

# ANADOLU ISUZU

2016 Annual Report

WE REUNITE PEOPLE, FACILITATE TRADING AND CREATE  
VALUE FOR OUR STAKEHOLDERS.



ANADOLU GRUBU

# REASON OF BEING

As Anadolu Isuzu, we exist to provide reliable vehicles and services to meet what people need in a fast and sustainable way!

**823**  
employees

**5**  
segments

**25**  
models

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# A UNION OF FORCES IN GLOBAL MARKETS

## The foundations of Anadolu Isuzu were laid back in 1965.

The foundations of Anadolu Isuzu consist of Çelik Montaj (Steel Assembling) which had started its activities with the production of light duty trucks and motorcycles in 1965 and continued to produce light duty trucks under the Skoda brand until 1986.

Adopting its current name with the signing of a license agreement with Isuzu Motors Ltd. in 1983, Anadolu Isuzu started production of Isuzu vehicles in its Kartal Plant, İstanbul in 1984.

## Anadolu Isuzu continues to move forward through the strong partnership with Anadolu Group, Isuzu Motors Ltd. and the Itochu Corporation...

Anadolu Isuzu continues its operations with its strong partnerships with the Anadolu Group (53.57%) and two major Japanese companies, Isuzu Motors Ltd. (16.99%) and the Itochu Corporation (12.75%), both leading groups in Turkey and the world.

Anadolu Isuzu, which has been operating under the guidance of three major companies, is focused on the commercial vehicle segment in the automotive sector.

As well as producing and marketing commercial vehicles, Anadolu Isuzu has product models from the following segments in its product range.

- Trucks
- Light trucks
- Midibuses
- Buses
- Pick up

## Large Scale Production Capacity, Modern Plant Infrastructure, Competent Human Resources

Having relocated to its new facility in Çayırova, Şekerpınar in 1999, Anadolu Isuzu continues its production at the Çayırova production facilities established on 300,000 m<sup>2</sup> of land. With an enclosed area of 97,000 m<sup>2</sup>, the facility has a total annual production capacity of 19,000 vehicles in a single shift.

As of the end of 2016, the total number of employees at Anadolu Isuzu stood at 823.

As of 2016, Anadolu Isuzu had 25 sales points and 114 service points in Turkey, and 19 distributors in 30 countries abroad.

Anadolu Isuzu's shares have been traded on the BIST (Borsa İstanbul) under the "ASUZU" ticker since 1997, with a 16.32% float.

For more information please visit the Company's website at [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr)



<b>FINANCIAL METRICS (TL)</b>	<b>2016</b>	<b>2015</b>
Sales	829,811,333	935,494,541
Gross Profit	108,101,277	156,298,251
Operating Profit	(6,301,509)	26,890,223
EBITDA	16,378,994	47,705,891
Profit Before Tax	(60,901,230)	18,005,467
Net Profit (Controlling shares)	(46,336,647)	17,743,897
Equity (Controlling shares)	262,464,571	323,361,734

<b>PROFITABILITY</b>	<b>2016 (%)</b>	<b>2015 (%)</b>
Gross Profit Margin	13.0	16.7
Operating Margin	(0.8)	2.9
Net Profit Margin	(5.6)	1.9
Return on Equity	(17.7)	5.5
Operational Expenses/Net Sales	13.8	13.8
Financial Expenses/Net Sales	(6.6)	(1.0)
EBITDA Margin	2.0	5.1

<b>CURRENT RATIOS</b>	<b>2016</b>	<b>2015</b>
Current Ratio	1,85	1,80
Cash Ratio	0,31	0,19
Liquidity Ratio	1,14	1,02

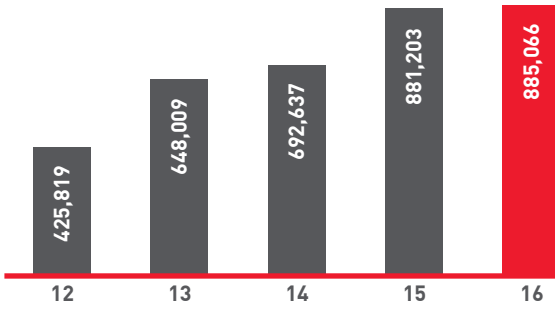
<b>SOLVENCY RATIOS</b>	<b>2016 (%)</b>	<b>2015 (%)</b>
Trade Payables/Equity	80.8	75.7
Total Financial Liabilites/Equity	141.1	84.3
(Trade Payables+Total Financial Liabilites)/Equity	221.8	160.0
Total Liabilites/Total Assets	70.3	63.3
Equity/Total Assets	29.7	36.7

