

**ANADOLU ISUZU OTOMOTİV
SANAYİ VE TİCARET ANONİM ŞİRKETİ**

**(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT
ON LIMITED REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

FOR THE PERIOD 1 JANUARY – 30 JUNE 2017

REPORT ON LIMITED REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Anadolu Isuzu Sanayi ve Ticaret A.Ş

Introduction

We have reviewed the accompanying consolidated statement of financial position of Anadolu Isuzu Sanayi ve Ticaret A.Ş. (“the Company”) and its subsidiaries (together will be referred as “the Group”) as of 30 June 2017 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Anadolu Isuzu Sanayi ve Ticaret A.Ş. and its subsidiaries as of 30 June 2017, and of its *their* financial performance and its *their* cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.



Other Matters

Group's 31 December 2016 year-end consolidated financial statements and 30 June 2016 period-end financial statements are audited by a different independent audit firm. Previous audit firm presented an unqualified opinion for 31 December 2016 year-end financial statements on independent audit report dated 28 February 2017, and regarding to 30 June 2016 period-end financial statements, it is stated on 12 August 2016 dated independent limited review auditing report that there is no misstatement observed whether the period's consolidated financial statements are accurate and properly reported according to IAS 34.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Burç Seven, SMMM
Partner

İstanbul, 10 August 2017

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ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2017

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

	Notes	30 June 2017	31 December 2016
ASSETS			
Current Assets		732.692.595	718.133.022
Cash and cash equivalents	4	92.554.338	119.878.595
Trade receivables			
Trade receivables from related parties	27	1.635.310	254.444
Trade receivables from third parties	7	227.830.803	288.858.763
Other receivables			
Other receivables from third parties	8	24.439.370	1.023.019
Inventories	9	346.998.049	275.115.719
Prepaid expenses	16	16.945.742	5.646.604
Assets related to current tax	25	444.901	983.913
Other current assets	16	21.844.082	26.371.965
Non-Current Assets		177.180.252	166.933.775
Financial investments	5	-	-
Other receivables			
Other receivables from third parties	8	186	186
Property, plant and equipment	10	95.574.901	99.664.077
Intangible assets			
Goodwill	12	2.340.995	2.340.995
Other intangible assets	11	56.503.299	50.689.447
Prepaid expenses	16	471.683	75.376
Deferred tax assets	25	22.289.188	14.163.694
TOTAL ASSETS		909.872.847	885.066.797

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2017***(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)*

	Notes	30 June 2017	31 December 2016
LIABILITIES			
Current Liabilities		387.138.107	387.476.997
Short-term borrowings	6	131.652.548	149.750.358
Trade payables			
Trade payables to related parties	27	180.145.068	151.329.317
Trade payables to third parties	7	44.642.760	60.636.971
Other payables			
Other payables to related parties	27	9.109	9.109
Other payables to third parties	8	14.148.490	10.341.116
Derivative financial instruments	29	123.311	-
Payables related to employee benefits	8	787.131	694.823
Deferred income	16	597.260	666.640
Short-term provisions			
Short-term provisions for employee benefits	14	957.476	-
Other short-term provisions	14	14.074.954	14.048.663
Non-Current Liabilities		282.631.619	235.125.229
Long-term borrowings	6	263.105.000	220.495.000
Deferred income	16	538.934	698.920
Long-term provisions for employee benefits	15	18.987.685	13.931.309
EQUITY		240.103.121	262.464.571
Equity Attributable to Owners of the Company		240.103.121	262.464.571
Share capital	17	84.000.000	25.419.707
Adjustments to share capital	17	30.149.426	86.901.880
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	17	(5.286.390)	(1.963.156)
Restricted reserves appropriated from profit	17	162.175.629	163.579.754
Prior years' profit/losses	17	(11.897.328)	34.863.033
Net profit/loss for the year	17	(19.038.216)	(46.336.647)
Non-Controlling Interests		-	-
TOTAL LIABILITIES		909.872.847	885.066.797

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS AS AT 30 JUNE 2017

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

	Notes	1 January- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2017	1 April- 30 June 2016
PROFIT OR LOSS					
Revenue	18	351.012.613	377.325.120	186.883.593	177.543.459
Cost of sales (-)	18	(300.042.025)	(316.800.032)	(162.551.406)	(147.722.423)
GROSS PROFIT/LOSS		50.970.588	60.525.088	24.332.187	29.821.036
Administrative expenses (-)	19	(21.303.722)	(19.364.099)	(11.172.102)	(10.080.108)
Marketing expenses (-)	19	(28.054.474)	(28.077.550)	(13.623.682)	(14.451.217)
Research and development expenses (-)	19	(1.205.529)	(1.559.912)	(631.210)	(717.668)
Other income from operating activities	21	12.548.848	7.597.331	1.692.045	1.587.050
Other expenses from operating activities (-)	21	(10.326.164)	(23.931.245)	3.656.845	(12.252.667)
OPERATING PROFIT/(LOSS)		2.629.547	(4.810.387)	4.254.083	(6.093.574)
Income from investing activities	22	4.742	122.207	4.683	122.207
Expenses from investing activities (-)	22	(144.883)	(220)	(144.883)	-
OPERATING PROFIT/(LOSS) BEFORE FINANCE EXPENSE		2.489.406	(4.688.400)	4.113.883	(5.971.367)
Finance incomes	23	18.804.728	9.988.453	5.367.094	5.471.842
Finance expenses (-)	24	(47.536.257)	(20.005.206)	(16.216.992)	(10.557.956)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(26.242.123)	(14.705.153)	(6.736.015)	(11.057.481)
Tax income/(expense) from continuing operations		7.203.907	4.673.795	2.245.914	3.151.642
Current tax (expense)/income	25	(90.778)	(77.438)	(32.956)	(22.694)
Deferred tax (expense)/income	25	7.294.685	4.751.233	2.278.870	3.174.336
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(19.038.216)	(10.031.358)	(4.490.101)	(7.905.839)
PROFIT/(LOSS) FOR THE YEAR		(19.038.216)	(10.031.358)	(4.490.101)	(7.905.839)
Profit/(loss) for the year attributable to:		17	(19.038.216)	(10.031.358)	(7.905.839)
Non-controlling interests	17	-	-	-	-
Owners of the Company	17	(19.038.216)	(10.031.358)	(4.490.101)	(7.905.839)
Earnings/(losses) per 100 share from continuing operations		26	(0,2266)	(0,1194)	(0,0941)
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Items that will not be reclassified subsequently to profit or loss					
Gain/(loss) on remeasurement of defined benefit plans	15	(4.154.043)	(1.526.528)	(4.256.382)	(643.799)
Gain/(loss) on remeasurement of defined benefit plans, tax effect	25	830.809	305.306	851.277	128.760
OTHER COMPREHENSIVE INCOME / (EXPENSE)		(3.323.234)	(1.221.222)	(3.405.105)	(515.039)
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		(22.361.450)	(11.252.580)	(7.895.206)	(8.420.878)
Non-controlling interests		-	-	-	-
Owners of the Company		(22.361.450)	(11.252.580)	(7.895.206)	(8.420.878)

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS AS AT 30 JUNE 2017

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

	Notes	1 January- 30 June 2017	1 January- 30 June 2016
Cash flows from operating activities		(10.451.787)	(20.979.751)
Profit/loss for the year	17	(19.038.216)	(10.031.358)
Adjustments to reconcile profit/loss for the year		36.340.043	17.312.095
Adjustments related to depreciation and amortization expenses	10-11	11.811.550	11.450.722
Adjustments related to provision for employee benefits / (released)	15	1.855.429	1.259.058
Adjustments related to tax (income)/expense	25	(7.203.907)	(4.673.795)
Adjustments related to interest incomes	23	(4.890.094)	(4.259.878)
Adjustments related to interest expenses	24	14.332.687	10.478.505
Adjustments related to unrealized currency translation differences		18.265.700	1.610.870
Other adjustments related to profit or loss		2.028.537	1.324.626
Adjustments related to loss/(gain) on disposal of property, plant and equipment	22	140.141	121.987
Changes in working capital		(26.264.839)	(25.746.914)
Adjustments related to decrease/(increase) in trade receivables		56.511.717	62.834.434
Adjustments related to decrease/(increase) in inventories	9	(71.882.330)	(41.292.554)
Adjustments related to decrease/(increase) in other receivables from operations	8-16	(29.648.594)	(8.579)
Adjustments related to decrease/(increase) in other assets from operations		(8.521.801)	(3.027.099)
Adjustments related to increase/(decrease) in trade payables		11.712.224	(46.036.307)
Adjustments related to increase/(decrease) in other payables from operations		15.563.945	1.783.191
Cash generated from operations		(8.963.012)	(18.466.177)
Income tax returns/(paid)		(535.679)	(648.931)
Payments to provision of employee benefits	15	(953.096)	(1.864.643)
Cash flows from investing activities		(13.676.367)	(14.222.612)
Proceeds from sale of property, plant and equipment	10-22	10.897	130.085
Payments for purchase of property, plant and equipment	10	(2.456.791)	(4.270.089)
Payments for purchase of intangible assets	11	(11.230.473)	(10.082.608)
Cash flows from financing activities		(3.123.127)	38.247.006
Dividends paid		-	(12.709.853)
Interest received		4.963.070	4.549.163
Interest paid		(12.020.917)	(10.156.654)
Proceeds from loans		113.083.720	85.603.000
Cash outflows from repayment of loans		(109.149.000)	(29.038.650)
Net increase/(decrease) in cash and cash equivalents before the effect of exchange rate changes		(27.251.281)	3.044.643
Net increase/(decrease) in cash and cash equivalents		(27.251.281)	3.044.643
Cash and cash equivalents at the beginning of the year	4	119.642.178	78.095.135
Cash and cash equivalents at the end of the year	4	92.390.897	81.139.778

