.tr/2020/en/index.html
The Company will publicly disclose the institutions or principles that it is a member or signatory of (Equator Principles, UN Environment Programme Finance Initiative (UNEP-FI), UN Global Compact (UNGC), UN Principles for Responsible Investment (UNPRI) etc.), and the international principles it embraces (such as International Capital Markets Association (ICMA) Green/Sustainability Bonds Principles).	Page 75
The Company will spend concrete efforts to qualify for inclusion in Borsa İstanbul (BIST) Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices etc.).	Page 4, 84, 96
D. Governance Principles	
The Company will spend maximum efforts to achieve compliance with all Corporate Governance Principles, as well as compulsory ones under the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué No. II-17.1.	Declaration of Corporate Governance Principles and Compliance Report
The Company will take into consideration the sustainability issue, environmental impacts of its operations and associated principles when setting its corporate governance strategy.	Page 72-73
The Company will take the necessary actions for achieving compliance with the principles related to stakeholders as stipulated in the Corporate Governance Principles and for strengthening communication with stakeholders. It will seek stakeholders' opinions for determining the sustainability-related measures and strategies.	Page 72-73
The Company will work on the sustainability issue through social responsibility projects, awareness activities and training, and on heightening awareness of the importance of this issue.	Page 76
The Company will spend efforts to become a member of sustainability-related international standards and initiatives and to contribute to related studies and efforts.	Page 72, 73, 74, 75
The Company will disclose its anti-bribery and anti-corruption policy and programs, as well as those on the tax integrity principle.	Page 93

ACTIVITIES OF THE EARLY DETECTION OF RISK AND RISK MANAGEMENT COMMITTEE

a. Risk Management

A significant portion of commercial risks are managed under the guarantee of the previously signed 'take-or-pay' export contracts conducted with FCA for the allocation of a certain portion of annual factory capacity to export sales. These export contracts provide substantial protection to the Company against cost, profitability, FX and foreign market risks and help keep commercial risks to a minimum.

Looking at the domestic side, 2020 has been a successful year with respect to commercial risk management at our Company. Despite the impacts of the pandemic, macroeconomic developments and challenging market conditions, our Company maintained its leadership in the automotive market.

Domestic retail sales was nearly 141.9 thousand in 2020, up 80.5% year-over-year. Egea Sedan model retained leadership in its own segment with a market share of 39.5%.

The financial debt of the Company is composed of long-term bank loans that do not bear foreign exchange risk, and are related to New Doblò, Fiat Egea line and the Fiat Florino revamp facelift project. Revenues and cash flows of these models and projects are covered under the guarantee of export agreements. Other financial debts apart from project loans are those of Koç Fiat Kredi Tüketici Finansmanı A.Ş. FX and interest rate risks were minimized through swap and derivative transactions.

Financial Indicators

(TL million)	2020	2019
Total Net Sales	23,557	18,897
Net Profit	1,784	1,482
Total Assets	19,476	12,809
Ratios		
Current Ratio	1,2	1,1
Profit After Tax/Net Sales	8%	8%
Profit After Tax/Total Assets	9%	12%
Profit After Tax/Equity	40%	34%
Total Debt/Equity	150%	91%

b. Activities of the Early Detection of Risk And Risk Management Committee

Early Detection of Risk and Risk Management Committee was established as per the Tofaş Board of Directors resolution dated 1 October 2012 in order to ensure compliance with Article 378 of the Turkish Commercial Code No. 6102, which went into force on 1 July 2012, and also to ensure efficient

operation of the Board Committees. The Committee is responsible for early detection of risks that may threaten the Company's existence, development and continuity, and takes necessary actions relating to identified risks, and manages these risks.

In 2020, 6 meetings were held under the chairmanship of Ms. Neslihan Tonbul, with the participation of committee members Mr. Sergio Duca, Mr. İsmail Cenk Çimen and Mr. Giorgio Fossati.

Following its establishment, the Committee initially evaluated the Risk Management System in place at Tofaş Türk Otomobil Fabrikası A.Ş., and spelled out the principles of risk reporting. Reports produced in accordance with the set principles and the Committee's assessments are being presented for the information of the Board of Directors periodically.

The Company management carefully considers the extent of the impact the Company's operations, risks and financial, commercial and operational results stemming from the risks will have upon the Company, and manages the same proactively. For the purpose of systematically managing risks, the Company management takes necessary measures to define, measure, assess the risks and to mitigate/transfer them when necessary, and ultimately to monitor and report them.

Information was provided about the activities carried out in legal and regulatory matters and about working processes, and relevant considerations were taken into account in Committee meetings. Lawsuits filed against the company and provisions for these lawsuits are also closely monitored and brought to the agenda of the committee.

In 2020, various assessments were made in line with the financial data received from the suppliers taking into consideration various parameters used for determining the financial risks of suppliers (EBITDA %, Liquidity Ratio, Debt Servicing Ratio, ROE, Net Debt/Equity), and the findings were considered by risk committees.

Financial and administrative conditions of suppliers, which are critical to production continuity, are analyzed, upon which evaluation reports are generated. These activities are crucial for early diagnosis of a given supplier's possible technical bankruptcy or inability to supply products; in such a case, the Board of Directors is informed and suggested countermeasures can be developed.

Through the Direct Debit System (DDS), our Company effectively manages the debt payment risks of dealers, and minimizes the risks stemming from the remaining debts by way of credit insurance.

When it is considered that these risky receivables are not likely to be collected, necessary provisions are reserved and the subject is followed through legal processes.

In 2020, the current situation, possible risks (cyber risks) and measures taken regarding the company's IT infrastructure and applications were closely monitored and brought to the agenda of the committee.

NPL ratios and credit allocation policies are regularly monitored also at KFK, an affiliate of our Company, and risk management is carried out successfully.

Risk management at Tofaş has been organized in line with the Risk Management Policy and with the applicable legislation and so as to be reported to the Board of Directors. It is based on the principles of "protecting the Company assets and values", "ensuring commercial, financial and operational confidence" and "sustainability of enterprise risk management".

Additionally, the Company management is financially, commercially, operationally, and organizationally responsible for, and charged with, taking and implementing all necessary measures necessitated by risk management, internal audit and internal control activities.

c. Internal Control System and Internal Audit

An internal control system was built to cover (i) the Company activities and services carried out effectively, reliably and uninterrupted in conformity with the existing laws and regulations, and (ii) controls made to maintain the integrity, consistency, timeliness and reliability and safety of the accounting and financial reporting system.

Tofaş Türk Otomobil Fabrikası A.Ş. coordinates and carries out an internal audit activity that will provide constant monitoring and assessment of the internal control system.

The Audit Committee has the primary responsibility for monitoring the internal control system and internal audit process. In addition, the Early Detection of Risk and Risk Management Committee takes care to address the related system in conjunction with risk management. The Audit

Committee makes assessments to verify that necessary proactive measures are adopted in relation to the Company's internal control system and internal audit activities, enterprise risk management, financial, commercial and operational risks, and foreseeable potential risks, and that the Company fulfills the responsibilities imposed by the legal regulations in relation to internal control, internal audit and risk management.

Committees' statements and reports are directly presented to the Board of Directors. An internal audit activity is carried out that enables continuous monitoring and evaluation of the Company's internal control system.

Accordingly it has been established as per the Turkish Commercial Code, Capital Market Law and Capital Market legislation, that internal audit activities and the internal control system did function solidly as at year-end 2020 and that there were no important problems about the processes so far. Furthermore, records indicating the healthy functioning of the enterprise risk and internal control systems were kept and it was declared that no important issues were found.

The administrative body maintains a positive opinion about the Company's internal control system and internal audit activities. In the report presented to the Board of Directors, the Committee expresses its positive opinion about the efficiency, adequacy and appropriateness of the internal controls carried out to ensure efficient, reliable and uninterrupted performance of Company activities and services, and to guarantee the integrity, consistency, timely availability, reliability and safety of the data derived from the accounting and financial reporting system, as well as for the activities of internal audit and risk management systems in relation to the preparation of consolidated financial statements.

Furthermore; in this context, the Auditor Report about the Early Risk Detection System Committee prepared by the Independent Audit firm Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst& Young Global Limited) states that: "As a result of our activities we have reached the conclusion that; Tofaş Türk Otomobil Fabrikası A.Ş.'s Early Risk Detection Committee is sufficient in all significant aspects within the framework of the Article 378 of the Turkish Code of Commerce."

AFFILIATED COMPANY REPORT

THE AFFILIATED COMPANY REPORT PREPARED AND ISSUED WITHIN THE SCOPE OF THE 199TH ARTICLE OF THE TURKISH CODE OF COMMERCE

As per the Article 199 of the Turkish Code of Commerce n.6102 (that entered into force on 1 July 2012), Tofaş Türk Otomobil Fabrikası A.Ş. Board of Directors is obligated; (i) to prepare and issue a report within the first quarter of the operating year about the Company's relations with its parent company and affiliated companies of the parent company in the previous operating year, and (ii) to include the conclusion part of this report in the Annual Report. Necessary explanations about Tofaş Türk Otomobil Fabrikası A.Ş.'s transactions with the related parties are available in the footnote 27 of the financial report.