<b>MARKET VALUE (TL)</b>	<b>2016</b>	<b>2015</b>
ASUZU	493,142,316	451,708,193

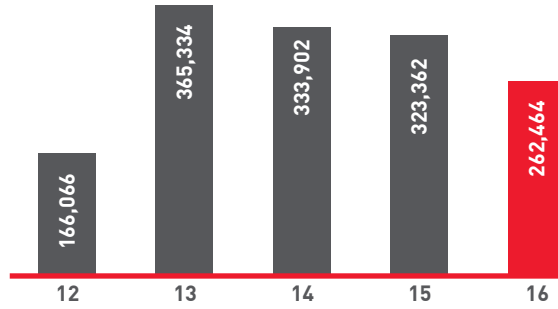
#### **SHAREHOLDING STRUCTURE** (As of year-end 2016)

<b>SHARAHOLDER'S NAME</b>	<b>AMOUNT (TL)</b>	<b>SHARE (%)</b>
ANADOLU GRUBU	13,617,452.75	53.57
ISUZU MOTORS LTD	4,319,991.00	16.99
ITOCHU CORPORATION	3,239,964.00	12.75
PUBLICLY QUOTED	4,148,980.41	16.32
OTHER	93,318.38	0.37
TOTAL	25,419,706.54	100.00

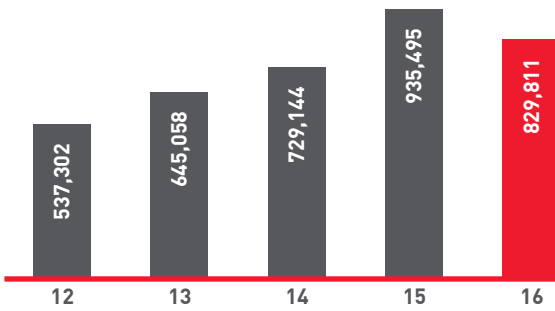
**TOTAL ASSETS** (Thousand TL)



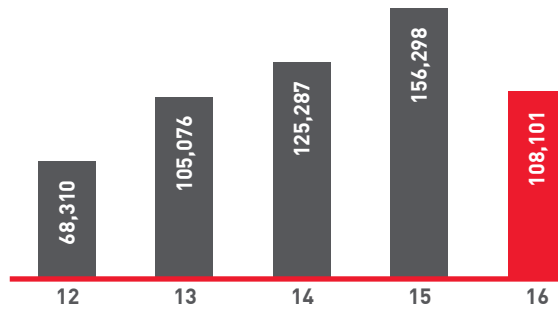
**EQUITY CAPITAL** (Thousand TL)



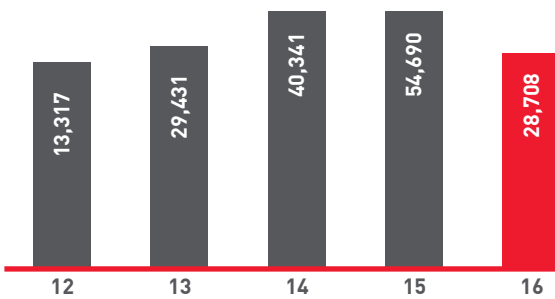
**NET SALES** (Thousand TL)



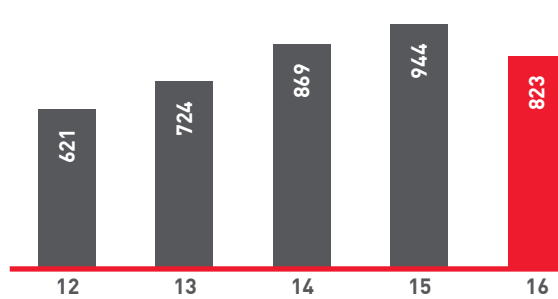
**GROSS PROFIT** (Thousand TL)



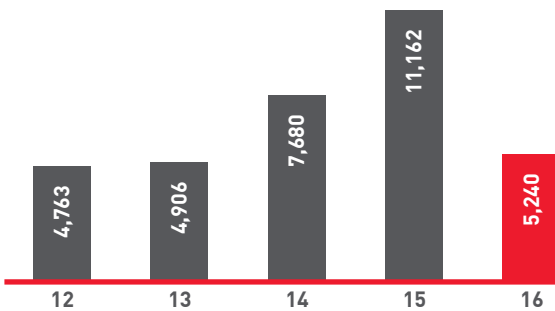
**INVESTMENT EXPENDITURES** (Thousand TL)



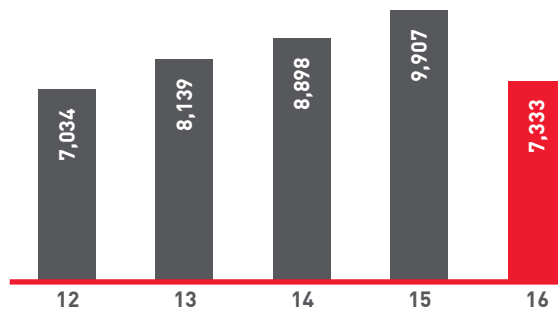
**NUMBER OF EMPLOYEES** (People)



**NUMBER OF PRODUCTS**



**NUMBER OF SALES**



# ANADOLU ISUZU'S ACHIEVEMENTS ARE A SOURCE OF MOTIVATION

## THE AWARDS THAT MARK OUR SUCCESS

The awards, which stand as part of Anadolu Isuzu's corporate identity, stand as markers of the Company's achievements earned in different fields, and motivate us to go on to realise new achievements.