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS AS AT 30 JUNE 2017

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

Prior Period	Notes	Paid-in capital	Adjustments to share capital	Total paid in capital	Other comprehensive income or expenses not be reclassified to profit or loss	Restricted reserves allocated from profit	Retained Earnings		Equity Attributable to Owners of the Company	Non-controlling interests	Total Equity
					Gain/loss on remeasurement of defined benefit plans		Prior years' profit/ losses	Net profit/ loss for the year			
Balances as of 1 January 2016	17	25.419.707	86.901.880	112.321.587	(115.217)	162.363.654	31.047.813	17.743.897	323.361.734	-	323.361.734
Total comprehensive income / (expense)		-	-	-	(1.221.222)	-	-	(10.031.358)	(11.252.580)	-	(11.252.580)
Profit / (loss) for the period		-	-	-	-	-	-	(10.031.358)	(10.031.358)	-	(10.031.358)
Other comprehensive income / (expense)		-	-	-	(1.221.222)	-	-	-	(1.221.222)	-	(1.221.222)
Transfers		-	-	-	-	1.218.824	16.525.073	(17.743.897)	-	-	-
Dividends		-	-	-	-	-	(12.709.853)	-	(12.709.853)	-	(12.709.853)
Balances as of 30 June 2016	17	25.419.707	86.901.880	112.321.587	(1.336.439)	163.582.478	34.863.033	(10.031.358)	299.399.301	-	299.399.301
Current Period											
Balances as of 1 January 2017	17	25.419.707	86.901.880	112.321.587	(1.963.156)	163.579.754	34.863.033	(46.336.647)	262.464.571	-	262.464.571
Total comprehensive income / (expense)		-	-	-	(3.323.234)	-	-	(19.038.216)	(22.361.450)	-	(22.361.450)
Profit / (loss) for the period		-	-	-	-	-	-	(19.038.216)	(19.038.216)	-	(19.038.216)
Other comprehensive income / (expense)		-	-	-	(3.323.234)	-	-	-	(3.323.234)	-	(3.323.234)
Transfers (*)		58.580.293	(56.752.454)	1.827.839	-	(1.404.125)	(46.760.361)	46.336.647	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Balances as of 30 June 2017	17	84.000.000	30.149.426	114.149.426	(5.286.390)	162.175.629	(11.897.328)	(19.038.216)	240.103.121	-	240.103.121

(*) In current period, paid-capital of the Group has been raised to TL 84.000.000 from TL 25.419.707 by use of internal resources. As follows, TL 56.752.454 is transferred from adjustments to share capital, TL 1.827.839 is transferred from restricted resources from profit and retained earnings.

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the “Company”) was established in 1980. Principal activities of the Company are comprised mainly of manufacturing, assembling, import and sales of commercial vehicles and also procure and sales of related spare parts regarding to after sales service. The Company is registered to Capital Markets Board of Turkey and the percentage of 15 of the Company’s shares have been traded on Borsa İstanbul A.Ş. since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory which is established in Çayırova/Kocaeli. The average number of employees as of 30 June 2017 is 824 (31 December 2016: 823).

The Company, has been registered in Turkey, and the address of the Company is as follows:

Fatih Sultan Mehmet Mahallesi Balkan Caddesi No :58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

As of 30 June 2017 and 31 December 2016, details about the company’s subsidiary, which is subject to consolidation, is below:

Company Name	Principal Activity	Capital	30 June 2017 Participation rate (%)	31 December 2016 Participation rate (%)
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716.000	100,00	100,00

Approval of the financial statements

Consolidated financial statements for the period 1 January – 30 June 2017 approved by the Board of Directors on 10 August 2017 and signed by Independent Member of the Board of Director Ahmet Cemal DÖRDÜNCÜ (Audit Committee Chairman) and Kamil Ömer BOZER (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Bora ÖNER.

The Company and its subsidiary will be referred as (the “Group”) in the consolidated financial statements and notes to the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of Compliance TAS

The enclosed consolidated financial statements have been prepared in line with Capital Markets Board (“CMB”), Communiqué Serial: II, No. 14.1 on “Principles on Financial Reporting in Capital Market”, promulgated in Official Gazette No. 28676 dated 13 June 2013. Pursuant to Article 5 of the Communiqué, Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/IFRS”) enforced by Public Oversight Accounting and Auditing Standards Authority (“POAASA”), and their relevant appendices and interpretations (“TAS/IFRS”) have been taken as basic.

The Company (and its Affiliate registered in Turkey) takes the Turkish Commercial Code (“TCC”), tax legislation and Uniform Chart of Accounts introduced by Turkish Ministry of Finance as basic for book keeping and preparation of the statutory financial statements. Consolidated financial statements have been prepared in Turkish Lira based on the historical costs, as well as the financial assets and liabilities presented in their fair values. Consolidated financial statements have been arranged by applying the required adjustments and classifications to the statutory records prepared on historical cost basis in order to provide accurate presentation in line with TAS/IFRS.

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of presentation(cont'd)

2.1.2 Consolidation principles

Subsidiaries

Subsidiaries, including structured entities, are companies in the Group's control. The Group's control is provided for exposure to variable returns from these companies, being eligible for these benefits, and the power to direct them. Subsidiaries are consolidated using the full consolidation method starting from the date when the control is transferred to the Group. They are excluded from the scope of consolidation as of the date when the control is lost.

The purchasing method is used in accounting for group business combinations. The cost of acquisition includes the fair value of the assets transferred at the acquisition date, the liabilities incurred by the former owner of the company, and costs, consisting of equity instruments issued by the Group. The acquisition cost includes the fair value of the assets and liabilities transferred as a result of the contingent acquisition agreement.

The identifiable assets, liabilities, and contingent liabilities taken over during a business combination are measured at their fair value on the acquisition date. For each purchase, non-controlling shares of the acquired company are recognised either at their fair value or according to their proportional share in the net assets of the acquired company.

The table below sets out the subsidiaries and their ownership interests as of 30 June 2017 and 31 December 2016.

Name of subsidiaries	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Ant Sanayi ve Ticaret Ürünleri Pazarlama A.Ş.	100,00	100,00	100,00	100,00

2.1.3 Offsetting

The financial assets and liabilities in the consolidated financial statements are shown at their net value when a legal granted permission, an intention of stating the consolidated financial statements with their net values and the financial asset and liabilities are arisen concurrently.

2.1.4 Comparatives and adjustment of prior periods' financial statements

The Group's consolidated financial statements for the current period are prepared in comparison with the previous periods in order to be able to determine the financial position and performance trends. The comparative information is reclassified when necessary with the aim of ensuring consistency with the presentation of the current period's consolidated financial statements.

The Group has no changes in its prior year consolidated financial statements.

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont’d)

2.1 Basis of presentation(cont’d)

2.1.5 Amendments in International Financial Reporting Standards

- a) Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements

None.

- b) New and revised TAS applied with no material effect on the consolidated financial statements

None.

- c) New and revised TAS in issue but not yet effective

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i> ¹
TFRS 15	<i>Revenue from Contracts with Customers</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority (“POA”) in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

TFRS 15 also clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont’d)

2.2 Summary of Significant Accounting Policies

2.2.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value.

2.2.2 Trade receivables and provision for allowance

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at the original invoice amount since the effect of imputing interest is significant.

Provision for impairment of trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

The Company collects most of the receivables from domestic vehicles sales through the “Direct Debit System” (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company’s bank accounts at the due dates.

2.2.3 Inventories

Inventories are stated at the lower of cost or net realizable value. The inventories of the Group mainly composed of trucks, small trucks, midi buses, pickups and spare parts which belong to those vehicles. The cost of inventories is determined on the monthly weighted moving average method. Cost of the finished and work in process good include raw materials, direct labour cost, related general production expenses and exclude the cost of borrowing. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory’s annual production plan are not associated with inventories and are recognised as cost of finished goods.

2.2.4 Property, plant and equipment and related depreciation

For assets that were acquired before 1 January 2005, the tangible fixed assets are presented on the consolidated financial statement based on their cost basis, which is adjusted according to the inflationary effects as of 31 December 2004. Depreciation is calculated using the straight-line method based on their economic lives. The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation:

Type	Depreciation rates (%)
Land improvements	5-6
Buildings	2-5
Machinery and equipment	10-20
Motor Vehicles	10-20
Fixtures and Furniture	4-10

For assets acquired after 2005, the tangible basis assets are reflected to the consolidated financial statements by deducting their accumulated depreciation from their cost.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont’d)

2.2 Summary of Significant Accounting Policies (cont’d)

2.2.4. Property, plant and equipment and related depreciation (cont’d)

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset’s net selling price or value in use. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in other operating income and losses. Subsequent costs are likely to transfer future economic benefits to the group; and in case of measured reliably, it is included in the carrying amount of the related asset or, if appropriate, is recognized as a separate asset. The recorded value of the replaced parts is excluded from the balance sheet. All other maintenance and repair costs are associated with the profit or loss table at the date they are incurred.

2.2.5 Intangible assets and related amortisation

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are comprised of software programme rights, brand and patent rights and development expenses. Amortization is calculated using the straight-line method based on their economic lives unless they exceed five years.

2.2.6 Goodwill and related amortisation

In consolidated financial statements, if goodwill and negative goodwill which are resulted from the difference of purchase price and fair value of net assets of the acquired share of the affiliate are realised from the purchases before 31 March 2004, they are amortised by using the capitalised and normal amortisation method over its useful life until end of 31 December 2004. Within the framework of TFRS 3 - “Business Combinations” amortisation is not applied for goodwill which is resulted from acquisitions after 31 March 2004. The calculated goodwill is evaluated and if impairment is required, a provision for impairment is accounted for. Also, for the acquisitions after 31 March 2004, if negative goodwill exists, the amount is reviewed and credited to income statement in the period negative goodwill occurred.

Within the framework of TFRS 3, after 31 March 2004, in the beginning of first upcoming annual accounting period (1 January 2005), the Group has halted the amortisation of goodwill which was resulted from the transactions before 31 March 2004. Impairment of goodwill is not cancellable. The Group performs impairment testing during the year-ends.

2.2.7 Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is presumed. The recoverable amount is presumed in each year-end for unusable intangible assets. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. Impairment losses are recognised in the statement of income.

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 30 JUNE 2017

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.8 Bank loans and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings. When it comes to the assets which take long time to get ready to usage and sales, borrowing costs related to production or construction are integrated to the cost of the asset.

2.2.9 Taxes on income

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilised or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

2.2.10 Provision for employee benefits

The Group is obliged to pay termination indemnities to employees whose employment is terminated due to retirement or due to reasons other than resignation or behavior specified in the Labor Code, in accordance with the applicable law. The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation.