The Report issued by Tofaş Türk Otomobil Fabrikası A.Ş. Board of Directors on 19 February 2021, states: "In all Tofaş Türk Otomobil Fabrikası A.Ş. transactions carried out with the parent company and the affiliated companies of the parent company in 2020; we have concluded that; (i) reasonable return was provided on each transaction according to the circumstances at the time of making the transaction or at the time of taking/not taking measure, and (ii) there were no measures taken/not taken against any transactions that could cause loss for the Company, and (iii) there were no transactions or measures that would require settlement within this framework."

(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH)**INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM**

To the Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi,

We have audited the Early Identification of the Risk System and Committee established by TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 4 members. For the period between January 1 – December 31, 2020, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion

Based on our audit, we have reached the conclusion that the early identification of the risk system and committee of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi is, in all material respects, in compliance with article 378 of the TCC.

The Early Identification of the Risk Committees have to submit their report to the Board of Directors at least bimonthly in accordance with Article 378 of TCC. The Early Identification of the Risk Committee of the Company has submitted their report 6 times during the year to the Board of Directors

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



Istanbul, February 4, 2021

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT



Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 Kat: 2-3-4
Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis no: 0-4350-3032-6000017

To the Shareholders 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, 2020, 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, 2020, 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 standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). 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 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>Capitalized Development costs</p> <p>The Group capitalizes R&D costs for increasing efficiency and capacity of the automobile production or decreasing production costs. Detailed in Note 13 to the accompanying financial statements, capitalized development costs on consolidated financial statements as of December 31, 2020 is significant for our audit due to variety of nature of costs and management judgments involved in the capitalization process.</p>	<p>Our audit procedures include, examination of the Group's policies and processes related to evaluation of expectation on projects and examination of nature of capitalized development costs related to each project.</p> <p>One of the most significant management judgments for the project at development phase is estimation of market performance of products related to the project. Our audit procedures on projects at development phase consist of assessment of reasonability of management judgments, testing the accuracy of the relevant amounts, examination of the result of development works and considering the Group's internal management and authorization processes. Additionally, inquiries have been performed with managers of the Group's R&D and sales departments, sales performance of products which start active sales in the market has been examined and recoverability of capitalized development costs for related projects have been assessed.</p> <p>Furthermore, we assessed the appropriateness of the disclosures in the financial statements in Note 13, intangible assets, in terms of TFRS.</p>

INDEPENDENT AUDITOR'S REPORT

<p>Warranty provision</p>	
<p>As of December 31, 2020, in Note 15, warranty provision on consolidated financial statements is amounting to TL 258,478 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, 2020, in Note 9, provisions for the receivables related to the financial sector operations amounting to TL 2,859,868 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>

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 Turkey 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.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey 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.

INDEPENDENT AUDITOR'S REPORT

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 3 February 2021.
- 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 2020 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 Ethem Kutucular.

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



3 February 2021
Istanbul, Turkey

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TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2020 AND 2019

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

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

	Notes	<i>Audited</i> 31 December 2020	<i>Audited</i> 31 December 2019
ASSETS			
Current assets:			
Cash and cash equivalents	4	4,249,809	2,825,487
Financial assets	5	1,002	568
Trade receivables		5,493,012	2,143,822
- Related parties	27	4,049,339	1,255,067
- Third parties	7	1,443,673	888,755
Receivables from finance sector operations	9	1,400,368	1,087,894
Other receivables	8	101	506
Inventories	10	1,523,966	749,130
Prepaid expenses	17	42,328	70,686
Current tax assets	25	3,537	2,701
Other current assets	17	127,243	88,891
Total current assets		12,841,366	6,969,685
Non-current assets:			
Receivables from finance sector operations	9	1,459,500	928,535
Other receivables	8	234	209
Investment properties	11	69,000	66,000
Property, plant and equipment	12	2,037,483	2,112,220
Right of use assets		9,826	10,639
Intangible assets	13	1,880,284	1,658,775
Prepaid expenses	17	78,201	73,770
Deferred tax assets	25	1,099,727	989,454
Total non-current assets		6,634,255	5,839,602
Total assets		19,475,621	12,809,287

These consolidated financial statements as of and for the year ended 31 December 2020 have been approved for issue by the Board of Directors on 3 February 2021. The aforementioned consolidated financial statements will be finalized after the approval in General Assembly.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER 2020 AND 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience translation of consolidated financial statements originally issued in Turkish)

	Notes	Audited 31 December 2020	Audited 31 December 2019
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	6	50,000	25,000
Short-term portion of long-term financial liabilities	6	2,777,079	1,821,507
Trade payables		7,484,095	3,884,834
- Related parties	27	4,011,979	1,913,079
- Third parties	7	3,472,116	1,971,755
Employee benefit liabilities	16	141,144	130,113
Other payables	8	19,006	28,021
Contract liabilities	17	36,297	27,415
Government incentives and grants	14	4,516	6,241
Deferred income	17	44,789	33,100
Short-term provisions	15	318,239	165,659
Other current liabilities		5,569	4,587
Total current liabilities		10,880,734	6,126,477
Non-current liabilities:			
Long-term financial liabilities	6	3,862,706	2,104,213
Derivative instruments	29	7,276	21,448
Government incentives and grants	14	6,651	9,441
Long-term provisions		249,643	218,499
- Provisions for employment termination benefits	16	249,643	218,499
Total non-current liabilities		4,126,276	2,353,601
Total liabilities		15,007,010	8,480,078
Equity:			
Paid-in share capital	18	500,000	500,000
Adjustment to share capital		348,382	348,382
Other comprehensive losses not to be reclassified under profit or losses			
- Actuarial loss on employment termination benefit obligation		(81,944)	(67,845)
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		(1,455,424)	(1,024,755)
Restricted reserves	18	369,326	366,881
Retained earnings		3,004,101	2,724,907
Net profit for the year		1,784,170	1,481,639
Total equity		4,468,611	4,329,209
Total liabilities and equity		19,475,621	12,809,287

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 2020 AND 2019

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

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

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2020	1 January - 31 December 2019
Revenue	19	23,556,747	18,896,914
Cost of sales (-)	19	(20,439,545)	(16,510,459)
Gross profit from operations		3,117,202	2,386,455
Revenue from finance sector operations		425,585	465,762
Expenses from finance sector operations (-)		(329,179)	(353,606)
Gross profit from finance sector operations		96,406	112,156
Gross profit		3,213,608	2,498,611
General administrative expenses (-)	20	(390,629)	(373,358)
Marketing, selling and distribution expenses (-)	20	(480,225)	(337,093)
Research and development expenses (-)	20	(75,997)	(68,651)
Other income from main operations	22	1,381,427	958,748
Other expense from main operations (-)	22	(1,582,021)	(1,018,154)
Operating profit before financial income		2,066,163	1,660,103
Income from investing activities	23	10,558	12,658
Operating profit before financial income		2,076,721	1,672,761
Financial income	24	1,545,965	1,146,066
Financial expenses (-)	24	(1,791,910)	(1,362,272)
Profit before tax from continuing operations		1,830,776	1,456,555
Tax income / (loss) for the period		(46,606)	25,084
- Taxes on income	25	(31,884)	(29,383)
- Deferred tax income / (expense)	25	(14,722)	54,467
Net profit for the year		1,784,170	1,481,639
Net profit attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		1,784,170	1,481,639
Earnings per share (Kr)	26	3.57	2.96

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 2020 AND 2019

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

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

		<i>Audited</i>	<i>Audited</i>
	Notes	1 January - 31 December 2020	1 January - 31 December 2019
Net profit for the year		1,784,170	1,481,639
Other comprehensive income:			
Other comprehensive income not to be reclassified under profit and loss			
- Actuarial gain / (loss) on employment termination benefit obligation	16	(17,624)	(37,588)
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	3,525	7,733
Other comprehensive income to be reclassified under profit and loss			
- Gaining / (losses) on hedging	2	(552,139)	65,219
Taxes relating to other comprehensive income to be reclassified under profit and loss			
- Losses on hedging, tax effect	25	121,470	(14,349)
Other comprehensive income / (loss)		(444,768)	21,015
Total comprehensive income		1,339,402	1,502,654
Total comprehensive income attributable to:			
Non-controlling interests		-	-
Parent company interests		1,339,402	1,502,654

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 2020 AND 2019

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

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

			Other comprehensive income not to be reclassified under profit and loss
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation
Balances at 1 January 2019	500,000	348,382	(37,990)
Transfers	-	-	-
Total comprehensive income	-	-	(29,855)
Dividends paid	-	-	-
Balances at 31 December 2019	500,000	348,382	(67,845)
Balances at 1 January 2020	500,000	348,382	(67,845)
Transfers	-	-	-
Total comprehensive income	-	-	(14,099)
Dividends paid	-	-	-
Balances at 31 December 2020	500,000	348,382	(81,944)