Also in 2016, the Company won wide acclaim from institutions and organizations with its performance, and earned various awards in the national and international arena.

## TURKEY'S 100 MOST VALUABLE BRANDS

Ranked as one of the top 100 brands for the first time in 2015, Anadolu Isuzu ranked 74 in 2016 according to Brand Finance's "Most Valuable Brands of Turkey" survey.



## THE LACP AWARDS

Anadolu Isuzu won seven awards with its 2015 Annual Report in the League of American Communications Professionals (LACP), where 1,000 companies from 25 countries were evaluated, and which the Company participated in for the first time.

These awards are;

- Ranked 29<sup>th</sup> in the ranking of "Best 100 Annual Reports" in the world,
- Ranked 16<sup>th</sup> in the ranking of "Best 80 Annual Report" in Europe, the Middle East and Africa,
- Won "Best Annual Report of the World - Platinum Award" in the ranking of printed annual reports in the automotive category,
- Won "Best Digital Annual Report of the World - Silver Award" in the ranking of digital reports in the automotive category,
- Won "Best Financial Reports - Bronze Award" in the world ranking,
- Won "Best Financial Reports - Platinum Award" in Europe, the Middle East and Africa,
- Included in the "TOP 25 Annual Reports of Turkey" in the country category



## THE 500 LARGE INDUSTRIAL ORGANIZATIONS IN TURKEY

According to the results of the 2015 "500 Large Industrial Organizations of Turkey" survey conducted by the İstanbul Chamber of Industry (ISO), Anadolu Isuzu rose from the 150<sup>th</sup> place to the 111<sup>th</sup> place on the ISO 500 list.



**BÜYÜK ADIMLARLA  
İLK 100!**

Anadolu Isuzu olarak,  
Türkiye'nin 500 büyük sanayi kuruluşunun yer aldığı  
ISO 500 listesinde, 2012 yılında 210. sırada iken  
2013'te 179., 2014'te 150., geçtiğimiz yıl ise  
111. sıraya yükseldik.

**HEDEF İLK 100!**



## THE HAND IN HAND WITH CHILDREN NATIONAL FESTIVALS PROJECT JURY SPECIAL AWARD

The Company was awarded the Jury Special Award for its "Hand in Hand with Children National Festivals Project" at the Heartfelt Awards given by the Private Sector Volunteers Association (ÖSGD).



**Gönülden Ödüller  
2015 sahiplerini buldu.**

**Anadolu Isuzu  
jüri Özel Ödülü'ne  
lâyık görüldü.**

Türkiye'deki gönüllük projelerini teşvik etmek için Özel Sektör Gönüllüler Derneği (ÖSGD) tarafından başarı program ve projelere verilen Gönülden Ödüller, 29 Mart 2016 Salı günü düzenlenen törenle sahiplerini buldu.



Özel sektördeki gönüllük çalışmalarının yaygınlaşmasını sağlamak ve toplumda fark yaratan iyi örnekleri ödüllendirmek amacıyla ÖSGD tarafından 2007 yılından bu yana verilen Gönülden Ödülleri'de Örnek Gönüllülük Deneyimi kategorisinde Anadolu Isuzu'nun "Çocuklarla Elele Millî Bayramlar" Projesi jüri Özel Ödülü'nü aldı.



## İNOVALİG AWARDS

The Company was ranked 6<sup>th</sup> in the "Innovation Strategy" category in the InovaLİG Awards of the Turkish Exporters Assembly (TİM), organized with the support of A.T Kearney, an American global management consulting company. This was Turkey's first innovation competition, attracting 761 participants.



Esteemed stakeholders,

It gives me great pleasure to share my first annual report message with you after taking up the duty on 1 August, 2016.

We are leaving behind what was a difficult year for us in many aspects. The year 2016 was the scene of some very challenging economic developments, both on a global and national scale.

**Developments in the world and in Turkey in 2016...**

2016 was a year of weak growth, in contrast to the stronger rates of growth that had been expected in the global economy, and of a continued contraction in trade. The year was marked by monetary policy decisions by the central banks of developed countries, notably the Fed, the UK vote to leave the European Union, the surprise election of Donald Trump as president in the USA, mounting geopolitical risks, especially in the Middle East, the slowdown in the Chinese economy and a renewed rise in oil prices after OPEC's decision to limit production.