2.2.11 Provisions

Provisions are recognised 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 a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.12 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. Subsidies received from Tübitak are accounted for as deferred income by Group and are offset with amortisation expenses in the income statements in line with the useful life of the completed projects. Development costs are directly recognised as expense. Development expenses recognised as expense in prior periods are not subject to capitalisation in subsequent periods.

2.2.13 Warranty provision expenses

Warranty expenses are recognised on an accrual basis for amounts estimated based on prior periods' realisation.

2.2.14 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them, and associated companies are considered and referred to as related parties. The transactions with related parties for operating activities are made with prices which are convenient with market prices.

2.2.15 Foreign currency transactions

Transactions 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 into TL at the Central Bank of Turkey's exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

2.2.16 Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("no-par shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.17 Revenue recognition

Commercial vehicle and spare part sales

The Group recognizes income according to the accrual basis, when the Group reasonably determines the income and economic benefit is probable. Group's revenues are comprised of sales of commercial vehicles and the spare parts of those commercial vehicles. Revenue is reduced for customer returns and sales discounts.

Revenue from the sale of goods is recognized when all the following conditions are gratified:

- The significant risks and the ownership of the goods are transferred to the buyer,
- The Group refrains the managerial control over the goods and the effective control over the goods sold,
- The revenue can be measured reasonably,
- It is probable that the economic benefits related to transaction will flow to the entity,
- The costs incurred or will be incurred in conjunction with the transaction can be measured reliably.

Service sales

When the revenue from services can be measured reliably, the revenue is recorded in accordance with its completion level. If the revenue cannot be measured reliably, revenues are recognized as much as the recoverable amount of expenses that are associated with these revenues.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Rent income

Rent income from investment properties is recognized on a straight-line basis over the term of the respective lease.

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont’d)

2.2 Summary of Significant Accounting Policies (cont’d)

2.2.18 Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Group’s operations.

The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.

Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity.

2.2.19 Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.2.20 Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. Government grants and assistance received for R&D purposes of the Group are explained in Note 13.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 Derivative instruments

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency swap instruments. Group enters into forward contracts time to time in order to minimise its exposures due to having foreign currency denominated liabilities. Derivative financial instruments which are mainly consist of foreign exchange forward contracts are initially recognised at cost and the transactions costs which are related to derivative financial instruments are included to their initial costs and subsequently are re-measured at their fair value. All derivative financial instruments are classified as financial assets which are measured at fair value and associated with income statement. Fair values of the derivative financial instruments are calculated through fair values determined in the market or using the discounted cash flow method. Fair values of forward contracts which are traded in over the counter markets, are calculated by using the market interest rate of the original currency until the exercise date of forward contract and the foreign currency exchange rate is determined by comparing the original forward rate with current forward rate at end of period. Derivative financial instruments are accounted for asset or liability if the fair value is positive or negative respectively. Held-for-trading derivative financial instruments are initially recognised in the consolidated financial statements at cost and are subsequently re-measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the statements of comprehensive income. Some of derivative instruments, while providing more effective protection against risks economically, they are accounted for as "financial assets at fair value through profit or loss" in accordance with TAS 39 and their fair value changes are reflected in the income statement for the period

2.2.22 Accounting policies, changes in accounting estimates and errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. As of 1 January – 30 June 2016, there are no changes in accounting estimates and errors in the presentation of the consolidated financial statements.

If the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted. In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements.

- a) Deferred tax assets can be recognised only when sufficient taxable profit is likely to occur in the upcoming periods. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 30 June 2017, the Group recognised deferred tax assets of TL 17.767.934 (31 December 2016: 13.087.094) based on total deductible financial losses of TL 88.839.668 (31 December 2016: 65.435.471) as sufficient taxable profit is likely to occur in the upcoming periods.
- b) The Group determined the warranty provision based on warranty costs for each vehicle model in previous years and the remaining warranty periods for each vehicle.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont’d)

2.2 Summary of Significant Accounting Policies (cont’d)

2.2.23 Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring an adjustment to the consolidated financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements.

NOTE 3 –SEGMENT REPORTING

The field of activity of the Group established in Turkey is the manufacture, assembly, import and sale of motor vehicles and spare parts. The field of activity of the Group, the nature and economic properties of products, production processes, classification according to customer risks and methods used in the distribution of products are similar. Moreover, the Group is structured on an activity basis rather than being managed under separate divisions including different activities. Thus, the operations of the Group are considered as a single activity division, and the outputs of the Group’s activities, determination of the resources to be allocated to these activities, and review of the performance of these activities are evaluated accordingly.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the period ends are as follows:

	30 June 2017	31 December 2016
Cash	113.596	146.013
Banks-Demand deposits	24.780.677	2.016.799
Banks-Time deposits (up to 3 months)	66.574.495	113.246.533
Other cash and cash equivalents (*)	1.085.570	4.469.250
Total	92.554.338	119.878.595

(*) As of 30 June 2017 and 31 December 2016, the balance in other cash and cash equivalents is consist of directly debting system assets in bank of group.

There are no blocked deposits as of 30 June 2017 and 31 December 2016.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

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NOTE 4 - CASH AND CASH EQUIVALENTS (cont'd)

Cash and cash equivalents presented in the consolidated cash flow statements as of 30 June 2017 and 30 June 2016 are as follows:

	<u>30 June 2017</u>	<u>30 June 2016</u>
Cash and cash equivalents	92.554.338	81.313.460
Less: Interest Accruals (-)	(163.441)	(173.682)
Total (Excluding interest accruals)	92.390.897	81.139.778

The details of time deposits are as follows:

	<u>30 June 2017</u>		<u>31 December 2016</u>	
	<u>Amount in TL</u>	<u>Annual Interest Rate (%)</u>	<u>Amount in TL</u>	<u>Annual Interest Rate (%)</u>
TL	38.154.536	8.00-15.10	88.775.255	6.00-11.55
USD	19.453.230	0.25-4.40	7.108.864	0,25
EUR	8.966.729	0,10	17.362.414	0,10
Total	66.574.495		113.246.533	

The Group does not have any time deposits with maturities longer than one month, and the time deposits are composed of fixed interest rates.

NOTE 5 - FINANCIAL INVESTMENTS

The Group did not have any financial investment as of 30 June 2017 and 31 December 2016.

NOTE 6 - FINANCIAL LIABILITIES

The details of bank loans as of 30 June 2017 and 31 December 2016 are as follows:

Short-term Bank Loans

	<u>Annual</u>		<u>Original Currency</u>		<u>Amount in TL</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Short-term Bank Loans						
EUR	2,6	2,64	25.417.729	17.495.360	101.747.170	64.906.035
TL	13,96	13,04	29.905.378	84.844.323	29.905.378	84.844.323
Total					131.652.548	149.750.358

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NOTE 6 - FINANCIAL LIABILITIES (cont'd)

As of balance sheet dates, bank loans with variable interest rates are as follows:

Period	30 June 2017	31 December 2016
Up to 1 month	25.102.460	20.485.833
Total	25.102.460	20.485.833

Long-term Bank Loans

	<u>Annual</u>		<u>Original Currency</u>		<u>Amount in TL</u>	
	<u>Effective Interest Rate (%)</u>		<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Long-term Bank Loans						
EUR	2,62	2,62	35.000.000	50.000.000	140.105.000	185.495.000
TL	13,61	12,60	123.000.000	35.000.000	123.000.000	35.000.000
Total					263.105.000	220.495.000

Maturity date of long-term borrowings in terms of Turkish Lira is dividing that, maturity date of 88.000.000 Turkish Lira would be completed in 2019 and 35.000.000 Turkish Lira would be completed in 2018.

Maturity date of long-term borrowings in terms of Euro is dividing that, maturity date of 40.000.000 Euro would be completed in 2018 and 10.000.000 Euro due would be completed in 2019.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-term trade receivables	30 June 2017	31 December 2016
Customer current accounts	230.966.180	292.038.375
Rediscount expenses (-)	(3.135.377)	(3.179.612)
Doubtful receivables	175.000	333.324
Allowance for doubtful receivables (-)	(175.000)	(333.324)
Total	227.830.803	288.858.763

Movements of provision for doubtful receivables are as follows:

	2017	2016
Opening balance - 1 January	333.324	333.324
Provision for the period	-	-
Collections	(158.324)	-
Closing balance - 30 June	175.000	333.324

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade payables as of period ends are as follows:

	30 June 2017	31 December 2016
Trade payables	45.147.691	61.207.482
Rediscount on trade payables (-)	(504.931)	(570.511)
Total	44.642.760	60.636.971

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other Short-term Receivables	30 June 2017	31 December 2016
Other Receivables From Third Parties		
Receivables from tax office (*)	23.018.285	500.277
Due from personnel	1.314.881	522.718
Deposits and guarantees given	106.204	24
Total	24.439.370	1.023.019

(*) As of 31 December 2016, the amount of Group's receivables was TL 22.877.054 which consists of the receivables related to the VAT refund request (31 December 2016 TL 370.939).