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

Other comprehensive income to be reclassified under profit and loss	Retained earnings					Total equity
	Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit for the year	Equity holders of the parent	
	(1,075,625)	387,363	2,254,002	1,330,423	3,706,555	3,706,555
	-	75,865	1,254,558	(1,330,423)	-	-
	50,870	-	-	1,481,639	1,502,654	1,502,654
	-	(96,347)	(783,653)	-	(880,000)	(880,000)
	(1,024,755)	366,881	2,724,907	1,481,639	4,329,209	4,329,209
	(1,024,755)	366,881	2,724,907	1,481,639	4,329,209	4,329,209
	-	107,040	1,374,599	(1,481,639)	-	-
	(430,669)	-	-	1,784,170	1,339,402	1,339,402
	-	(104,595)	(1,095,405)	-	(1,200,000)	(1,200,000)
	(1,455,424)	369,326	3,004,101	1,784,170	4,468,611	4,468,611

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

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

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

	Notes	<i>Audited</i> 1 January 31 December 2020	<i>Audited</i> 1 January 31 December 2019
A. Cash flows from operating activities:		1,584,410	3,656,536
Net profit for the year		1,784,170	1,481,639
Adjustments to reconcile profit for the period		1,324,843	1,172,500
- Depreciation and amortization	21	758,755	760,248
- Income from revaluation of investment properties	23	(3,000)	(5,500)
- Adjustments related to doubtful receivables	7-9	21,461	26,368
- Adjustments related to interest income	24	(212,300)	(124,212)
- Adjustments related to provision for inventories	10	16,707	8,855
- Gain on sale of property, plant and equipment		(7,558)	(7,158)
- Provision for employment termination benefits	16	42,852	47,247
- Adjustments for reversal of lawsuit and/or penalty provisions	15	3,832	2,687
- Adjustments related to warranty provisions	15, 20	208,479	74,472
- Adjustments related to interest expense	24	104,225	76,337
- Adjustments for tax loss / (income)	25	46,606	(25,084)
- Deferred financial expenses from credit purchases / sales, net	22	(17,081)	78,477
- Adjustments related to unrealized gain on foreign currency differences		628,749	390,153
- Adjustments related to exchange differences of cash and cash equivalents		(266,884)	(130,390)
Changes in net working capital		(1,373,273)	1,171,727
- Change in inventories		(791,543)	318,686
- Change in receivables from third parties		(428,652)	313,740
- Change in receivables from related parties		(2,794,272)	(195,160)
- Change in other receivables from operating activities		380	843
- Change in trade payables due to third parties		1,500,361	352,666
- Change in trade payables due to related parties		1,968,254	(31,718)
- Adjustments for increase (decrease) in liabilities arising from customer contracts		8,882	7,226
- Change in receivables from finance sector operations		(843,439)	276,700
- Change in prepaid expenses		23,927	2,983
- Change in deferred revenue		11,689	(2,943)
- Change in government incentives and grants		(4,515)	(6,242)
- Change in other assets from operating activities		(42,718)	74,277
- Change in other liabilities from operating activities		32,545	56,276
- Change in fair value gains on derivative financial instruments		(14,172)	4,393
Net cash generated from operating activities		1,735,740	3,825,866
- Income taxes paid		(32,720)	(23,941)
- Payments related to employment termination benefits	16	(29,332)	(62,238)
- Other cash outflows		(89,278)	(83,151)
B. Cash flows from investing activities		(696,999)	(170,185)
- Purchases of tangible assets	12	(333,331)	(278,123)
- Purchases of intangible assets		(575,394)	(429,544)
- Proceeds from sale of tangible and intangible assets		15,935	15,000
- Change in financial assets		(434)	403,602
- Interest received		196,225	118,880
C. Cash flows from financing activities		253,952	(2,757,928)
- Proceeds from financial liabilities		3,964,695	1,293,553
- Bank loans paid		(2,401,935)	(3,110,273)
- Payment of lease liabilities		(6,621)	(5,403)
- Dividend paid		(1,200,000)	(880,000)
- Interest paid		(102,187)	(75,475)
- Other cash inflows (outflows)		-	19,670
Net (decrease)/ increase in cash and cash equivalents before currency translation differences		1,141,363	728,423
D. Effects of currency translation differences on cash and cash equivalents		266,884	130,390
Net change in cash and cash equivalents		1,408,247	858,813
E. Cash and cash equivalents at the beginning of the year		2,818,988	1,960,175
Cash and cash equivalents at the end of the year	4	4,227,235	2,818,988

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

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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 FCA Italy S.p.A. ("Fiat"). Tofaş, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Fiat, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars, except for Mini Cargo and New Doblò, pursuant to license agreements between the Company and Fiat. The Company has been registered with the Turkish Capital Market Board ("CMB") and quoted on the İstanbul Stock Exchange ("ISE") since 1991.

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

The Company's subsidiaries as of 31 December 2020 and 2019 which are subject to consolidation are as follows:

Name of the company	Operating area	Rate of ownership of the Company (%)	
		31 December 2020	31 December 2019
Koç Fiat Kredi			
Finansman A.Ş. ("KFK")	Consumer financing	99.9	99.9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100

For the purpose of the 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	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Hourly-rated	5,166	5,423	5,403	5,180
Monthly-rated	1,550	1,637	1,540	1,607
	6,716	7,060	6,943	6,787

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 15 April 2019 relating to financial statements presentations.

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

2.1.2 Comparatives and adjustment of prior periods' 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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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

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

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

2.1.4 Basis of consolidation

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

Minority shares of Tofaş in subsidiaries were not recognized under non-controlling interest ("Minority interest" or "Non-controlling Interests") since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

2.1.5 Significant accounting judgments, estimates and assumptions

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

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

- a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered. As of 31 December 2020, the amount of guarantee expense is TL 208,479 (31 December 2019: TL 74,472) (Note 15).
- b) 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 and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. As of 31 December 2020, general provisions for finance loans amounted to TL 24,134 (31 December 2019: TL 16,272) has been booked in the consolidated financial statements (Note 9).
- c) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- d) While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost.
- e) The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment.
- f) The Group assesses whether there is any impairment indicator in investment properties and compares carrying values of the investment property with the fair determined in the valuation report obtained by a property appraiser company licensed by CMB.
- g) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets.
- h) 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, 2020 and 2019 since the assumptions used regarding that the Company has taxable profit in following periods
- i) 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 (Not 13).

2.2 Changes in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2 Changes in Turkish Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments did not have a significant impact on the financial position or performance of the Group.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TFRS 16-Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. 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.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TFRS 3-Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018). The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 16-Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Interest Rate Benchmark Reform-Phase 2-Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform-Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings). The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted and must be disclosed.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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

2.2 Changes in Turkish Financial Reporting Standards (Continued)

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as: How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Annual Improvements-2018-2020 Cycle

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

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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

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 (Note 4).

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.

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.

Recognition and Measurement

Financial assets that are purchased and sold normally are recorded at the date of sale. The date of the purchase is the date is the date which the Group commits to purchase or sell the asset. Financial assets except for financial assets at fair value through profit and loss are initially recognized at fair value plus transaction costs. When the cash flow purchase rights arising from financial assets expire or are transferred and the Group transfers all the risks and rewards, the financial assets are excluded from the balance sheet. Financial assets that are available for sale are subsequently accounted for at their fair values. Loans and receivables are carried at amortized cost using the effective interest method.

TOFAŞ TÜRK OTOMOBİL FABRİKASI ANONİM ŞİRKETİ

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FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

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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. In addition, the management makes a general provision in accordance with TFRS 9 in accordance with the maturity of the receivables based on their past experience on trade receivables.

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.

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).

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

2.3 Summary of significant accounting policies (Continued)

Right-of-use assets

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

Lease liabilities

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

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.

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).

Revenue recognition

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 significant risks and rewards of ownership 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.

Service income is recognized when the service is rendered, and the amount is reliably measured (Note 19).

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

2.3 Summary of significant accounting policies (Continued)

Revenue recognition (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).

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 2020, the Group has no capitalized borrowing costs (31 December 2019: no capitalized borrowing costs).

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)

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 Turkey, 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 Turkey. 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 2020, gains on cash flow hedging accounted for under the statement of other comprehensive loss is TL 552,139 (31 December 2019: income amounting to TL 65,219).

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 Doblò, Doblò FL and Doblò US) and commercial vehicles (Egea, Stationwagon, Hatchback). According to the agreements made between the Group and Fiat, the long-term loan liabilities will be covered by the planned sales of New Doblò, Doblò FL and Doblò US to Fiat starting from 2009 until December 2022. Furthermore, according to the agreement made between Fiat and the Group, long term loan liabilities will be covered through a portion of sales of Egea and Stationwagon / Hatchback to Fiat starting from 2019 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);

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venture;
- (d) the party is member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

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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2.4 Changes in significant accounting policies

Tangible and intangible assets:

The Group amortizes tangible fixed assets and development expenses, which it capitalized related to development projects, by using straight-line method in line with the related project lives. In the period of the Group in 2020, the redemption period of Doblò model development projects has been extended until 31 December 2022. The redemption date of the Doblò model development projects of the Group until 31 December 2019 was 31 December 2021 and as of 1 January 2020, the amortization life of the following day was changed to 31 December 2022. If these changes had not been made, as of 31 December 2020, the accumulated depreciation and amortization would have been TRY 8,152,416 and the current year depreciation and amortization expenses would have been TRY 891,912.