In addition to the pressure created by global conditions on macroeconomics, our country also faced problems such as political developments, the July 15 coup attempt and an increasing number of terror incidents. However, despite these troubles, the Turkish economy and its democracy successfully overcome this challenging test.

On the other hand, as in many other sectors, exchange rate volatility and the fall of the TL against foreign currencies had negative effects on the commercial vehicle segment of the automotive sector.

Despite the challenging conditions both in the world and in our country during 2016, our Company achieved successful results in its export activities, which it has focused in line with its new global vision.

**666 vehicles**

**EUR 56 MILLION OF EXPORTS**

**The sector in brief in 2016...**

The commercial vehicle sector was at the behest of variable and difficult conditions during 2016. The slowdown in the tourism sector compromised midibus sales and the transition to EU regulations saddled producers with a steep increase in costs, which while bringing significant advantages for the environment and security, it came with disadvantages on the commercial front.

We believe that the process of implementing regulations will lead to much more positive contributions to our sector, if the regulations are managed in a manner that does not disrupt the competitive strength of domestic producers.

In 2016, the Turkish commercial vehicle market contracted by about 12% compared to 2015.

**Anadolu Isuzu's activities in 2016...**

Despite the challenging conditions both in the world and in our country during 2016, our Company achieved significant results in its export activities, on which it has focused in line with its new global vision. With a total of 666 vehicles sold, export revenues amounted to EUR 56 million with growth of more than 100% in foreign sales.

In addition, in 2016, our Company reclaimed its title of the biggest exporter of midibus vehicles, having lost this position in 2015.

Our total production stood at 5,240 vehicles for the 2016 full year, while our sales reached 7,333 vehicles.



# OUR GOAL FOR 2017 IS TO INCREASE OUR EFFECTIVENESS ABROAD.

In particular, we have undertaken important investments which we expect to contribute to the profitability of our Company. One of the most important of these investments is our new R&D Center, which has the infrastructure to develop products for every segment for all kinds of market; another is our ongoing CRM software project. In this context, our investment expenditures reached TL 28.7 million during 2016. When we look at our market shares by segment as of the year-end, we had the strongest presence in the midibus segment (25% market share), followed by pick-ups (12%), trucks (9.5%), busses (6.2%) and light trucks (4.1%).

## 2017 and beyond

In 2017, Anadolu Isuzu will continue to contribute to the sector and the Turkish economy by renewing its products with the know-how of the new R&D center and the support and cooperation of other departments. In the same scope, our Company will continue to increase its contribution to the quality of life of its customers with high added value products and services.

We aim to increase our market share by concentrating primarily on sales channels and product development. In this context, we aim to offer the D-MAX, our most competitive product in the pick-up group, with a sales approach that is similar to passenger cars to individual customers as well as commercial customers.

In the truck and bus group, we continue to work towards gaining a presence in new segments by evaluating new product opportunities.

# 25%

## MIDIBUS MARKET SHARE

Our primary goal in 2017 is to raise our sales to a high level by increasing our effectiveness internationally as well as in the domestic market and to rapidly boost our capacity utilization rate. Achieving a strong position in our export activities will serve as a shield against any fluctuations in the Turkish market, and help us make a positive contribution to the Turkish economy.

Under the leadership of our board of directors in the coming periods, my belief is full that we will achieve new and sustainable successes with the competence of our human resources, the support of our founding shareholders, Anadolu Grubu, Isuzu Motors Ltd. and the Itochu Corporation, and of course the trust and loyalty of our customers. In this vein, teamwork will be our most important source of support.

I would like to express my respect and thank all of those who have supported us with their efforts and contributions.

### **Bora Koçak**

The Automotive Group President



Esteemed stakeholders,

One of the leading players in the commercial vehicle segment of the Turkish automotive sector, Anadolu Isuzu completed its 2016 operating year with a strong set of operating results through successful operational activities carried out within the framework of a well-designed business model, despite the volatile outlook presented by global and national economic conditions.

Under the guidance of Anadolu Group, Isuzu Motors Ltd. and Itochu Corporation Anadolu, Isuzu once again continued to offer reliable vehicles and services to its customers - its raison d'être - in a fast and sustainable manner.

**Our Company rounded off a successful year in export activities in 2016.**

Our Company enjoyed a highly successful year in 2016 by achieving very strong results in its export activities, an area that it has focused on.

We have set out a more effective and proactive export policy in order to be able to achieve sustainable growth, become a global player in the commercial vehicle segment and become one of Turkey's top 100 industrial companies. Our new International Markets vision, which we have implemented in this direction, is focused on 3 main issues.