Other Long-term Receivables	30 June 2017	31 December 2016
Other Receivables From Third Parties		
Deposits and guarantees given	186	186
Total	186	186

Other Short-term Payables	30 June 2017	31 December 2016
Other Payables From Third Parties		
Long term provision for the employee benefits	787.131	694.823
Advances received	10.898.685	6.326.846
Tax and funds payables	1.467.446	2.380.290
Social security premiums payable	1.762.140	1.621.579
Other current payables	20.219	12.401
Total	14.935.621	11.035.939

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

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NOTE 9 - INVENTORIES

Inventory balances as of period ends are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Raw materials	118.328.839	96.940.388
Work in process goods	1.121.928	1.255.460
Finished goods	144.462.299	112.915.680
Trade goods	28.602.210	21.018.732
Other inventory	1.305.697	1.088.263
Goods in transit	53.971.721	43.111.266
	347.792.694	276.329.789
Provision for inventory (-)	(794.645)	(1.214.070)
Total	346.998.049	275.115.719

Movement of provision for inventory	<u>2017</u>	<u>2016</u>
Opening balance - 1 January	1.214.070	706.632
Provision released (-)	(419.425)	-
Current period impairment	-	132.902
Closing balance - 30 June	794.645	839.534

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	Total
Opening balance as of 1 January 2017	1.292.239	12.212.028	82.068.647	184.928.916	7.089.454	4.476.234	774.199	578.207	293.419.924
Additions	-	18.120	23.320	1.451.590	816.403	-	-	147.358	2.456.791
Disposals	-	-	-	(6.004.903)	-	(182.433)	-	-	(6.187.336)
Closing balance as of 30 June 2017	1.292.239	12.230.148	82.091.967	180.375.603	7.905.857	4.293.801	774.199	725.565	289.689.379

Accumulated Depreciation

Opening balance as of 1 January 2017	-	(7.564.532)	(40.621.417)	(137.124.706)	(4.757.483)	(2.926.451)	(761.258)	-	(193.755.847)
Charge for the year	-	(221.759)	(1.368.312)	(4.158.030)	(508.728)	(136.666)	(1.434)	-	(6.394.929)
Disposals	-	-	-	5.854.223	-	182.075	-	-	6.036.298
Closing balance as of 30 June 2017	-	(7.786.291)	(41.989.729)	(135.428.513)	(5.266.211)	(2.881.042)	(762.692)	-	(194.114.478)

Net Carrying Value

Opening balance as of 1 January 2017	1.292.239	4.647.496	41.447.230	47.804.210	2.331.971	1.549.783	12.941	578.207	99.664.077
Closing balance as of 30 June 2017	1.292.239	4.443.857	40.102.238	44.947.090	2.639.646	1.412.759	11.507	725.565	95.574.901

Amounting to TL 9.424.875 of the depreciation expenses has been charged to cost of sales (31 June 2016: TL 9.106.983), and TL 346.619 (30 June 2016: TL 289.409) to research and development expenses and TL 545.689 (30 June 2016: 752.837) to marketing, selling and distributions expenses, TL 789.414 (30 June 2016: TL 699.751) to general administrative expenses and TL 704.953 (30 June 2016: 601.742) to R&D capitalization as of 30 June 2017.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

<u>Cost Value</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Plant, Machinery and Equipment</u>	<u>Motor Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Fixed Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
Opening balance as of 1 January 2016	1.292.239	12.011.653	80.144.791	178.035.058	7.601.890	4.011.516	774.199	2.041.608	285.912.954
Additions	-	85.739	76.781	3.032.760	32.511	75.916	-	966.382	4.270.089
Disposals	-	-	-	(440.833)	(43.575)	-	-	-	(484.408)
Closing balance as of 30 June 2016	1.292.239	12.097.392	80.221.572	180.626.985	7.590.826	4.087.432	774.199	3.007.990	289.698.635
<u>Accumulated Depreciation</u>									
Opening balance as of 1 January 2016	-	(7.130.209)	(37.965.821)	(129.909.645)	(4.121.417)	(2.687.324)	(758.333)	-	(182.572.749)
Charge for the year	-	(215.969)	(1.322.963)	(3.934.146)	(550.119)	(117.374)	(1.492)	-	(6.142.063)
Disposals	-	-	-	432.735	43.575	-	-	-	476.310
Closing balance as of 30 June 2016	-	(7.346.178)	(39.288.784)	(133.411.056)	(4.627.961)	(2.804.698)	(759.825)	-	(188.238.502)
<u>Net Carrying Value</u>									
Opening balance as of 1 January 2017	1.292.239	4.881.444	42.178.970	48.125.413	3.480.473	1.324.192	15.866	2.041.608	103.340.205
Closing balance as of 30 June 2017	1.292.239	4.751.214	40.932.788	47.215.929	2.962.865	1.282.734	14.374	3.007.990	101.460.133

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

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

NOTE 11 - INTANGIBLE ASSETS

1 January – 30 June 2017

<u>Cost Value</u>	<u>Rights</u>	<u>Research & development operations</u>	<u>Other intangible assets</u>	<u>Construction in Progress(*)</u>	<u>Total</u>
Opening balance as of 1 January 2017	367.311	61.404.133	12.099.141	19.037.099	92.907.684
Additions	2.696	-	1.111.534	10.116.243	11.230.473
Closing balance as of 30 June 2017	370.007	61.404.133	13.210.675	29.153.342	104.138.157

Accumulated Amortization

Opening balance as of 1 January 2017	(67.598)	(33.328.537)	(8.822.102)	-	(42.218.237)
Charge for the period	(13.953)	(4.453.919)	(948.749)	-	(5.416.621)
Closing balance as of 30 June 2017	(81.551)	(37.782.456)	(9.770.851)	-	(47.634.858)

Carrying value

Opening balance as of 1 January	299.713	28.075.596	3.277.039	19.037.099	50.689.447
Closing balance as of 30 June 2017	288.456	23.621.677	3.439.824	29.153.342	56.503.299

(*) As of 30 June 2017, TL 25.125.377 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

1 January – 30 June 2016

<u>Cost Value</u>	<u>Rights</u>	<u>Research & development operations</u>	<u>Other intangible assets</u>	<u>Construction in Progress</u>	<u>Total</u>
Opening balance as of 1 January 2016	158.662	52.395.724	11.459.438	9.378.004	73.391.828
Additions	89.852	-	25.402	9.967.354	10.082.608
Closing balance as of 30 June 2016	248.514	52.395.724	11.484.840	19.345.358	83.474.436

Accumulated Amortization

Opening balance as of 1 January 2016	(48.541)	(25.020.923)	(6.556.201)	-	(31.625.665)
Charge for the period	(8.402)	(4.126.524)	(1.173.733)	-	(5.308.659)
Closing balance as of 30 June 2016	(56.943)	(29.147.447)	(7.729.934)	-	(36.934.324)

Carrying value

Opening balance as of 1 January	110.121	27.374.801	4.903.237	9.378.004	41.766.163
Carrying value as of 30 June 2016	191.571	23.248.277	3.754.906	19.345.358	46.540.112

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

NOTE 12 - GOODWILL

<u>30 June 2017</u>	<u>Net carrying value</u>
Opening balance as of at 1 January	2.340.995
Additions	-
Provision for impairment	-
Closing balance as at 30 June 2017	2.340.995

<u>30 June 2016</u>	<u>Net carrying value</u>
Opening balance as of at 1 January	2.340.995
Additions	-
Provision for impairment	-
Closing balance as at 30 June 2016	2.340.995

NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES

In 2017, TL 104.583 was collected as cash in relation to R&D activities provided by TUBITAK (2016: TL 145.032).

The Group can use R&D deduction in its tax calculations in the amount of TL 27.124.442 as of 30 June 2017. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008, R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% which amounts to TL 17.494.318.

In order to benefit from the incentives and exemptions provided in line with the Law No. 5746, the Group applied to the Ministry of Industry and Commerce to become an R&D centre. On 3 June 2009, the Group was entitled to become an R&D centre.

Regarding the TL 55.041.689 spent as of 31 December 2015 in accordance with Incentive Certificate No. 5487 dated 26 February 2010: the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions	30 June 2017	31 December 2016
Warranty provisions	10.746.691	12.338.519
Provision for lawsuits	2.048.035	1.710.144
Provision for premium and comission	1.280.228	-
Provision for employee rights and cost	957.476	-
Total	15.032.430	14.048.663

Movements of provisions during the period are as follows:

	<u>Warranty Provisions</u>	<u>Provision for lawsuits</u>	<u>Provision for employee rights and cost</u>	<u>Provision for premium and comission</u>	<u>Total</u>
Opening balance as at 1 January 2017	12.338.519	1.710.144	-	-	14.048.663
Additions during the period	3.738.325	492.299	957.476	1.280.228	6.591.639
Less: Paid during the period (-)	(5.330.153)	-	-	-	(5.330.153)
Reversal of provision (-)	-	(154.408)	-	-	(154.408)
Closing balance as at 30 June 2017	10.746.691	2.048.035	957.476	1.280.228	15.155.741

	<u>Warranty Provisions</u>	<u>Provision for lawsuits</u>	<u>Provision for employee rights and cost</u>	<u>Provision for premium and comission</u>	<u>Total</u>
Opening balance as at 1 January 2016	12.679.176	912.832	-	-	13.592.008
Additions during the period	4.556.337	734.032	981.457	749.521	7.021.347
Less: Paid during the period (-)	(5.480.289)	(17.825)	-	-	(5.498.114)
Reversal of provision (-)	-	(306.553)	-	-	(306.553)
Closing balance as at 30 June 2016	11.755.224	1.322.486	981.457	749.521	14.808.688

Lawsuits against the Group:

Amount of provisions allocated for the lawsuits which were filed against the Group as of 30 June 2017 and have not ended as of the balance sheet date equals TL 2.048.035 (31 December 2016: TL 1.710.144).

Mortgages and Guarantees on Assets

There are not any mortgages and guarantees on assets.

Total Insurance Coverage on Assets:

Total insurance coverage on assets is TL 791.588.078 as of 30 June 2017 (31 December 2016: TL 782.599.168).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Contingent liabilities which are not shown in liabilities listed as follows:

Type	30 June 2017	31 December 2016
Given letters of guarantee	39.080.855	46.172.346
Total	39.080.855	46.172.346

Collaterals, pledges and mortgages "CPM" given by the Company as of 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
A. CPMs given in the name of its own legal personality	39.080.855	46.172.346
i. Collateral	39.080.855	46.172.346
ii. Mortgage	-	-
B. CPMs given on behalf of fully consolidated companies	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	39.080.855	46.172.346

The ratio of CPM's given by the Company to the Company's equity is 0% as of 30 June 2017 (0.00% as of 31 December 2016).

The Group is exposed to foreign currency risk since its foreign currency denominated assets and liabilities are formed of different currencies. In order to hedge its foreign currency position due to the fluctuations in the foreign exchange parities, the Group enters into forward contracts.

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

NOTE 15 - PROVISION FOR EMPLOYEE BENEFITS

	<u>30 June 2017</u>	<u>31 December 2016</u>
Provision for employment termination benefit	18.987.685	13.931.309

Within the framework of current laws in Turkey, it is obligatory to make the severance pay of each employee who has completed one year service period, has been paid off regardless of any related reason, has been called-up for military service along with men who have completed 25-year service period, women who have completed 20-year service period or those who have completed age of retirement (58 for women, 60 for men).