NOTE 3 - SEGMENT REPORTING

The reportable operational segments for segment reporting as of 31 December 2020 and 2019 are as follows:

2020	Trading of spare parts and automobile	Consumer financing	Total
Revenue	23,556,747	425,585	23,982,332
Gross profit	3,117,202	96,406	3,213,608
Operating expenses (-)	(916,925)	(29,926)	(946,851)
Other income from main operations	1,378,225	3,202	1,381,427
Other expenses from main operations (-)	(1,569,395)	(12,626)	(1,582,021)
Operating profit	2,009,107	57,056	2,066,163
2019	Trading of spare parts and automobile	Consumer financing	Total
Revenue	18,896,914	465,762	19,362,676
Gross profit	2,386,455	112,156	2,498,611
Operating expenses (-)	(747,696)	(31,406)	(779,102)
Other income from main operations	949,248	9,500	958,748
Other expenses from main operations (-)	(993,237)	(24,917)	(1,018,154)
Operating profit	1,594,770	65,333	1,660,103

As of 31 December 2020, the distribution of assets and liabilities of consumer financing segment is followed by TL 1,640,232 (31 December 2019: TL 1,141,502) in current asset, TL 1,472,758 (31 December 2019: TL 938,766) in non-current asset as receivables from finance sector operations and TL 1,223,729 (31 December 2019: TL 970,060) in current liabilities, TL 1,643,221 (31 December 2019: 906,278) in non-current liabilities as financial liabilities.

A significant portion of revenue consists of sales to related party's ratio to 66% (31 December 2019: 82%) (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.

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NOTE 4 - CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand	4	4
Due from banks		
- time deposits	4,198,679	2,717,425
- demand deposits	51,126	108,058
	4,249,809	2,825,487

As of 31 December 2020 and 2019, the details of time deposits are as follows:

	2020		2019	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	818,118	1.30-2.00	988.708	0,15-0,35
TL	3,380,561	17.10-19.10	1.728.717	10,50-12,00
	4,198,679		2.717.425	

As of 31 December 2020, the maturities of time deposits vary between 4 and 39 days (31 December 2019: between 1 and 21 days).

As of 31 December 2020, the cash at banks comprise time and demand deposits amounting to TL 2,212,173 (31 December 2019: TL 340,398) which are deposited at a bank which is a related party of the Group (Note 27).

As of 31 December 2020 and 2019, the reserves of cash and cash equivalent in cash flow statement;

	2020	2019
Cash and cash equivalents	4,249,809	2,825,487
Less: interest accruals	(22,574)	(6,499)
	4,227,235	2,818,988

As of 31 December 2020, the Company does not have any worth of restricted cash consists of required reserve balance of the Central Bank of Turkish Republic (31 December 2019: None)

NOTE 5 - FINANCIAL ASSETS

a) Financial assets to fair value through profit or loss

As of 31 December 2020, the Group has financial assets to fair value through profit or loss amounting to TL 1,002 (31 December 2019: TL 568).

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NOTE 6 FINANCIAL LIABILITIES**a) Short-term financial liabilities**

	2020			2019		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ^(*)	-	50,000	11,55-15,75	-	25,000	12,18
		50,000			25,000	

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

	2020			2019		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in TL ^(*)	-	821,416	9.98-26,62	-	785,458	12.18-37.8
Borrowings in EUR	184,582	1,662,695	Libor+0.55%- Libor+2.90%	139,612	928,503	Euribor + 0.55% Euribor + 2.90%
Bonds ^(1,2,3,4)	-	286,197	9.60-17.65	-	102,143	13.75-15.86
Borrowings in lease liability	-	6,771		-	5,403	
		2,777,079			1,821,507	

b) Long-term financial liabilities

	2020			2019		
	Original amount (thousand)	TL equivalent	Interest rate per annum (%)	Original amount (thousand)	TL equivalent	Interest rate per annum (%)
Borrowings in EUR	264,279	2,218,461	Libor+0.55%- Libor+2.90%	181,477	1,206,930	Euribor +0.55% Euribor + 2.90%
Borrowings in TL ^(*)	-	1,636,962	9.98-26.62	-	799,920	12.18-37.8
Bonds ^(1,2,3,4)	-	-		-	90,636	13.75-15.86
Borrowings in lease liability	-	7,283		-	6,727	
		3,862,706			2,104,213	

^(*) The whole short-term and long-term bank borrowings which are denominated in TL comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 31 December 2020 and 2019.

⁽¹⁾ In accordance with the minutes of Board of Directors meeting held on 9 November 2018, based on the required authorization of the Capital Markets Law, the Group issued 24-months maturity bonds on 13 June 2019, with a nominal amount of TL 90,000 and at an interest rate by 17.07%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

⁽²⁾ In accordance with the minutes of Board of Directors meeting held on 11 December 2019, based on the required authorization of the Capital Markets Law, the Group issued 18-months maturity bonds on 18 June 2020, with a nominal amount of TL 85,000 and at an interest rate by 9.75%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

⁽³⁾ In accordance with the minutes of Board of Directors meeting held on 11 December 2019, based on the required authorization of the Capital Markets Law, the Group issued 10-months maturity bonds on 6 July 2020, with a nominal amount of TL 50,000 and at an interest rate by 9.60%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş.

⁽⁴⁾ In accordance with the minutes of Board of Directors meeting held on 11 December 2019, based on the required authorization of the Capital Markets Law, the Group issued 4-months maturity bonds on 13 December 2020, with a nominal amount of TL 65,000 and at an interest rate by 17.65%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Garanti Yatırım Menkul Kıymetler A.Ş.

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

Financial liabilities denominated in TL and USD have bear fixed interest rates while financial liabilities denominated Euro bear floating interest rates.

As of 31 December 2020, TL 764,717 (31 December 2019: TL 481,208) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group (Note 27).

The redemption schedule of the long-term bank borrowings as of 31 December 2020 and 2019 is as follows:

	2020	2019
1-2 years	2,683,713	1,310,932
2-3 years	687,009	786,554
3-4 years	484,701	-
Total	3,855,423	2,097,486

The movement of financial liabilities as of 31 December 2020 and 2019 is as follows:

	2020	2019
1 January	3,950,720	5,432,052
Effect of TFRS 16	-	14,995
Effect of cash flows	1,562,760	(1,816,720)
Unrealized foreign exchange differences	1,180,889	324,038
Changes in TFRS 16-lease liabilities	(6,621)	(2,865)
Change in accrual of interest	2,037	(780)
31 December	6,689,785	3,950,720

The Group signed the long-term external financing amounting by EUR 250,000 with HSBC Bank plc, J.P. Morgan Limited, Societe General and BNP Paribas as authorized regulators and HSBC Bank plc, J.P. Morgan Limited/ JPMorganChase Bank N.A London Branch, Societe General and BNP Paribas Fortis SA/NV as creditor, HSBC Bank Plc as coordinator corporation and BNP Paribas Fortis SA/NV as per procuration on 17 February 2015, the carrying amount of aforementioned loan which is used on Doblò FL and US projects investments in the consolidated balance sheet is TRY 321,711 (equivalent of EUR 35,714 thousand) (31 December 2019: TRY 475,043 (equivalent of EUR 71,429 thousand)).

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 200,000 with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 11 August 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 2,4%. As of 31 December 2020, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 554,332 (equivalent of EUR 61,538 thousand) (31 December 2019: TRY 613,902 (equivalent of EUR 92,308 thousand)).

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 70,000 with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 26 May 2017. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 1.91%. As of 31 December 2020, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 229,292 TRY (equivalent of EUR 25,455 thousand) (31 December 2019: TRY 253,932 (equivalent of EUR 38,182 thousand)).

The Group signed the loan agreement amounting to EUR 200,000 with European Bank for Reconstruction and Development, HSBC Bank Plc and Bank of America, N.A., London Branch as authorized regulators and as per procuration of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 2.3%. EUR 100 million of the total loan has been used as of 5 November 2015 and the remaining 100.000 Euro is used on March 2016. The remaining balance as of 31 December 2020: TRY 554,332 (equivalent of EUR 61,538 thousand) (31 December 2019: TRY 613,902 (equivalent of EUR 92,308 thousand)).

The Group signed the loan agreement amounting to EUR 44,300 thousand with Citibank NA Jersey for MCV FL Project as of 24 May 2016. Annual interest is Euribor + 1.80% for five years. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 39,905 (equivalent of EUR 4,430 thousand) (31 December 2019: TRY 88,386 (equivalent of EUR 13,290 thousand)) as of 31 December 2020.

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The Group signed the loan agreement amounting to EUR 64,000 thousand with Yapı ve Kredi Bankası for. Financing purpose as of 3 February 2020. Yearly total cost will be until December 2021 Euribor + 1.30%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 288,253 (equivalent of EUR 32,000 thousand) as of 31 December 2020.

The Group signed the loan agreement amounting to EUR 130,000 thousand with Akbank AG for. MCA investment as of 16 March 2020. Yearly total cost will be 4 years Euribor + 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 1,171,027 (equivalent of EUR 130,000 thousand) as of 31 December 2020.