These are;

- Expanding our export markets by assessing all possible alternatives and potential in a wide geographical area from the USA to Asia Pacific, without being limited to traditional markets,
- Expanding our product range by developing new products which meet the needs of new export markets while adding new segments, and
- Creating new business models by evaluating opportunities for strategic alliances abroad.

Our medium and long-term goals, shaped by our vision in this direction are to further advance our sales by maintaining steady growth, expanding our number of international markets and raising our R&D capacity for the production of vehicles suitable for new markets.



# 2016

## THE BEST IN EXPORTS OUR 2<sup>ND</sup> YEAR

Our new global vision, which we determined in 2016 and we believe to bring us to a wide perspective, has accelerated our overseas market activities.

The year 2016 was the second best year for us in terms of our export activities, an area we have been actively pursuing for 22 years, as a result of the changes and improvements we made in our distributor network in some existing markets, as well as in new markets which we have entered.

Working to this strategy, we have increased our efficiency in Western European markets and expanded our market share in Eastern Europe. As we have steered towards new markets, we have increased our international sales network to over 30 countries in Africa and the Middle East.

Anadolu Isuzu has stepped up its activity in Africa; having long commanded a traditional export market in Algeria, we entered Tunisia and Morocco in 2016. We aim to expand into the sub-Saharan and East Africa regions and gain prominence as a brand in the whole continent with the contribution of our partner, Isuzu Motors Ltd. and by taking advantage of its network in the region. We also consider opportunities to develop strategic alliances on the production side as well as in exports, especially in Africa and the Middle East.

# NOVO S WILL BRING NEW LIFE TO PASSENGER TRANSPORTATION.

## **Leading Turkish midibus exports for a 12<sup>th</sup> time in 2016**

While Anadolu Isuzu continues to expand its market area within the new segments on one hand, it has begun to reap the fruits of its global strategy on the other.

Having commanded the title of the leading exporter of midibus vehicles in Turkey between 2004 and 2014, our Company has been top of the leaderboard in terms of exports a 12 times with an interruption of just one year, and was the champion of midibus exports again in 2016.

## **Anadolu Isuzu vehicles made compliant with EU regulations.**

One of the most important developments in our sector in 2016 was the adoption of EU norms in the light and heavy commercial vehicle segment within the framework of EU regulations. Thanks especially to the dedicated work of our R&D Center, Anadolu Isuzu made its vehicles in the light duty truck, truck and bus segments compliant with the legislation.

In 2016, the increase in prices resulting from the transition to Euro 6 emission levels mostly affected the HGV industry, which includes trucks, busses and midibusses. Although the implementation of the processes adversely affects the competitive position of domestic producers, the new regulations are of critical importance when it comes to protecting the environment as well as life and property.

## **Our NOVO S product launched which will bring new life to passenger transportation.**

Anadolu Isuzu offers services for all needs in its wide product range, in the truck, light duty truck, midibus, bus and pick-up segments, including tourism, workplace and school transportation, commercial fleets and public transportation.

Anadolu Isuzu vehicles offer various advantages such as safety, comfort, high passenger capacity, low fuel consumption, a widespread after-sales network, affordable prices for spare parts and a range of models offering the user and passenger different features.

We offered our new product in the midibus segment, the NOVO S, to the market in 2016. We believe the NOVO S is the leading model in its class and will bring a breath of fresh air to passenger transportation and that it will prove highly popular with customers.

# EU

## COMPLIANT WITH EU REGULATIONS

### **Anadolu Isuzu will be the solution partner of its customers.**

While we continue our operations end-to-end on the one hand, we are also striving to improve, develop existing systems and add modernise on the other.

Anadolu Isuzu renewed its R&D Center with the aim of offering innovative products to the market by performing design and testing activities. In 2016, it officially opened the new, independent R&D Centre, the only centre in the sector to have a Japanese partner. Our R&D Centre, which carried out more than three times as many patent applications as it targeted this year, will continue to support domestic and foreign markets by developing new products in its modernized building with new technologies, and will continue to contribute to the profitability of the Company and to the sector.

Our Company continues to take important steps towards digitalization; and in this context, the Company reached the final stage of the CRM project that will allow Anadolu Isuzu to better identify and understand its customers.

### **We are working on developing our after sales service power.**

Our Company attaches as much importance on after-sales processes as it does on the production and sale of vehicles.

To this end, the "Isuzu in the field Project" was launched in 2016 with the aim of raising the efficiency of our after-sales service power and communicating with our local customers and to better understand the changing needs. With this project, fast and effective solutions for customer needs will be generated on the basis of customer focus.

# WE RANK 111<sup>TH</sup> AMONG TURKEY'S 500 LARGEST INDUSTRIAL ORGANIZATIONS.

## **Every award we receive encourages us.**

As Anadolu Isuzu, to be appreciated and to earn awards in national and international platforms both gives us great pleasure and encourages us to achieve new successes.