Because there is not any funding obligation for the severance pay provision in Turkey, any special fund is not allocated in the financial statements.

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TL 4.732,48 (31 December 2016: TL 4.426,16) applicable as of 01 January 2017 has been regarded for the calculation of the Group's provision of severance pay.

Moreover, the severance payments are not made for those who leave the job with his/her wish; estimated rate related to these severance pay amounts that will remain in the Group's account is considered.

Considering the Liability of Severance Pay are related to the next periods as per TAS 19, current values of the severance payments which will be made as of the balance sheet date are calculated to determine an approximate inflation expectation whose net difference refers a real discount rate and find an appropriate discount rate.

The actuarial assumptions considered in the calculation of the provision for employment termination benefits are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Annually net discount rate (%)	3,77	3,77
Turnover rate to estimate the probability of retirement (%)	3,02	2,92

The provision calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees is recognised to the consolidated financial statements.

Movements of the provision for employee termination benefit during the period are as follows:

	<u>2017</u>	<u>2016</u>
Opening balance - 1 January	13.931.309	13.546.911
Service cost	1.594.735	535.665
Interest cost	260.694	723.393
Actuarial loss	4.154.043	1.526.528
Retirement pay paid	(953.096)	(1.864.643)
Closing balance - 30 June	18.987.685	14.467.854

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

Prepaid Expenses	30 June 2017	31 December 2016
Advances given	15.264.216	5.113.121
Prepaid insurance expenses	786.437	211.800
Prepaid subscription expenses	9.226	20.896
Prepaid advertisement expenses	10.207	27.819
Prepaid other expenses	875.656	272.968
Total	16.945.742	5.646.604

Other Current Assets	30 June 2017	31 December 2016
Deferred VAT	20.969.076	25.682.834
Other current assets	875.006	689.131
Total	21.844.082	26.371.965

Prepaid Expenses	30 June 2017	31 December 2016
Prepaid Expenses for future months	471.683	75.376
Total	471.683	75.376

Short-Term Deferred Income	30 June 2017	31 December 2016
Deferred income (*)	597.260	666.640
Total	597.260	666.640

(*) The amount of cash incentives received for the company's R&D activities, and which should be transferred to the income statement for upcoming months as of 30 June 2017, is TL 404.274 (31 December 2016: TL 482.727).

Long-Term Deferred Income	30 June 2017	31 December 2016
Deferred income (*)	538.934	698.920
Total	538.934	698.920

(*) The amount which will be transferred to the consolidated income statement related to the upcoming years from the cash support received for R&D activities of the Company as of 30 June 2017 is TL 372.972 (31 December 2016: TL 441.758).

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NOTE 17 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital / Elimination Adjustments

As of 30 June 2017 the share capital of the Company is TL 84.000.000 (31 December 2016: TL 25.419.707). This share capital is divided into 8.400.000.000 in total, including 4.515.314.511 A Group registered shares, 2.498.204.373 B Group registered shares, 1.386.481.116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

30 June 2017

Shareholders	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
YAZICILAR HOLDİNG A.Ş.	29.982.553	-	14.797	29.997.350	35,71
ÖZİLHAN SINAİ YATIRIM A.Ş.	14.109.435	-	6.964	14.116.399	16,81
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	752.784	-	132.649	885.433	1,05
ISUZU MOTORS LTD.	-	14.275.509	-	14.275.509	16,99
ITOCHU CORPORATION TOKYO	-	7.948.322	-	7.948.322	9,46
ITOCHU CORPORATION İSTANBUL	-	2.758.213	-	2.758.213	3,28
HAMİLİNE HALKA AÇIK	-	-	13.710.401	13.710.401	16,32
HAMİLİNE DİĞER	308.373	-	-	308.373	0,38
TOTAL	45.153.145	24.982.044	13.864.811	84.000.000	100

31 December 2016

Shareholders	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
YAZICILAR HOLDİNG A.Ş.	9.073.187	-	4.478	9.077.665	35,71
ÖZİLHAN SINAİ YATIRIM A.Ş.	4.269.734	-	2.108	4.271.842	16,81
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	227.805	-	40.141	267.946	1,05
ISUZU MOTORS LTD.	-	4.319.991	-	4.319.991	16,99
ITOCHU CORPORATION TOKYO	-	2.405.286	-	2.405.286	9,46
ITOCHU CORPORATION İSTANBUL	-	834.678	-	834.678	3,28
HAMİLİNE HALKA AÇIK	-	-	4.148.981	4.148.981	16,32
HAMİLİNE DİĞER	93.318	-	-	93.318	0,38
TOTAL	13.664.044	7.559.955	4.195.708	25.419.707	100

The amount TL 84.000.000 corresponding to the share capital of the company, is fully paid up as free from any misleading transactions. The Company is not included in registered capital system.

Privileges Granted to the Share Groups

The Company is directed by the fourteen members of the Board of Directors elected among shareholders by General Assembly in accordance with the regulations of Turkish Commercial Code.

Four members of the Board of Directors are elected from the candidates nominated by the shareholders of Group B and the remaining members of the Board of Directors are elected from the candidates nominated by the shareholders of Group A by the General Assembly.

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NOTE 17 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont’d)

30 June 2017

Paid-in capital	84.000.000
Capital inflation adjustment difference	30.149.426
Reserves on retained earning	162.175.629
Retained earnings	(11.897.328)
Gain/(loss) on revaluation and remeasurement	(5.286.390)
Net profit for the period	(19.038.216)
Shareholders’ equity attributable to equity holders of the Group	240.103.121
Non-controlling shares	-
Total shareholders’ equity	240.103.121

31 December 2016

Paid-in capital	25.419.707
Capital inflation adjustment difference	86.901.880
Reserves on retained earning	163.579.754
Retained earnings	34.863.033
Gain/(loss) on revaluation and remeasurement	(1.963.156)
Net profit for the year	(46.336.647)
Shareholders’ equity attributable to equity holders of the Group	262.464.571
Non-controlling shares	-
Total shareholders’ equity	262.464.571

Restricted reserves

Restricted reserves are comprised of legal reserves and other reserves.

	<u>30 June 2017</u>	<u>31 December 2016</u>
Legal reserves	23.738.381	23.695.839
Real estate sale profit exemption	138.437.248	138.437.248
Profit reserves from sale of affiliates	-	1.446.666
Profit on cancelled shares certificates	-	1
Total	162.175.629	163.579.754

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In addition, the Group’s profit on the sale of real estate, which is considered to be within the scope of Article 5/e of Corporate Income Tax Law No. 5520, is classified under this accounting category as a “Real estate sale profit exemption”.

As of 30 June 2017, the Group’s total restricted reserves are TL 162.175.629 (31 December 2016: TL 163.579.754).

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NOTE 17 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

Retained earnings

Retained earnings is comprised of extraordinary reserves, miscellaneous inflation differences and other prior years' income.

The Company's prior years' income details as of period ends are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Extraordinary reserves	9.661.446	9.781.181
Inflation difference of legal reserves	24.820.415	24.820.414
Subsidiaries sales profitability inflation	-	260.632
Inflation difference of cancelled shares certificates	-	806
Retained earnings / losses	(46.379.189)	-
Total	(11.897.328)	34.863.033

Quoted companies make profit distributions as follows:

Based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit should be distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period. In accordance with the CMB's decision dated 27 January 2010; it is decided not to bring any obligation for any minimum profit distribution about dividend distribution which will be made for publicly owned companies.

Inflation adjustment on Equity; the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences will be liable to corporate tax if it is used in cash profit distribution.

Group's retained earnings is TL 11.897.328 based on the consolidated financial statements prepared in according with TAS/IFRS Financial Reporting Standard for the period ended 30 June 2017.

In accordance with the Communiqué No:XI-29 and related announcements of TAS/IFRS, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

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

NOTE 18 - REVENUE AND COST OF SALES

	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Revenue				
Domestic sales	286.108.880	330.273.147	165.119.952	141.991.870
Foreign sales	89.633.615	77.703.638	33.562.280	49.435.329
Other income	2.346.529	2.034.344	1.180.673	1.186.571
Sales Total (Gross)	378.089.024	410.011.129	199.862.905	192.613.770
Sales discounts (-)	(27.076.411)	(32.686.009)	(12.979.312)	(15.070.311)
Sales (net)	351.012.613	377.325.120	186.883.593	177.543.459
Cost of sales	(300.042.025)	(316.800.032)	(162.551.406)	(147.722.423)
Gross operating profit	50.970.588	60.525.088	24.332.187	29.821.036

Cost of sales are summarised as follows;

	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Direct raw material and supplies costs	273.799.428	238.096.472	129.738.348	140.236.221
Cost of trade goods sold	23.112.920	32.985.405	11.990.894	17.444.402
Cost of other goods sold	314.722	379.235	126.814	265.145
Change in goods inventory	(28.584.316)	12.596.735	5.045.782	(26.632.649)
Other expenses	34.557.755	33.712.354	16.957.369	17.490.604
Personnel expenses	31.259.233	31.126.228	16.325.414	16.063.592
Depreciation and amortisation expenses	11.106.597	10.848.980	5.560.601	5.412.119
Other production expenses	5.039.411	6.056.184	2.233.178	2.691.982
Total Expenses	350.605.750	365.801.593	187.978.400	172.971.416

NOTE 19 - ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) Research and Development Expenses	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Personnel expenses	(74.025)	(318.415)	(6.754)	(180.561)
Trade goods quality enhancement expenses	(424.662)	(168.110)	(214.352)	(47.958)
Amortization expense	(346.619)	(289.409)	(178.832)	(146.215)
Other	(360.223)	(783.978)	(231.272)	(342.934)
Total Research and Development Expense	(1.205.529)	(1.559.912)	(631.210)	(717.668)
b) Marketing Expenses	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Domestic sales expense	(2.753.313)	(3.588.814)	(1.602.947)	(1.909.211)
Export expense	(4.565.096)	(2.964.633)	(2.163.568)	(1.249.118)
Personnel expenses	(5.869.807)	(5.314.062)	(2.803.180)	(2.726.061)
Advertisement expenses	(2.857.570)	(3.857.659)	(1.526.724)	(2.236.651)
Guarantee expenses	(3.737.763)	(4.556.337)	(723.742)	(2.509.813)
Amortization expense	(545.689)	(752.837)	(281.835)	(374.951)
Other	(7.725.236)	(7.043.208)	(4.521.686)	(3.445.412)
Total Marketing Expenses	(28.054.474)	(28.077.550)	(13.623.682)	(14.451.217)