The Group signed the loan agreement amounting to EUR 70,000 thousand with TEB for MCA investment purpose as of 12 May 2020. Yearly total cost will be 4 years Euribor + 2.00%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 630,553 (equivalent of EUR 70,000 thousand) as of 31 December 2020.

The Group signed the loan agreement amounting to EUR 70,000 thousand with HSBC Bank A.Ş. for financing purpose as of 30 September 2020. Yearly total cost will be until December 2021 2.10%. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 90,079 (equivalent of EUR 10,000 thousand) as of 31 December 2020.

NOTE 7 TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	2020	2019
Trade receivables	1,470,484	892,374
Doubtful trade receivables	12,697	12,708
Less: provision for doubtful receivables	(12,478)	(12,597)
Less: unearned credit finance income	(27,030)	(3,730)
	1,443,673	888,755

Movement of the provision for doubtful receivables is as follows:

	2020	2019
1 January	12,597	8,410
Changes in current period, net	(119)	4,187
31 December	12,478	12,597

Collateral received related with trade receivables

As of 31 December 2020, the letter of guarantees amounting to TL 341,918 guarantee cheques and notes amounting to TL 2,274 mortgages amounting to TL 40,428 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TL 1,327,344, respectively (31 December 2019: letter of guarantees amounting to TL 196,645, guarantee notes amounting to TL 2,274, mortgages amounting to TL 40,428 and direct debit system limit amounting to TL 792,306).

b) Trade payables

	2020	2019
Trade payables	3,517,731	1,976,672
Less: not accrued credit finance expense	(45,615)	(4,917)
	3,472,116	1,971,755

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NOTE 8 - OTHER RECEIVABLES

a) Other receivables

As of 31 December 2020 other receivables included in current and non current assets consist of deposits and guarantees given, personnel advances amounting to TL 335 (31 December 2019: TL 715).

b) Other payables

	2020	2019
Taxes and payables	13,194	22,424
Other	5,812	5,597
	19,006	28,021

NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	2020	2019
Short-term consumer financing loans	1,392,115	1,047,626
Non-performing loans	74,408	112,656
	1,466,523	1,160,282

Provision for specific loan impairment	(64,022)	(70,973)
Provision for general loan impairment	(2,133)	(1,415)
	1,400,368	1,087,894

Long-term consumer financing loans	1,481,501	943,392
Provision for general loan impairment	(22,001)	(14,857)
	1,459,500	928,535

As of 31 December 2020, TL denominated loans originated by the Group, bear interest rates ranging between 0,01% and 3,29% per month (2019: between 0,01% and 3,29% per month).

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

Years	2020	2019
1 to 2 years	785,139	579,448
2 to 3 years	491,172	255,828
3 to 4 years	182,770	87,500
4 years and more	419	5,759
	1,459,500	928,535

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NOTE 9 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movements in the allowance for loan impairment are as follows:

	2020	2019
1 January	87,245	71,339
Current year provision	21,580	22,181
Collections during the year (-)	(20,669)	(6,275)
31 December	88,156	87,245

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 2020, the fair value of guarantees obtained for the consumer loans amount to TL 3,560,413 (31 December 2019: TL 2,462,883). 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 19,663 (31 December 2019: TL 47,362 TL) as of 31 December 2020.

NOTE 10-INVENTORIES

	2020	2019
Raw materials	427,515	328,103
Work-in-progress	251,256	262,562
Finished goods	172,998	53,660
Imported vehicles	257,398	3,221
Spare parts	109,686	68,628
Goods in transit	359,945	71,081
Less: provision for impairment on inventories	(54,832)	(38,125)
Total	1,523,966	749,130

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

	2020	2019
1 January	38,125	29,270
Current year provision	16,707	8,855
31 December	54,832	38,125

NOTE 11 - INVESTMENT PROPERTIES

For the years ended 31 December 2020 and 2019, the movement of investment properties is as follows:

	2020	2019
1 January, net book value	66,000	60,500
Fair value increase ^(*)	3,000	5,500
31 December, net fair value	69,000	66,000

^(*) As of 31 December 2020, the fair value of the property has been determined as TL 69,000 (31 December 2019: TL 66,000), by using benchmarking method. As a result of the revaluation of the investment property, revaluation gains amounting to TL 3,000 (31 December 2019: TL 5,500) has been accounted under income from investing activities (Note 23). Relevant valuation report is prepared by an independent firm which has CMB license and necessary professional experience.

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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 2020 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	517,488	5,457,606	702,510	93,388	12,790	27,031	6,810,813
Accumulated depreciation	(254,855)	(3,898,594)	(476,051)	(60,065)	(9,028)	-	(4,698,593)
Net book value	262,633	1,559,012	226,459	33,323	3,762	27,031	2,112,220
1 January 2020, net book value	262,633	1,559,012	226,459	33,323	3,762	27,031	2,112,220
Additions	-	-	2,119	1,974	2,438	326,800	333,331
Disposals	-	(4,624)	(6,250)	(11,252)	-	-	(22,126)
Disposal - Depreciation	-	3,882	5,940	3,927	-	-	13,749
Transfers	4,930	237,764	46,607	9,801	41	(299,143)	-
Depreciation charge for the year	(10,767)	(315,363)	(61,980)	(10,911)	(670)	-	(399,691)
31 December 2020, net book value	256,796	1,480,671	212,895	26,862	5,571	54,688	2,037,483
As of 31 December 2020							
Cost	522,418	5,690,746	744,986	93,911	15,269	54,688	7,122,018
Accumulated depreciation	(265,622)	(4,210,075)	(532,091)	(67,049)	(9,698)	-	(5,084,535)
31 December 2020, net book value	256,796	1,480,671	212,895	26,862	5,571	54,688	2,037,483

As of 31 December 2020, 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 2019 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	511,106	5,232,926	667,254	77,919	12,750	51,568	6,553,523
Accumulated depreciation	(244,267)	(3,572,936)	(424,320)	(55,776)	(8,623)	-	(4,305,922)
Net book value	266,839	1,659,990	242,934	22,143	4,127	51,568	2,247,601
1 January 2019, net book value	266,839	1,659,990	242,934	22,143	4,127	51,568	2,247,601
Additions	-	-	318	2,758	32	275,015	278,123
Disposals	-	(5,063)	(908)	(14,862)	-	-	(20,833)
Disposal - Depreciation	-	4,461	809	7,721	-	-	12,991
Transfers	6,382	229,743	35,846	27,573	8	(299,552)	-
Depreciation charge for the year	(10,588)	(330,119)	(52,540)	(12,010)	(405)	-	(405,662)
31 December 2019, net book value	262,633	1,559,012	226,459	33,323	3,762	27,031	2,112,220
As of 31 December 2019							
Cost	517,488	5,457,606	702,510	93,388	12,790	27,031	6,810,813
Accumulated depreciation	(254,855)	(3,898,594)	(476,051)	(60,065)	(9,028)	-	(4,698,593)
31 December 2019, net book value	262,633	1,559,012	226,459	33,323	3,762	27,031	2,112,220
As of 31 December 2019, there are no pledges or collaterals on property, plant and equipment.							
NOTE 13 - INTANGIBLE ASSETS							
The movement of intangible assets is as follows:							
	Development costs ^(*)		Licenses and Other		Total		
1 January 2020							
Cost			4,079,943		154,492		4,234,435
Accumulated amortization			(2,470,512)		(105,148)		(2,575,660)
Net book value			1,609,431		49,344		1,658,775
1 January 2020, net book value			1,609,431		49,344		1,658,775
Additions			586,806		11,496		598,302
Amortization charge for the year			(365,049)		(11,744)		(376,793)
31 December 2020, net book value			1,831,188		49,096		1,880,284
As of 31 December 2020							
Cost			4,666,749		165,988		4,832,737
Accumulated amortization			(2,835,561)		(116,892)		(2,952,453)
31 December 2020, net book value			1,831,188		49,096		1,880,284

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NOTE 14 - GOVERNMENT INCENTIVES

	Development costs ^(*)	Licenses and Other	Total
1 January 2019			
Cost	3,647,513	144,276	3,791,789
Accumulated amortization	(2,118,750)	(93,578)	(2,212,328)
Net book value	1,528,763	50,698	1,579,461
1 January 2019, net book value	1,528,763	50,698	1,579,461
Additions	432,430	10,216	442,646
Amortization charge for the year	(351,762)	(11,570)	(363,332)
31 December 2019, net book value	1,609,431	49,344	1,658,775
As of 31 December 2019			
Cost	4,079,943	154,492	4,234,435
Accumulated amortization	(2,470,512)	(105,148)	(2,575,660)
31 December 2019, net book value	1,609,431	49,344	1,658,775

^(*) 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.

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:

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

The Group has considered its investment expenditures amounting to TL 2,514,720 (31 December 2019: TL 2,462,291) in the context of the investment certificate obtained on 2009 and on 2013 in the deferred tax calculation in accordance with the aforementioned law amounting TL 1,171,242 (31 December 2019: TL 1,136,161) (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.