Based on the results of the 2015 "500 Large Industrial Organizations of Turkey" survey conducted by the Istanbul Chamber of Industry (ISO), the Company rose from 150<sup>th</sup> place to 111<sup>th</sup> place on the ISO 500 list.

Ranked among the top 100 brands for the first time last year in Brand Finance's "Most Valuable Brands of Turkey" survey, Anadolu Isuzu ranked 74<sup>th</sup> in 2016, retaining its brand value.

The 2015 Annual Report won a total of 7 awards in the League of American Communications Professionals (LACP), where 1,000 companies from 25 countries were evaluated, and in which Anadolu Isuzu participated for the first time.

## **We continue to increase the number of women working in our Company.**

As Anadolu Isuzu, we heartily support the participation of women in work life and unwaveringly continue our work to raise women leaders and promote the employment of women in our Company.

Even though the number of male employees is higher in our sector, we have increased our number of female employees by 208% and our number of female managers by 300% in the last 5 years.

In addition to making our Company more attractive for women to work in with our planned projects, we have been developing various collaborations aimed at increasing the number of female employees with professional groups, universities and NGOs.

In this context, we aim to double the number of female employees and to triple the number of female managers over the next 5 years.

## **With all of our stakeholders, it is full steam ahead to the future.**

As one of the leading producers of commercial vehicles and diesel engines in Japan and in the world, Isuzu Motors Ltd. has been a leading player in the global automotive industry, with many technological innovations implemented throughout its successful century-long history. So as we celebrate the 100<sup>th</sup> anniversary of the establishment of Isuzu Motors Ltd., I would like to emphasize once again the pride we feel from being a member of this family.

We at Anadolu Isuzu would like to clearly express the confidence and belief we feel in our country and the industry, while stressing that we will increasingly continue to contribute to the development and welfare in all of the investments that we have undertaken since our establishment.

In 2017 and beyond, we will continue to invest in line with this belief and confidence and to increase the quality of life of our customers.

Our medium and long-term goals, shaped by our vision in this direction, are to further advance our sales by maintaining steady growth, expanding our number of international markets and raising our R&D capacity for the production of vehicles suitable for new markets.

I owe a great deal of gratitude especially to our employees who have worked so hard to ensure sustainable success in all circumstances, and to our distributors, our sales and service organizations, our customers, our suppliers, our shareholders who have been unstinting in their support for us, and to all of our other stakeholders.

Respectfully,

**Tuğrul Arıkan**  
General Manager



# THE STAR THAT CONNECTS ANATOLIA TO THE WORLD AND THE WORLD TO ANATOLIA

## ANADOLU GROUP

### The Star of Anatolia Shining to the World

The Anadolu Group, whose foundations were laid by Honorary Presidents Kamil Yazıcı and İzzet Özilhan in 1950, carries out operations both in the national and international arena, setting out from the vision of "being the star connecting Anatolia to the world and the world to Anatolia".

One of Turkey's leading and well-established groups, the Anadolu Group consists of 85 companies in 19 countries and 61 production facilities, and employed 50,000 people as of the end of 2016. Six of the Group's companies trade on the BIST, and the Group is also the holding company with the highest number of women managers in Turkey.

### A Group with a global reputation, with business partnerships with some of the world's leading companies

In line with its mission of being a multinational, entrepreneurial group, the Anadolu Group, which has been opened to the world setting out from Anatolia, produces surplus value in the areas where it operates through its partnerships with some of the world's largest and most important brands and the synergistic cooperation with multinational companies.

The Anadolu Group, with its brands of global prestige, carries out work focused on the energy, agriculture, real estate and health sectors, as well as in the beverages, automotive and retail sectors in which it operates.



## SECTORS SERVED BY THE ANADOLU GROUP

- Beverage Sector - Anadolu Efes (Anadolu Efes and Coca Cola Drink)
- Retail Sector - Migros and Anadolu Restaurant Operations
- Automotive Sector - Anadolu Isuzu, Çelik Motor (Engine) and Anadolu Motor (Engine)
- Stationery Sector - Adel Kalemcilik
- Agriculture Sector - Anadolu Etap
- Energy Sector - Anadolu Kafkasya Enerji Yatırımları (Energy Investments), Aslancık Elektrik Üretim (Electricity Generation), AES Elektrik Enerjisi Toptan Satış (Electric Energy Wholesales)
- Real Estate Sector - AND Gayrimenkul (Real Estate)
- Other Operation Areas - AEH Sigorta Acenteliği (Insurance Agency)

### Contributing to Society with Social Responsibility Activities

The Anadolu Group continues its social responsibility activities through the Anadolu Foundation, the Anadolu Health Centre and the Anadolu Efes Sports Club in order to contribute to society in the fields of education, health and sports.