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NOTE 19 - ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (cont'd)

c)General Administrative Expenses	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Personnel expenses	(6.524.987)	(7.379.068)	(3.211.326)	(3.698.710)
Provision for employee termination benefits	(1.855.429)	(535.665)	(1.590.270)	(280.038)
Business and service expenses	(8.062.927)	(6.813.590)	(3.944.371)	(3.385.426)
Amortization expense	(789.414)	(699.751)	(397.427)	(351.853)
Insurance expenses	(890.807)	(845.898)	(450.875)	(442.063)
Other	(3.180.158)	(3.090.127)	(1.577.833)	(1.922.018)
Total General Administrative Expenses	(21.303.722)	(19.364.099)	(11.172.102)	(10.080.108)

NOTE 20 - EXPENSES BY NATURE

	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Direct material costs	273.799.428	238.096.472	129.738.348	140.236.221
Cost of trade goods sold	23.112.920	32.985.405	11.990.894	17.444.402
Cost of other goods sold	314.722	379.235	126.814	265.145
Change in goods inventory	(28.584.316)	12.596.735	5.045.782	(26.632.649)
Other operational expenses	34.557.755	33.712.354	16.957.369	17.490.604
Personnel expenses	31.259.233	31.126.228	16.325.414	16.063.592
Depreciation and amortisation expenses	11.106.597	10.848.980	5.560.601	5.412.119
Other production expenses	5.039.411	6.056.184	2.233.178	2.691.982
Total Expenses	350.605.750	365.801.593	187.978.400	172.971.416

Expenses by nature include cost of goods sold, marketing, selling and distribution expenses, general administration expenses and research and development expenses.

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Foreign exchange income on trade receivables and payables	5.087.836	1.494.187	726.656	453.811
Discount income on trade payables	3.706.137	4.177.055	(39.519)	(63.840)
Rent income	20.827	14.180	10.471	7.090
Service income	44.130	104.593	20.780	74.893
Tubitak R&D incentive	251.822	355.771	131.140	179.948
Export D.F.I.F support	225.301	215.552	45.037	199.089
Non-contingent provisions	158.323	-	(34.000)	-
Other income	3.054.472	1.235.993	831.480	736.059
Total	12.548.848	7.597.331	1.692.045	1.587.050

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

NOTE 21 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES(cont'd)

Other Expense from Operating Activities	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Foreign exchange expense on trade receivables and payables	(6.581.951)	(18.820.998)	3.282.885	(12.158.569)
Discount income on trade receivables	(3.705.888)	(4.269.490)	333.983	427.957
Contribution expense	(80.861)	(39.337)	(33.250)	(30.224)
Other expenses	42.536	(801.420)	73.227	(491.831)
Total	(10.326.164)	(23.931.245)	3.656.845	(12.252.667)

NOTE 22 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Gain on sale of Machinery and Equipment	4.742	122.207	4.683	122.207
Total	4.742	122.207	4.683	122.207

Expenses from investing activities	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Loss on sale of Machinery and Equipment	(144.883)	(220)	(144.883)	-
Total	(144.883)	(220)	(144.883)	-

NOTE 23 - FINANCE INCOME

Finance income:	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Interest income	3.187.635	3.965.784	1.760.373	1.841.518
Delay interest income	1.702.459	294.094	639.810	125.168
Foreign exchange gain	13.914.634	5.728.575	2.966.911	3.505.156
Total	18.804.728	9.988.453	5.367.094	5.471.842

NOTE 24 - FINANCE EXPENSES

Finance expense:	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Interest expense	(13.083.466)	(9.816.453)	(6.797.683)	-5.226.758
Foreign exchange losses	(30.701.008)	(8.398.058)	(8.817.386)	-4.279.067
Expense from derivative transactions	(2.017.999)	-	(6.468)	-
Forward purchase expense	(1.249.221)	(662.052)	(723.569)	-460.378
Other finance expenses	(484.563)	(1.128.643)	128.114	-591.753
Total	(47.536.257)	(20.005.206)	(16.216.992)	(10.557.956)

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NOTE 25 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

The Group's tax (expense) / income is comprised of current period corporate tax expense and deferred tax income/(expense).

	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Current income tax provision	(90.778)	(77.438)	(32.956)	(22.694)
Deferred tax (expense) / income	-	-	-	-
- Income statement	7.294.685	4.751.233	2.278.870	3.174.336
Total tax (expense) / income	7.203.907	4.673.795	2.245.914	3.151.642
Tax income / (expense) - Other comprehensive income statement	830.809	305.306	851.277	128.760
Total tax (expense) / income	8.034.716	4.979.101	3.097.191	3.280.402

30 June 2017 December 2016

Current corporate tax provision	90.778	1.389.582
Less: prepaid taxes and funds	(535.679)	(2.373.495)
Tax payable	(444.901)	(983.913)

As of June 30, 2017, the amount of corporate tax paid in advance is amounted to TL 444.901, which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation.

i) Provision for Current Period Tax

The Group is subjected to Corporate Tax in Turkey. Necessary provisions in supplementary financial statements have been made for estimated tax liabilities regarding Group's operations in the current period.

The corporate tax to be accrued over the taxable profit is calculated by adding non-deductible expenses to the accounting profit; deducting investment and research and development allowances, income that is not subjected to taxation and the dividends received, from companies located in Turkey, from the accounting profit.

Effective Corporate Tax Rates:

The corporate tax rate was determined as 20% by the Corporate Tax Law No,5520 after publishing at Official Gazette on 21 September 2006 including the earnings in the fiscal year 2006.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

According to Corporate Tax Law's 24th article, the corporate tax is imposed by the taxpayer's tax returns. There is not an exact mutual agreement procedure with Tax Authorities in Turkey. Annual corporate tax returns are submitted to the relating tax offices until the 25th of April in the following year. Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings.

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NOTE 25 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Income Withholding Tax:

In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed, except for resident companies in Turkey receiving dividends from resident companies in Turkey and Turkish branches of foreign companies. The rate of income tax withholding is 15%.

ii) Deferred Tax:

The deferred tax asset and tax liability are based on the temporary differences, which arise between the financial statements prepared according to TAS/IFRS's accounting standards and statutory tax financial statements. These differences are usually due to the recognition of revenue and expenses in different reporting periods for the TAS/IFRS standards and tax purposes.

Timing differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Timing differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and liabilities, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset. Corporate tax rate is used in the calculation of deferred taxes.

	<u>30 June 2017</u>		<u>31 December 2016</u>	
	<u>Cumulative</u> <u>Temporary</u> <u>Differences</u>	<u>Deferred Tax</u> <u>Assets / (Liabilities)</u>	<u>Cumulative</u> <u>Temporary</u> <u>Differences</u>	<u>Deferred Tax</u> <u>Assets / (Liabilities)</u>
Inventories	677.848	135.570	1.487.672	297.534
Non-current assets (net)	(42.086.928)	(8.417.385)	(44.124.022)	(8.824.805)
Provision for employment termination benefits	18.987.685	3.797.537	13.931.309	2.786.262
Guarantee provisions	10.746.691	2.149.338	12.338.519	2.467.704
R&D discount	27.124.442	5.424.888	17.494.318	3.498.864
Current year financial loss (*)	88.839.668	17.767.934	65.435.471	13.087.094
Rediscount expenses/income (net)	2.544.810	508.962	2.545.058	509.012
Law suit provisions	2.048.035	409.607	1.710.144	342.029
Other (net)	2.563.687	512.737	-	-
Total		22.289.188		14.163.694

(*) It is foreseen that the financial loss of the current period will be completely lowered in the next 3 years.

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NOTE 25 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

The reconciliation of the current tax expense with the period profit/loss is as follows;

	1 January 2017 30 June 2017	1 January 2016 30 June 2016
<u>Movement of deferred tax assets / (liabilities)</u>		
Opening balance	14.163.694	(2.252.456)
Charged to profit or loss	7.294.685	4.751.233
Charged to comprehensive income	830.809	305.306
Closing balance	22.289.188	2.804.083
Reconciliation of tax provision:	1 January 2017 30 June 2017	1 January 2016 30 June 2016
Income / (loss) from continuing operations	(26.242.123)	(14.705.153)
Corporate tax rate 20%	5.248.425	2.941.031
Tax effects of:		
- R&D deductions	1.926.025	1.681.356
- R&D support income	50.364	71.154
- Other	(20.907)	(19.746)
Income tax expense recognised in profit or loss	7.203.907	4.673.795

NOTE 26 - EARNINGS PER SHARE

	1 January 2017 30 June 2017	1 January 2016 30 June 2016	1 April 2017 30 June 2017	1 April 2016 30 June 2016
Net profit or loss for the period	(19.038.216)	(10.031.358)	(4.490.101)	(7.905.839)
Weighted average number of shares with nominal value of 1 piastre	8.400.000.000	8.400.000.000	8.400.000.000	8.400.000.000
Income / (loss) per 100 share with nominal value of TL 1 each	(0,2266)	(0,1194)	(0,0535)	(0,0941)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AS AT 30 JUNE 2017

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 27 - RELATED PARTIES BALANCES AND TRANSACTIONS

a) Related party balances:

Group’s receivables from related parties are mainly due to trade goods, service sales and rent income. Group’s payables to related parties are mainly due to raw material, service purchases and rent expenses.