As of 31 December 2020, total amount of research and development expenses is TL 582,929. The amount subject to corporate income tax R&D allowance is TL 395,437 after deduction of TEYDEB, European and Mess support collected during the year amounting to TL 5,004 and TL 182,488 which is not subject to corporate income tax research and development allowance. (As of 31 December 2019, total amount of research and development expenses is TL 355,167 The amount subject to corporate income tax R&D allowance is TL 291,719 after deduction of TEYDEB support collected during the year amounting to TL 6,005 and TL 57,443 which is not subject to corporate income tax research and development allowance).

As of 31 December 2020 government incentives of the Group amounting to TL 4,516 (31 December 2019: TL 6,241) short-term, amounting to TL 6,651 (31 December 2019: TL 9,441) long-term and total TL 11,167 (31 December 2019: TL 15,682) 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 Doblö projects by the Scientific & Technological Research Council of Turkey (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.

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions

	2020	2019
Provision for warranty claims	258,478	139,277
Provision for legal cases	14,878	11,046
Other	44,883	15,336
	318,239	165,659

Movement of the provision for warranty is as follows:

	2020	2019
1 January	139,277	147,956
Paid during the year	(89,278)	(83,151)
Increase in provision during the year	208,479	74,472
31 December	258,478	139,277

Litigations against the Group

As of 31 December 2020, the total amount of outstanding legal claims brought against the Group is TL 21,359 (31 December 2019: TL 17,607). The Group has reflected a reserve amounting to TL 14,878 (31 December 2019: TL 11,046) 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 2020 and 2019 is as follows:

	2020		2019			
	TL equivalent	EUR	TL	TL equivalent	EUR	TL
A. Total amount of guarantees provided by the Company on behalf of itself	175,945	2,000	157,929	479,113	2,000	465,812
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-
i) Total amount of guarantees given on behalf of the parent Company	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
iii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	175,945	2,000	157,929	479,113	2,000	465,812

Other

As of 31 December 2020, the Group has realized USD 3,238,461,000 thousand of export commitments numbered 2019/D1-03216 to be realized until 17 November 2020 in connection with the export incentive certificates amounting to USD 3,092,520,780 thousand. The Group has realized USD 1,865,512,320 thousand of export commitments in connection with the export incentive certificates amounting to USD 1,176,353,853 thousand.

Furthermore, the Group has realized USD 2,688,315,000 thousand of export commitments numbered 2020/D1-02520 to be realized until 2 September 2020 in connection with the export incentive certificates amounting to USD 1,947,602,153 thousand. The Group has realized USD 1,701,448,220 thousand of export commitments in connection with the export incentive certificates amounting to USD 1,041,073,463 thousand.

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NOTE 16 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	2020	2019
Payables to employees	59,835	67,165
Personnel income tax	38,443	25,543
Social security premiums	23,615	21,812
Unused vacation provision	8,862	8,463
Other	10,389	7,130
Total	141,144	130,113

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 7,117.17 (exact TL) for each period of service as of 31 December 2020 (31 December 2019: TL 6,379.86).

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:

	2020	2019
Discount rate, net (%)	4.63	4.67
Estimated turnover rate for retirement (%)	97.98	97.86

Movement in reserve for employment termination benefits for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
1 January	218,499	195,902
Service expenses	14,447	14,453
Interest expenses	28,405	32,794
Payments during the year	(29,332)	(62,238)
Actuarial loss	17,624	37,588
31 December	249,643	218,499

The sensitivity analysis of the assumptions which was used for the calculation of provision for employee benefits as of 31 December 2020 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 (%)	4.13	5.13	97.48	98.48
Change in provision for employee benefits	15,699	(13,140)	(3,759)	5,070

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

a) Other current assets

	2020	2019
Value Added Tax ("VAT")	119,458	79,544
Other	7,785	9,347
Total	127,243	88,891

b) Short - term prepaid expenses

	2020	2019
Credit commission expenses ^(*)	23,347	28,623
Advances given	1,078	19,428
Other	17,903	22,635
Total	42,328	70,686

^(*) Credit commission expenses are composed of the credit insurance fee and commission given to dealers in advance by KFK as of 31 December 2020 and 2019.

c) Long - term prepaid expenses:

As of 31 December 2020, TL 78,201 (31 December 2019: TL 73,770) of long-term prepaid expenses are composed of advances given for fixed asset purchases amounting to TL 59,916 (31 December 2019: TL 64,633).

d) Short-term deferred income

As of December 31, 2020, TL 44,789 (31 December 2019: 33,100) of the deferred income amounting to TL 34,443 (31 December 2019: TL 23,013) consists of the received loan allocation fees in advance of the KFK, consumer receivables amounting to TL 5,798 (31 December 2019: TL 4,588) and advances received amounting to TL 4,548 (31 December 2019: TL 5,499).

f) Contract liabilities

As of 31 December 2020, amounting to TL 36,297 consists of extended warranty under the TFRS 15 (31 December 2019: 27,415).

NOTE 18 - SHAREHOLDER'S EQUITY

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

Registered capital ceiling of the Company is KTL 1,000. The Company's historical authorized and issued share capital as of 31 December 2020 and 2019 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 2020 and 2019, the breakdown of issued share capital of the Company is as follows:

Share group	2020		2019		
	Amount (historical)	Amount %	Amount (historical)	Amount %	
FCA Italy S.p.A.	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.

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NOTE 18 - SHAREHOLDER'S EQUITY (Continued)

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.

In accordance with the Capital Market Board decision on 27 January 2010, it is decided that there are no dividend distribution requirements for the listed companies whose shares are traded on the stock exchange.

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 52. General Assembly Meeting held on 13 March 2020, dividend amounting to TL 1,200,000 (At 2019: 880,000) related to the profit of 2019 after deduction of legal liabilities, is distributed from retained earnings to the shareholders. As of 31 December 2020 and 2019, dividend distributed per share is Kuruş 2.40 and Kuruş 1.76, respectively.

NOTE 19 - REVENUE AND COST OF SALES

a) Revenue	2020	2019
Domestic sales	12,441,509	5,355,308
Export sales	10,821,043	13,301,313
Other	294,195	240,293
	23,556,747	18,896,914

The amount of sales discounts is TL 753,084 (31 December 2019: TL 417,412).

The distribution of the Group's sales in 2020 and 2019 based on product type is as follows.

	2020	2019
Passenger cars	12,878,437	10,411,031
Commercial vehicles	9,308,213	7,291,410
Spare parts	1,075,902	954,180
Other	294,195	240,293
	23,556,747	18,896,914

b) Other

	2020	2019
Income from scrap sales	115,585	97,205
Income from research and development	64,538	44,442
Package sales income	26,080	27,341
Income from mould sales	9,076	55,592
Revenue from extended warranty sales	5,438	2,817
Other	73,478	12,896
	294,195	240,293

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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.

All items of the Group's revenue consist of goods and services sold through intermediaries.

c) Cost of sales

	2020	2019
Direct material expense	16,986,660	13,800,509
Depreciation and amortization expense	711,894	717,520
Direct labor expense	291,781	269,266
Other production expenses	554,408	576,498
Change in work-in-process	11,306	(21,117)
Change in finished goods	(119,338)	113,385
Cost of merchandise sold	2,002,777	1,054,297
Cost of other sales	57	101
	20,439,545	16,510,459

d) Production and sales quantities

	Production		Sales	
	2020	2019	2020	2019
Manufactured vehicles				
Egea	98,614	72,984	98,524	74,725
New Doblò	68,798	76,529	67,663	76,914
Egea Hatchback	36,223	46,342	35,994	46,323
MCV	30,096	41,565	30,202	41,743
Egea Stationwagon	16,899	26,777	16,817	26,789
	250,630	264,197	249,200	266,494
Imported vehicles				
	Import		Sales	
	2020	2019	2020	2019
Jeep	5,506	1,115	4,587	1,929
Ducato	4,089	1,391	3,841	1,679
Fiat 500	1,656	84	1,300	700
Panda Futura	307	126	219	137
Alfa Romeo	282	-	241	219
Maserati	54	33	51	48
Ferrari	22	20	22	20
Transit Sales	17	38	17	38
Fullback	-	-	1	55
	11,933	2,807	10,279	4,825

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

	2020	2019
General and administrative expenses	390,629	373,358
Marketing expenses	480,225	337,093
Research and development expenses	75,997	68,651
	946,851	779,102

a) General administrative expenses

	2020	2019
Personnel expenses	151,456	140,363
Information technology expenses	55,172	53,120
Depreciation and amortization expenses	34,633	33,214
Services obtained from third parties	33,224	34,442
Donations	11,826	6,720
Lawsuit provision expenses	10,615	11,816
Insurance expenses	10,606	9,434
Duties, taxes and levies	8,494	6,266
Travel expenses	4,579	8,815
Other	70,024	69,168
	390,629	373,358

b) Marketing expenses

	2020	2019
Warranty expenses	208,479	74,472
Transportation and insurance expenses	92,848	63,020
Personnel expenses	91,483	90,185
Advertisement expenses	38,432	53,694
Depreciation and amortization expenses	5,401	5,142
Travel expenses	2,978	6,017
Other	40,604	44,563
	480,225	337,093

c) Research and development expenses

	2020	2019
Personnel expenses	40,766	30,273
Travel expenses	6,456	10,236
Information technology expenses	6,827	4,372
Depreciation and amortization expenses	5,592	3,651
Other	16,356	20,119
	75,997	68,651

NOTE 21 - EXPENSES BY NATURE

Between 1 January-31 December 2020 Group's personnel and depreciation/ amortization expenses are TL 916,840 and TL 758,755 respectively (between 1 January-31 December 2019: TL 907,408 and TL 760,248 respectively).