### Commitment to Core Values from End-to-End

Anadolu Group's main objective is to pass its reputation on to future generations by providing the best services and products to all the people in the world as well as the countries where it operates.

Progressing in line with this objective, the Group has adopted the following core values as a principle in all its units from A to Z.

- Trust,
- Transparency,
- To be loyal,
- To be sensitive to society and environment,
- To be people focused,
- To give priority to knowledge.

For more information about the Anadolu Group, please visit the [www.anadolugrubu.com.tr](http://www.anadolugrubu.com.tr) website.

**WITH ITS BRANDS WITH GLOBAL PRESTIGE, ANADOLU GROUP CARRIES OUT WORK FOCUSED ON THE ENERGY, AGRICULTURE, REAL ESTATE AND HEALTH FIELDS AS WELL AS THE BEVERAGES, AUTOMOTIVE, RETAIL SECTORS IN WHICH IT OPERATES.**



ANADOLU GRUBU



### COOPERATION WITH THE LARGEST BRANDS OF THE WORLD

The leading companies of the world who are among the Anadolu Group's business partners are as follows:

- AB InBev
- The Coca-Cola Company
- McDonald's
- Faber-Castell
- Isuzu
- Kia
- Lombardini
- Honda
- Cutrale

# WITH THE ENERGY OF A 100 YEAR OLD PLANE TREE, EXPORTING TO 130 COUNTRIES

## ISUZU MOTORS LIMITED

Isuzu Motors Ltd., one of the leading commercial vehicle and diesel engine manufacturers in Japan and the world, celebrated its 100<sup>th</sup> anniversary at the end of 2016. The company is also an indispensable player in the Japanese automotive industry and the Japanese economy, and is the leverage of development.

Isuzu products, which are sold to more than 130 countries worldwide, are the market leaders in at least one product category in 23 countries where the company has operations.

### **A giant brand bringing a century of Japanese culture to the World**

Isuzu Motors Ltd., a representatives of Japanese culture with important virtues such as discipline, harmony, loyalty and business ethics, took its name from the Isuzu River near the Ise Shrine of Mie, Japan's oldest temple.

Isuzu Motors Ltd., which has adopted the principle of "creating without compromise" throughout its 100-year history, continues to provide an increasing contribution to the global automotive industry.

### **A company focused on R&D and the customer that is a creator of firsts and a pioneer of innovations.**

The main philosophy of Isuzu Motors Ltd. is to provide high quality products and services to its customers and to develop new technologies that will contribute to the needs of the industry. The company produced Japan's first air-cooled diesel engine exactly 100 years ago. With its pioneering spirit, excellent foresight and innovative structure, the company has always set itself apart and distinguished itself from its competitors.

The company, which has prioritized R&D in its growth strategy, has concentrated primarily on diesel engines for over 70 years. It has provided many technological innovations in the field of diesel engines throughout its history for the service of the industry and its customers.

# ISUZU





**Eco-Friendly pioneering products for diesel engines**

Isuzu Motors Ltd., which has so far produced more than 23 million diesel engines since its first air-cooled auto diesel engine produced in Japan in 1936, now commands an annual production capacity of more than 1 million diesel engines worldwide.

In addition, the company, which has a wide range of products, manufactures various products ranging from 1,000 cc power units to 24-liter heavy duty machineries and marine engines.

In addition to currently being one of the world’s largest producers of diesel engines along with three European producers, the name Isuzu Motors Ltd. is a pioneer in environmentally friendly diesel technology research.

For more information about the company, please visit the [www.isuzu.co.jp/world](http://www.isuzu.co.jp/world) website.

**ISUZU MOTORS LTD., WHICH HAS ADOPTED THE PRINCIPLE OF “CREATING WITHOUT COMPROMISE” THROUGHOUT ITS 100-YEAR HISTORY, CONTINUES TO CONTRIBUTE INCREASINGLY TO THE GLOBAL AUTOMOTIVE INDUSTRY.**



# THE CORNERSTONE IN GLOBAL DEVELOPMENT WITH A CENTURY AND A HALF OF EXPERIENCE

## **ITOCHU CORPORATION**

Established in Japan in 1858, the Itochu Corporation operates with more than 100,000 employees in 120 different locations in 63 countries around the world. The company has investments in a variety of sectors such as textiles, metal, machinery, energy, chemicals, mining, forest products, information technologies and finance.

With more than 200 associates and over 100 subsidiaries, the Itochu Corporation has a presence in Turkey with a branch office in İstanbul as well as the Ankara office, which entered operation in 1963.

### **Also supporting projects from Turkey**

Providing support to mega projects around the world as a solution partner, the Itochu Corporation is specialized in creating financial resources.

Contributing to the development of developing countries, the company supported the implementation of large projects such as the Golden Horn Bridge, the Fatih Sultan Mehmet Bridge and the Bursa Thermal Power Plant in Turkey.