30 June 2017	Receivables		Payables	
	Non - Trade	Trade	Trade	Non-trade
Balances with related parties				
Adel Kalemcilik Tic. ve San. A.Ş.	-	4.411	-	-
AEH Sigorta Acenteliği A.Ş.	-	155.293	-	-
Anadolu Bilişim Hizmetleri A.Ş.	-	13.835	-	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	-	20.337	-	-
Anadolu Endüstri Holding A.Ş.	-	2.919	-	-
Çelik Motor Ticaret A.Ş.	-	196.566	-	-
Efestur Turizm İşletmeleri A.Ş.	-	181.743	-	-
Isuzu Motors Co. Thailand Ltd.	-	-	-	-
Isuzu Motors International Operation Thailand	-	10.019.686	-	-
Isuzu Motors Ltd. Tokyo	449.862	41.951	-	-
Itochu Corporation Tokyo	1.185.448	169.086.432	-	-
Migros Ticaret A.Ş.	-	421.895	-	-
Payables to shareholders (*)	-	-	-	9.109
Total	1.635.310	180.145.068		9.109

(*) Non-Trade Payables to shareholders balance is classified under other payables in balance sheet.

31 December 2016	Receivables		Payables	
	Non - Trade	Trade	Trade	Non-trade
Balances with related parties				
Adel Kalemcilik Tic. ve San. A.Ş.	-	41.945	-	-
AEH Sigorta Acenteliği A.Ş.	-	49.296	-	-
Anadolu Bilişim Hizmetleri A.Ş.	-	230.687	-	-
Anadolu Endüstri Holding A.Ş.	23.963	1.009	-	-
Anadolu Sağlık Merkezi İktisadi İşletmesi	-	186	-	-
Çelik Motor Ticaret A.Ş.	-	540.396	-	-
Efestur Turizm İşletmeleri A.Ş.	-	134.410	-	-
Isuzu Motors Co. Thailand Ltd.	-	138	-	-
Isuzu Motors International Operation Thailand	-	7.134.926	-	-
Isuzu Motors Ltd. Tokyo	225.188	3.315.367	-	-
Itochu Corporation Tokyo	5.293	139.579.505	-	-
Migros Ticaret A.Ş.	-	301.452	-	-
Payables to shareholders (*)	-	-	-	9.109
Total	254.444	151.329.317		9.109

(*) Non-Trade Payables to shareholders balance is classified under other payables in balance sheet.

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NOTE 27 - RELATED PARTIES BALANCES AND TRANSACTIONS (cont'd)

b) Related party transactions:

1 January - 30 June 2017

<u>Sales to related parties</u>	<u>Goods and Service sales</u>	<u>Fixed Asset Sales</u>	<u>Other Income</u>	<u>Total Revenues/Sales</u>
Anadolu Endüstri Holding A.Ş.	135	-	-	135
Isuzu Motors Co. Thailand Ltd.	1.311	-	-	1.311
Isuzu Motors International Operation Thailand	187.642	-	-	187.642
Isuzu Motors Ltd. Tokyo	2.738.199	-	-	2.738.199
Itochu Corporation Tokyo	1.241.705	-	-	1.241.705
Total	4.168.992	-	-	4.168.992

1 January - 30 June 2016

<u>Sales to related parties</u>	<u>Goods and Service sales</u>	<u>Fixed Asset Sales</u>	<u>Other Income</u>	<u>Total Revenues/Sales</u>
Alternatifbank A.Ş.	-	-	1.144.778	1.144.778
Anadolu Bilişim Hizmetleri A.Ş.	2.468	-	-	2.468
Anadolu Motor Üretim ve Paz. A.Ş.	149.353	-	-	149.353
Çelik Motor Ticaret A.Ş.	3.008.586	-	-	3.008.586
Isuzu Motors Co. Thailand Ltd.	24.710	-	-	24.710
Isuzu Motors International Operation Thailand	2.440.886	-	-	2.440.886
Isuzu Motors Ltd. Tokyo	1.563.193	-	-	1.563.193
Total	7.189.196	-	1.144.778	8.333.974

1 January - 30 June 2017

<u>Purchases from related parties</u>	<u>Goods and Services Purchases</u>	<u>Fixed assets purchases</u>	<u>Other</u>	<u>Total expense/purchases</u>
Adel Kalemçilik Tic. ve San. A.Ş.	6.334	-	-	6.334
Anadolu Bilişim Hizmetleri A.Ş.	1.805.709	114.123	-	1.919.832
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	4.371	17.235	-	21.606
Anadolu Endüstri Holding A.Ş.	2.805.197	-	3.720	2.808.917
Anadolu Sağlık Merkezi İktisadi İşletmesi	1.728	-	-	1.728
Çelik Motor Ticaret A.Ş.	532.411	-	517.139	1.049.550
Efestur Turizm İşletmeleri A.Ş.	1.531.585	-	-	1.531.585
Isuzu Motors Co. Thailand Ltd.	1.715	-	-	1.715
Isuzu Motors International Operation Thailand	46.874.735	-	-	46.874.735
Isuzu Motors Ltd. Tokyo	4.069.962	-	-	4.069.962
Itochu Corporation Tokyo	124.996.818	-	-	124.996.818
Migros Ticaret A.Ş.	12.978	-	-	12.978
Total	182.643.543	131.358	520.859	183.295.760

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 27 - RELATED PARTIES BALANCES AND TRANSACTIONS (cont’d)

1 January - 30 June 2017

Purchases from related parties	<u>Goods and Services purchases</u>	<u>Fixed assets purchases</u>	<u>Other</u>	<u>Total expense/ purchases</u>
Adel Kalemcilik Tic. ve San. A.Ş.	6,334	-	-	6,334
Anadolu Bilişim Hizmetleri A.Ş.	1,805,709	114,123	-	1,919,832
Anadolu Efes Biraçılık ve Malt Sanayi A.Ş.	4,371	17,235	-	21,606
Anadolu Endüstri Holding A.Ş.	2,805,197	-	3,720	2,808,917
Anadolu Sağlık Merkezi İktisadi İşletmesi	1,728	-	-	1,728
Çelik Motor Ticaret A.Ş.	532,411	-	517,139	1,049,550
Efestur Turizm İşletmeleri A.Ş.	1,531,585	-	-	1,531,585
Isuzu Motors Co. Thailand Ltd.	1,715	-	-	1,715
Isuzu Motors International Operation Thailand	46,874,735	-	-	46,874,735
Isuzu Motors Ltd. Tokyo	4,069,962	-	-	4,069,962
Itochu Corporation Tokyo	124,996,818	-	-	124,996,818
Migros Ticaret A.Ş.	12,978	-	-	12,978
Total	182,643,543	131,358	520,859	183,295,760

c) **Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:**

As per the Article No:19 in the Main Articles of Association of the Group, at least 2% - 5% of the Group’s profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. Donation was not made to Anadolu Eğitim ve Sosyal Yardım Vakfı in the current year (31 December 2016: TL 3.000 donation was made).

d) **Key management compensation:**

	1 January 2017 30 June 2017	1 January 2016 30 June 2016
Salaries and other short-term benefits	2.603.437	2.569.222
Total	2.603.437	2.569.222

The benefits provided to top management (automotive group chairman, general manager and directors) included salaries, bonuses, premiums, and the employer's share of social security.

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NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance.

The Group’s equity comprised of cash and cash equivalents (Note 4) and respectively share capital, capital reserves, profit reserves and retained earnings items (Note 17).

Risks, associated with each capital class, and the capital cost are evaluated by the top management. It is aimed that the capital structure will be set in balance by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the top management evaluations.

The Group monitors capital by using debt to total capital ratio. This ratio is calculated by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including credits, leasing and commercial debts as indicated in the balance sheet). Total capital is calculated by adding net debt to shareholders’ equity as indicated in the balance sheet.

	<u>30 June 2017</u>	<u>31 December 2016</u>
Net debt	526.991.038	462.333.051
Total equity	243.103.121	262.464.571
Debt/Total equity	2,19	1,76

General strategy of the Group based on shareholders’ equity is not different from previous periods.

The Group conducts hedging contracts (including derivative financial instruments) for the purpose of diversifying foreign currency fluctuation risks.

(b) Price risk

Equity instruments which are classified on Group’s balance sheet as available-for-sale are subjected to price risk. In order to manage the price risk due to capital instruments, The Group has a limited number of financial assets which are available-for-sale.

(c) Market risk

The Group is subject to the financial risks related to the changes in the exchange rate (Please see (d) below) and interest rate (Please see (e) below) due to its operations and other (Please see (f) below). Also due to having financial instruments, the Group also bears the risk of other parties not meeting the requirements of agreements (Please see (g) below).

Market risks seen at the level of the Group are measured in accordance with sensitivity analyses.

The market risk of the Group incurred during the current year or the method of handling the encountered risks or the method of measuring those risks are not different from the previous year.

(d) Foreign exchange risk

Foreign currency transactions may result in foreign currency fluctuation risk.

The Group maintains foreign currency time deposit accounts in banks as the Group has receivables and payables in foreign currencies. As a consequence, the Group is exposed to foreign currency exchange risk due to the changes in exchange rates used for converting assets and liabilities into TL. Foreign exchange risk arises from future trade operations and the differences between assets and liabilities.