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	2020	2019
Foreign exchange gains on operating activities	1,186,076	721,026
Interest income on operating activities	147,727	191,426
Other	47,624	46,296
	1,381,427	958,748
	2020	2019
Foreign exchange loss on operating activities	(1,365,275)	(671,917)
Interest expense on operating activities	(130,646)	(269,903)
Other	(86,100)	(76,334)
	(1,582,021)	(1,018,154)

NOTE 23-INCOME FROM INVESTMENT ACTIVITIES

	2020	2019
Gain on sale of property, plant and equipment	7,558	7,158
Revaluation income of investment property (Note 11)	3,000	5,500
	10,558	12,658

NOTE 24 - FINANCIAL INCOME AND EXPENSES

	2020	2019
Foreign exchange gain	1,333,665	1,016,687
Interest income	212,300	124,212
Gain on derivative financial instruments	-	5,167
Total financial income	1,545,965	1,146,066
Foreign exchange loss	(1,680,213)	(1,282,060)
Interest expenses	(104,225)	(76,337)
Other	(7,472)	(3,875)
Total financial expenses	(1,791,910)	(1,362,272)
Financial expenses, net	(245,945)	(216,206)

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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 20% (22% for taxation periods of 2018, 2019 and 2020) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of December 31, 2020 and 2019, the tax provision has been set aside under the current tax legislation.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. Deferred tax is calculated using tax rates that are currently in effect as of the date of the statement of financial position.

Since the tax rate applicable for 3 years has been changed to 22% as of 1 January 2018, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20% (31 December 2019: 22%).

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

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

Tax assets and liabilities

Corporation tax

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

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

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

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

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

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, 2020 and December 31, 2019, taxes payable is netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

For the years ended 31 December 2020 and 2019, the analysis of the tax expense in the profit or loss is as follows

	2020	2019
Current tax expense	(31,884)	(29,383)
Deferred tax income / (expense)	(14,722)	54,467
	(46,606)	25,084
	2020	2019
Current corporate tax	31,884	29,383
Less: prepaid corporate tax	(35,421)	(32,084)
Prepaid income tax	(3,537)	(2,701)

The analysis of tax expense accounted for under the statement of profit or loss for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Profit before tax	1,830,776	1,456,555
Income tax charge at effective tax rate	(366,155)	(320,442)
Disallowable expenses	(6,851)	(11,438)
Deduction of research and development incentive expenditures during the period	79,087	64,178
Effect of investment incentive, net	246,353	202,112
Used and earned investment incentive	35,081	70,159
Other	(34,121)	20,515
	(46,606)	25,084

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 31 December 2020 and 2019, using the effective tax rates were as follows

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	2020	2019	2020	2019
Unused investment incentive allowances ^(*)	2,514,720	2,462,291	1,171,242	1,136,161
Provision for employment termination benefits and unused vacation	265,964	232,552	53,193	47,956
Warranty provisions	258,478	139,277	51,692	28,897
Inventories	65,999	41,527	13,200	9,136
Contract liabilities	36,297	27,415	7,259	6,031
Deferred income	11,167	15,682	2,234	3,450
Property, plant and equipment and intangibles	(1,090,162)	(1,216,665)	(218,032)	(245,060)
Land valuations	(116,275)	(113,275)	(11,627)	(11,327)
Other	152,072	63,521	30,566	14,210
Deferred tax asset, net			1,099,727	989,454

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

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NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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

	2020	2019
Deferred tax asset at 1 January	989,454	941,603
Deferred tax income	(14,722)	54,467
Other comprehensive income	124,995	(6,616)
- Actuarial gain/(loss) on employment termination benefit obligation attributable to equity	3,525	7,733
- Net gain on cash flow hedging attributable to equity	121,470	(14,349)
Deferred tax assets at 31 December	1,099,727	989,454

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 2020 and 2019, the weighted average number of shares outstanding is 50.000.000.000 and as of 31 December 2020 and 2019 earnings per share is Kuruş 3.57 and Kuruş 2.96, respectively.

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances:

Deposit and financial loan balances from related parties	2020	2019
Yapı ve Kredi Bank A.Ş. (deposit) ⁽¹⁾	2,212,173	340,398
Yapı ve Kredi Bank A.Ş. (financial loan) ⁽¹⁾	(764,717)	(481,208)
Trade receivables due from related parties	2020	2019
Fiat ⁽²⁾	3,112,434	1,006,135
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	949,093	245,099
Other ⁽¹⁾	3,547	5,026
Less: Unearned credit finance expense	(15,735)	(1,193)
	4,049,339	1,255,067
Trade payables due to related parties	2020	2019
Fiat ⁽²⁾	3,834,682	1,788,945
Other ⁽¹⁾	177,683	124,180
Less: Unearned credit finance expense	(386)	(46)
	4,011,979	1,913,079
Related party transactions		
Sales	2020	2019
Fiat ⁽²⁾	10,846,546	13,346,419
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	4,626,281	1,988,660
Other ⁽¹⁾	56,327	82,840
	15,529,154	15,417,919

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

⁽²⁾ Represents the joint ventures.

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

Domestic goods and services purchases	2020	2019
Ram Dış Ticaret A.Ş. ⁽¹⁾	390,799	351,351
Otokoç Otomotiv Tic. ve San. A.Ş. ⁽¹⁾	307,639	213,034
Zer Merkezi Hiz. ve Tic. A.Ş. ⁽¹⁾	151,140	117,418
Plastiform Plastik San. Tic. A.Ş. ⁽¹⁾	66,892	56,013
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. ⁽¹⁾	53,813	47,289
Koç Holding A.Ş. ^{(2) (*)}	30,088	34,746
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	21,142	24,954
Opet Fuchs Madeni Yağ ve San. Tic. A.Ş. ⁽¹⁾	17,471	15,023
Setur Servis Turistik A.Ş. ⁽¹⁾	9,646	13,236
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. ⁽¹⁾	2,757	7,815
Mako Elektrik Sanayi ve Ticaret A.Ş. ^{(1) (**)}	-	67,577
Matay Otomotiv Yan Sanayi ve Tic. A.Ş. ^{(1) (**)}	-	48,223
Magneti Marelli Süspansiyon Sistemleri Tic. Ltd. Şti. ^{(1) (**)}	-	14,432
Other ⁽¹⁾	37,269	45,432
	1,088,656	1,056,543
Foreign trade good, material and service purchase	2020	2019
Fiat ⁽²⁾	11,207,126	7,671,041
Other ⁽¹⁾	4,192	19,040
	11,211,318	7,690,081

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

⁽²⁾ Represents the joint ventures.

^(*) 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.

^(**) These companies are in the status of related parties in 2019 and were no longer the related party status in 2020.

Interest income from related parties, for the year ended 31 December 2020 is TL 42,138 (31 December 2019: TL 35,344).

Salaries and similar benefits paid to the top management of the Group for the year ended 31 December 2020 (30 person) (31 December 2019: 32 person) is TL 51,093 (2019: TL 43,588). Amounting TL 1,467 is related to payments for leaving of senior management (31 December 2019: TL 3,200).

Furthermore, as of 31 December 2020, 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 91,114 (31 December 2019: TL 93,398).

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).

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

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

Types of credit exposure of financial instruments;

2020	Trade receivables					Derivative instruments	Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits			
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	4,049,339	1,443,673	335	4,249,805		1,002	2,859,868
- Maximum risk secured by guarantee ⁽²⁾	33,700	1,408,230	-	-		-	3,578,795
A. Net book value of financial assets neither overdue nor impaired	4,047,653	1,434,619	335	4,249,805		1,002	2,831,100
- Maximum risk secured by guarantee	33,700	1,402,119	-	-		-	3,560,413
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	1,686	8,835	-	-		-	18,382
- Maximum risk secured by guarantee	-	6,111	-	-		-	18,382
D. Net book value of impaired assets	-	219	-	-		-	10,386
- Overdue (gross book value)	-	12,697	-	-		-	74,408
- Impairment (-)	-	(12,478)	-	-		-	(64,022)
- Net value under guarantee	-	-	-	-		-	-
- Not overdue (gross book value)	-	-	-	-		-	-
- Impairment (-)	-	-	-	-		-	-
- Net value under guarantee	-	-	-	-		-	19,663
E. Off-balance sheet items having credit risk	-	-	-	-		-	-

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

2019	Trade receivables					Derivative instruments	Receivables from finance operations
	Related parties	Other parties	Other receivables	Bank deposits			
Maximum credit risk exposure as of reporting date (A+B+C+D+E) ⁽¹⁾	1,255,067	888,755	715	2,825,483		568	2,016,429
- Maximum risk secured by guarantee ⁽²⁾	33,700	814,350	-	-		-	2,487,178
A. Net book value of financial assets neither overdue nor impaired	1,249,638	837,052	715	2,825,483		568	1,950,204
- Maximum risk secured by guarantee	33,700	783,297	-	-		-	2,462,883
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	5,429	51,592	-	-		-	24,542
- Maximum risk secured by guarantee	-	31,053	-	-		-	24,295
D. Net book value of impaired assets	-	111	-	-		-	41,683
- Overdue (gross book value)	-	12,708	-	-		-	112,656
- Impairment (-)	-	(12,597)	-	-		-	(70,973)
- Net value under guarantee	-	-	-	-		-	-
- Not overdue (gross book value)	-	-	-	-		-	-
- Impairment (-)	-	-	-	-		-	-
- Net value under guarantee	-	-	-	-		-	47,362
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.

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:

2020	
1 - 30 days past due	11,973
1 - 3 months past due	6,395
3 - 12 months past due	4,902
1 - 5 years past due	5,633
	28,903
2019	
1 - 30 days past due	21,683
1 - 3 months past due	12,418
3 - 12 months past due	23,868
1 - 5 years past due	23,594
	81,563

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

Amount secured with guarantee

As of 31 December 2020, TL 1,524 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2019: TL 5,217). As of 31 December 2020, the Group's payables to Fiat amounting to TL 3,834,682 (31 December 2019: TL 1,788,945).

Foreign currency risk

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

As explained in detail in Note 6, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Egea, Doblò, Mini Cargo are guaranteed by Fiat through future purchases. As of 31 December 2020, loans obtained related with Doblò vehicle project have entirely been repaid.

2020	TL equivalent (functional currency)	USD	EUR	Other
1- Trade receivables	3,113,735	5	345,663	-
2a- Monetary financial assets (including cash, bank accounts)	829,905	50	92,090	-
2b- Non-monetary financial assets	362,199	-	40,209	-
3- Other	1,362	-	151	-
4- Current assets (1+2+3)	4,307,201	55	478,113	-
5- Trade receivables	-	-	-	-
6a- Monetary financial assets	-	-	-	-
6b- Non-monetary financial assets	69,352	-	7,699	-
7- Other	-	-	-	-
8- Non-current assets (5+6+7)	69,352	-	7,699	-
9- Total assets (4+8)	4,376,553	55	485,812	-
10- Trade payables	(3,945,654)	(905)	(437,284)	-
11- Financial liabilities	(1,662,698)	-	(184,582)	-
12a- Monetary other liabilities	-	-	-	-
12b- Non-monetary other liabilities	-	-	-	-
13- Current liabilities (10+11+12)	(5,608,352)	(905)	(621,866)	-
14- Trade payables	-	-	-	-
15- Financial liabilities	(2,218,455)	-	(246,279)	-
16a- Monetary other liabilities	-	-	-	-
16b- Non-monetary other liabilities	-	-	-	-
17- No n-current liabilities (14+15+16)	(2,218,455)	-	(246,279)	-
18- Total liabilities (13+17)	(7,826,807)	(905)	(868,145)	-
19- Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a- Total hedged asset amount	-	-	-	-
19b- Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(3,450,254)	(850)	(382,333)	-
21. Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	(3,881,805)	(850)	(430,241)	-
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23- Export	10,905,181	-	1,339,757	1,149
24- Import	11,442,222	4,006	1,379,670	6,626

⁽¹⁾ The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat. Accordingly, net short foreign currency exposure of the Group excluding such borrowings as of 31 December 2020 is TL 6,067.

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

2019	TL equivalent (functional currency)	USD	EUR	Other
1- Trade receivables	1,013,524	1	152,395	-
2a- Monetary financial assets (including cash, bank accounts)	995,234	11	149,636	-
2b- Non-monetary financial assets	89,824	-	13,506	-
3- Other	333	-	50	-
4- Current assets (1+2+3)	2,098,915	12	315,587	-
5- Trade receivables	-	-	-	-
6a- Monetary financial assets	-	-	-	-
6b- Non-monetary financial assets	67,218	-	10,107	-
7- Other	-	-	-	-
8- Non-current assets (5+6+7)	67,218	-	10,107	-
9- Total assets (4+8)	2,166,133	12	325,694	-
10- Trade payables	(1,855,716)	(984)	(278,151)	-
11- Financial liabilities	(928,503)	-	(139,612)	-
12a- Monetary other liabilities	-	-	-	-
12b- Non-monetary other liabilities	-	-	-	-
13- Current liabilities (10+11+12)	(2,784,219)	(984)	(417,763)	-
14- Trade payables	-	-	-	-
15- Financial liabilities	(1,206,930)	-	(181,476)	-
16a- Monetary other liabilities	-	-	-	-
16b- Non-monetary other liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	(1,206,930)	-	(181,476)	-
18- Total liabilities (13+17)	(3,991,149)	(984)	(599,239)	-
19- Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a- Total hedged asset amount	-	-	-	-
19b- Total hedged liability amount	-	-	-	-
20- Net foreign currency asset/(liability) position (9+18+19)	(1,825,016)	(972)	(273,545)	-
21- Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a-10-11-12a-14-15-16a)	(1,982,058)	(972)	(297,158)	-
22- Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23- Export	13,401,561	-	2,103,412	1,427
24- Import	8,146,271	11,562	1,265,218	1,364

⁽¹⁾ The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat. Accordingly, net long foreign currency exposure of the Group excluding such borrowings as of 31 December 2019 is TL 65,060.

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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 2020 and 2019:

Exchange rate sensitivity analysis table

	2020			
	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	(624)	624	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(624)	624	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(387,557)	387,557	-	-
5- Amount hedged for EUR risk (-)	388,105	(388,105)	-	-
6- EUR net effect (4+5)	548	(548)	-	-
<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)	(76)	76	-	-
	2019			
	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	(577)	577	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(577)	577	-	-
<i>In case 10% appreciation of EUR against TL:</i>				
4- EUR net asset/liability	(197,628)	197,628	-	-
5- Amount hedged for EUR risk (-)	242,084	(242,084)	-	-
6- EUR net effect (4+5)	44,456	(44,456)	-	-
<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)	43,879	(43,879)	-	-

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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 2020, and 2019, the effect of +/- 0.5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	2020	2019
Change in interest rates (%)	0.50	0.50
Effect on net income before for taxes	(182)	(309)

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.

2020

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	6,389,534	6,897,077	308,345	2,878,817	3,709,915	-
Lease liabilities	14,054	14,054	1,693	5,078	7,283	-
Trade payables	7,484,095	7,530,091	7,530,091	-	-	-
Bonds	286,197	305,927	3,831	302,096	-	-
Employee benefit liabilities	141,144	141,144	141,144	-	-	-
Other payables	19,006	19,006	19,006	-	-	-
	14,334,030	14,907,299	8,004,110	3,185,991	3,717,198	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	7,276	1,749,667	-	-	1,749,667	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	7,276	1,749,667	-	-	1,749,667	-
	7.276	1.749.667	-	-	1.749.667	-

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

2019

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	3,745,811	4,099,515	232,958	1,691,357	2,175,200	-
Lease liabilities	12,130	12,130	1,351	4,052	6,727	-
Trade payables	3,884,834	3,879,871	2,841,090	1,038,781	-	-
Bonds	192,779	216,386	3,086	117,128	96,172	-
Employee benefit liabilities	130,113	130,113	130,113	-	-	-
Other payables	28,021	28,021	28,021	-	-	-
	7,993,688	8,366,036	3,236,619	2,851,318	2,278,099	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	21,448	2,046,778	-	-	2,046,778	-
Derivative cash inflows						
Derivative cash outflows	21,448	2,046,778	-	-	2,046,778	-
	21,448	2,046,778	-	-	2,046,778	-

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 2020.

Consolidated net financial debt/total equity ratio as of 31 December 2020 and 2019 is as follows;

	31 December 2020	31 December 2019
Total borrowing	6,689,785	3,950,720
Cash and cash equivalent	(4,249,809)	(2,825,487)
Net financial debt	2,439,976	1,125,233
Equity	4,468,611	4,329,209
Net financial debt/total equity multiplier	55%	26%

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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 16.13% (31 December 2019: 14.53%).

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	2,859,868	2,395,855	2,016,429	1,732,476

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, Doblò, New Doblò and Mini Cargo (MCV)).

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).

2020

	Level 1	Level 2	Level 3
Investment property	-	69,000	-
Total assets	-	69,000	-
Derivatives held for trading	-	7,276	-
Total Liabilities	-	7,276	-

2019

	Level 1	Level 2	Level 3
Investment property	-	66,000	-
Total assets	-	66,000	-
Derivatives held for trading	-	21,448	-
Total Liabilities	-	21,448	-

As of 31 December 2020, the Group has not made any transfers between second level and first level, and also between third level and other levels.

NOTE 30 - SUBSEQUENT EVENTS

None.

Head Office

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

Factory

İstanbul Cad. No: 574 16110, Bursa
T: +90 (224) 261 03 50
F: +90 (224) 255 09 47

İstanbul Trade Registry No: 100324
Central Registry No:
0846000042200017

www.tofas.com.tr