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

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

30 June 2017

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dolar increases in 10% against TL		
1 - US Dolar net asset / (liability)	1.954.182	(1.954.182)
2- US Dolar hedges (-)	-	-
3- Net effect of US Dollar (1 +2)	1.954.182	(1.954.182)
In case of Euro increases in 10% against TL		
4 - Euro net asset / (liability)	(30.026.594)	30.026.594
5 - Euro hedges (-)	-	-
6- Net effect of Euro (4+5)	(30.026.594)	30.026.594
In case of other exchange rates increases in 10% against TL		
7- Other exchange rates net asset / (liability)	(8.111.042)	8.111.042
8- Other exchange rates hedges (-)	-	-
9- Net effect of other exchange rates (7+8)	(8.111.042)	8.111.042
TOTAL (3+6+9)	(36.183.454)	36.183.454

31 December 2016

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dolar increases in 10% against TL		
1 - US Dolar net asset/liability	714.822	(714.822)
2- US Dolar hedges (-)	-	-
3- Net effect of US Dollar (1 +2)	714.822	(714.822)
In case of Euro increases in 10% against TL		
4 - Euro net asset/liability	(20.250.564)	20.250.564
5 - Euro hedges (-)	-	-
6- Net effect of Euro (4+5)	(20.250.564)	20.250.564
In case of other exchange rates increases in 10% against TL		
7- Other exchange rates net asset/liability	(13.959.728)	13.959.728
8- Other exchange rates hedges (-)	-	-
9- Net effect of other exchange rates (7+8)	(13.959.728)	13.959.728
TOTAL (3+6+9)	(33.495.470)	33.495.470

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

	Statement Of Foreign Currency Position									
	30 June 2017					31 December 2016				
	<u>TL Amount</u> <u>(Functional</u> <u>Currency)</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Yen</u>	<u>Other</u>	<u>TL Amount</u> <u>(Functional</u> <u>Currency)</u>	<u>US Dollar</u>	<u>Euro</u>	<u>Yen</u>	<u>Other</u>
1. Trade Receivables	31.665.263	6.814	7.792.032	14.465.952	-	48.410.898	1.532	12.986.959	7.500.000	-
2a. Monetary Financial Assets	41.348.252	5.560.857	4.232.849	157.387.776	1.592	25.397.466	2.029.712	4.829.684	10.990.259	1.592
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	1.510.698	-	-	48.578.616	-	1.458.573	-	-	48.578.616	-
4.CURRENT ASSETS	74.524.213	5.567.671	12.024.881	220.432.344	1.592	75.266.937	2.031.244	17.816.643	67.068.875	1.592
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-	-	-	-	-	-	-
9. TOTAL ASSETS	74.524.213	5.567.671	12.024.881	220.432.344	1.592	75.266.937	2.031.244	17.816.643	67.068.875	1.592
10. Trade Payables	180.020.088	(4.403)	25.218.366	2.543.134.962	-	153.536.752	39	3.212.679	4.716.666.020	-
11. Financial Liabilities	101.747.169	-	25.417.729	-	-	64.906.036	-	17.495.360	-	-
12a. Monetary Other Liabilities	5.600.249	-	1.399.013	-	-	6.283.847	-	1.693.805	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
13. CURRENT LIABILITIES	287.367.506	(4.403)	52.035.108	2.543.134.962	-	224.726.635	39	22.401.844	4.716.666.020	-
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	140.105.000	-	35.000.000	-	-	185.495.000	-	50.000.000	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
17 NON-CURRENT LIABILITIES	140.105.000	-	35.000.000	-	-	185.495.000	-	50.000.000	-	-
18.TOTAL LIABILITIES	427.472.506	(4.403)	87.035.108	2.543.134.962	-	410.221.635	39	72.401.844	4.716.666.020	-
19 Off-balance Sheet Derivative Instruments										
Net Asset/Liability Position (19a-19b)	(8.886.241)	-	-	(285.749.584)	-	-	-	-	-	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-	-	-	-	-	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	8.886.241	-	-	285.749.584	-	-	-	-	-	-
20.Net Foreign Currency Assets/Liabilities Position	(361.834.534)	5.572.074	(75.010.227)	(2.608.452.202)	1.592	(334.954.698)	2.031.205	(54.585.201)	(4.649.597.145)	1.592
21.Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(354.458.991)	5.572.074	(75.010.227)	(2.371.281.234)	1.592	(336.413.271)	2.031.205	(54.585.201)	(4.698.175.761)	1.592
22. Fair value of financial instruments used for currency hedge	-	-	-	-	-	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-	-	-	-	-	-
24. Hedged foreign currency liabilities	8.886.241	-	-	-	-	-	-	-	-	-
25. Export	89.633.615	-	-	-	-	184.384.900	-	-	-	-
26. Import	209.136.513	-	-	-	-	351.000.461	-	-	-	-

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

e) Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items or the impact of rate change on interest-sensitive assets and liabilities. The financial liabilities and assets with fixed and variable interest rates are respectively shown at Note 4 and Note 6.

Interest rate position table

	30.06.2017	31.12.2016
Financial assets with fixed rates		
Financial assets	66.574.495	113.246.533
Cash and cash equivalents	(394.757.548)	(344.026.753)
Financial liabilities with variable rates		
Financial assets	-	-
Financial liabilities	-	(26.218.605)

As of 30 June 2017, if the market interest rate had increased/decreased by 1% with all other variables held constant, income before taxes for the period would have been higher/lower by TL 0 (31 December 2016: TL 262.186).

(f) Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

(g) Credit risk management

Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 30 June 2017 are TL 31.665.263 and there is no geographical concentration (31 December 2016: TL 48.410.898).

30 June 2017	Receivables				Notes	Deposits at Banks	Notes
	Trade Receivables		Other Receivables				
	Related	Other	Related	Other			
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	1.635.310	227.830.803	-	24.439.556		91.355.172	
- Secured portion of the maximum credit risk by guarantees (**)	-	227.830.803	-	-	7	-	
A. Net book value of financial assets which are undue or which is not impaired	1.635.310	206.574.588	-	24.439.556	7-8-27	91.355.172	4
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired	-	-	-	-		-	
C. Net book value of assets, overdue but not impaired	-	21.256.215	-	-		-	
- Secured by guarantee, etc.	-	21.256.215	-	-		-	
D. Net book value of assets decrease in value	-	-	-	-		-	
- Overdue (gross book value)	-	(175.000)	-	-	7	-	
- Impairment (-)	-	175.000	-	-	7	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containig credit risk off the balance sheet	-	-	-	-		-	

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2016	Receivables				Notes	Deposits at Banks	Notes
	Trade Receivables		Other Receivables				
	Related	Other	Related	Other			
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	254.444	288.858.763	-	1.023.205		115.263.332	
- Secured portion of the maximum credit risk by guarantees (**)	-	288.858.763	-	-	7	-	
A. Net book value of financial assets which are undue or which is not impaired	254.444	280.271.392	-	-	7-8-27	-	4
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired	-	-	-	-		-	
C. Net book value of assets, overdue but not impaired	-	8.587.371	-	-		-	
- Secured by guarantee, etc.	-	8.587.371	-	-		-	
D. Net book value of assets decrease in value	-	-	-	-		-	
- Overdue (gross book value)	-	(333.324)	-	-	7	-	
- Impairment (-)	-	333.324	-	-	7	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containing credit risk off the balance sheet	-	-	-	-		-	

The ageing of trade receivables, overdue but not impaired, is as follows;

30 June 2017	Receivables				
	Trade Receivables	Other Receivables	Deposits at banks	Derivatives	Other
Past due up to 30 days	19.130.594	-	-	-	-
Past due 1 - 3 months	2.125.621	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	21.256.215	-	-	-	-

31 December 2016	Receivables				
	Trade Receivables	Other Receivables	Deposits at banks	Derivatives	Other
Past due up to 30 days	7.728.634	-	-	-	-
Past due 1 - 3 months	858.737	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	8.587.371	-	-	-	-

Impairment analysis on trade receivables is made over the ageing table and though assessing the management's best estimates.

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NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity Risk Tables

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities. The risk of meeting existing and probable future liabilities is managed only by means of having access to sufficient number of trustable creditors.

The table below indicates derivative and non-derivative financial liabilities of the Group in terms of TL and maturity term.

30 June 2017

Non-derivative financial liabilities

Contract Terms	Carrying value	Total Contracted Cash				
		Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
Bank loans	394.757.548	430.245.400	31.276.730	118.061.018	280.907.652	-
Trade payables	224.787.828	225.378.395	105.379.811	119.998.584	-	-
Other payables	14.944.730	14.944.730	14.944.730	-	-	-
Total liabilities	634.490.106	670.568.525	151.601.271	238.059.602	280.907.652	-

Derivative financial liabilities

Contract Terms	Carrying value	Total Contracted Cash				
		Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
Cash inflows	8.886.241	9.009.951	9.009.951	-	-	-
Cash outflows	(9.133.262)	(9.133.262)	(9.133.262)	-	-	-
Total liabilities	(247.021)	(123.311)	(123.311)	-	-	-

31 December 2016

Non-derivative financial liabilities

Contract Terms	Carrying value	Total Contracted Cash				
		Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
Bank loans	370.245.358	392.890.956	49.282.983	113.374.577	230.233.396	-
Trade payables	211.966.288	212.600.842	130.742.406	81.858.436	-	-
Other payables	11.045.048	11.045.048	11.045.048	-	-	-
Total liabilities	593.256.694	616.536.846	191.070.437	195.233.013	230.233.396	-

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NOTE 29 - FINANCIAL INSTRUMENTS

(Fair value and hedging disclosures)

The Group believes that registered values of financial instruments reflect their fair values.

Objectives of Financial Risk Management

Finding access to financial markets and managing financial risks arisen from operational activities of the Group fall under the responsibility of the Group’s finance department. Aforementioned risks include market risk (foreign exchange risk, interest rate risk and price risk), financial risk covers market risk (exchange rate risk, fair value of interest risk and price risk), credit risk liquidity risk and cash flow risk.

Determination of the fair value of financial assets and liabilities are explained below;

Level 1: Valuation of the financial assets and liabilities over the stock exchange prices of similar assets and liabilities resulting from the transactions in active markets.

Level 2: Valuation of the financial assets and liabilities over the price calculated on the basis of the data that is directly or indirectly observable in the market other than the stock exchange price of the relevant asset or liability determined on the first level.

Level 3: Valuation of the financial assets and liabilities carried out in the absence of observable data in the market for determining the fair value of the relevant asset or liability.

Derivative financial instruments

In order to hedge these risks, the Group enters into forward foreign currency transaction agreements as a financial instrument where necessary.

The Group had forward foreign exchange contracts in terms of JPY/TL in the amount of 285.749.584 as of 30 June 2017. As of 31 December 2016, the Entity does not have any derivative financial instruments.

<u>30 June 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets	-	9.009.951	-	9.009.951
Liabilities	-	(9.133.262)	-	(9.133.262)
Net	-	(123.311)	-	(123.311)

NOTE 30 – SUBSEQUENT EVENTS

The company has announced that the company has provided the lowest offer for the purchase of E6 diesel fuel buses, which was issued by the Municipality of Iasi (Romania) on 22 May 2017, as well as maintenance, repair and education services covered by this guarantee.

As a result of the examination of the tender proposals, the tender authority has been informed that the tender award given by our company is appropriate and the related contract has been signed on 13.07.2017 including the additional purchase tender option specified in the tender specifications. The tender price is RON 68.182.478,14 and the approximate TL equivalent is TL 60 million according to the contract date.