### **A Pioneer with its Social Responsibility Projects**

Reaching the four corners of the world with its wide range of investments from various sectors, the Itochu Corporation has been reinforcing its presence with more than a century and a half of experience, its international perspective and power.

With the commitment of global benefit, within the scope of the mission of respecting the individual, society and the future, the company undertakes infrastructure projects in developing countries. It also plays an important role in the continuous development of societies and individuals through social responsibility projects.

For more information, please visit the Itochu Corporation website at [www.itochu.co.jp/en](http://www.itochu.co.jp/en)





**THE ITOCHU CORPORATION, WHICH SUPPORTS MEGA PROJECTS AROUND THE WORLD AS A SOLUTION PARTNER, IS SPECIALIZED IN CREATING FINANCIAL RESOURCES.**

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# ANADOLU ISUZU

ADDING VALUE TO LIFE SINCE 1965...



Anadolu Isuzu's foundation was laid.

## 1965

Foundation

→ 1965

Foundation of Çelik Montaj company.

→ 1981

Registration of Anadolu Otomotiv Industry title.

→ 1983

Signature of technical assistance agreement with Isuzu.

→ 1984

Start of truck manufacturing with Isuzu Motors Ltd.

→ 1985

Launching of the first vehicle NPR 59 produced with Japanese license.

→ 1986

Signature of partnership agreement between Isuzu, Itochu and Anadolu Endüstri Holding; Establishment of first Turkish-Japanese partnership in the automotive sector.

→ 1987

Start of the manufacturing of the midibus and the small bus which were the designs of AIOS (Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.).



Signature of partnership agreement between Isuzu Motors Ltd., Itochu Corporation and Anadolu Endüstri Holding.

## 1983

Agreement

→ 1989

Municipality type vehicle production has started.

→ 1991

NKR-Wide light truck production has started.

→ 1994

Export operations have started.

→ 1995

The Company name changed as Anadolu Isuzu. Usage of total quality management systems was activated. The share of Japanese partners reached 35%.

→ 1996

ISO-9002 certificate received and new factory founded.

→ 1997

The Company's shares started to be traded in Borsa İstanbul.

→ 1999

The new factory in Gebze Şekerpinar commenced production. NQR truck production has started.



Anadolu Isuzu began export operations.

# 1994

Export



Bus export to European Union began.

# 2003

EU

→ 2000

TURKUAZ bus production has started.

→ 2002

NQR 3 axle truck production has started.

→ 2003

Bus export to European Union began.  
ISO 9000:2000 quality certificate was acquired.

→ 2004

The 20<sup>th</sup> anniversary of Isuzu brand in Turkey was celebrated. Sales of D-MAX pick-up began. 80.000<sup>th</sup> Isuzu were unloaded from Isuzu production line.

→ 2005

2000. Turquoise bus was unloaded from the production line. N-Series truck and light duty trucks were renewed. D-MAX pick-up was renewed. Royal bus took the name of Roybus with its turbo engine.

→ 2006

The production of new-looking Turquoise has started. NPR, NQR, NQR 3D's new face and engines were renewed. Roybus, Classic and Urban's face and engines were renewed.



→ 2007

Euro 4 engine started to be used on Turquoise model which was exported to EU member countries. Front and rear appearance designs were renewed. The launching of first 9 meter bus model Citimark was made. Exterior and interior designs of D-MAX 4x4 and 4x2 were renewed. 100.000<sup>th</sup> Isuzu vehicles were unloaded from the production line.





The 25<sup>th</sup> anniversary of Isuzu brand in Turkey was celebrated.

## 2009

25<sup>th</sup> anniversary

### → 2008

IMM (Isuzu Manufacturing Management), globally shared manufacturing system of Isuzu, started to be implemented in AIOS truck factory.

### → 2009

The 25<sup>th</sup> anniversary of Isuzu brand in Turkey was celebrated. Novo, Novo Lux and Novo Ultra were launched. N-Series vehicles were introduced. Anadolu Isuzu has gained the right to be the R&D Center.

### → 2010

In the truck segment of Anadolu Isuzu 3 new models of NPR; NPR 8, NPR 10 and NPR 3D were launched. NPR's capacity was increased from 7.5 tons to 8 tons.



The first domestic D-MAX model pick-up was manufactured.

## 2014

Local production pick-up

### → 2011

9.5 meter long new public transportation vehicle Citibus was launched.

### → 2013

New bus model Visigo and renewed Novo model midibus were launched.

### → 2014

The first domestic D-MAX model pick-up was manufactured. 12 meter long new public transportation vehicle Citiport was launched.

### → 2015

Passing to upper segment in truck class by launching new model TORA with the capacity of 15.7 tons.



# PRODUCT RANGE

HIGH QUALITY AND SAFE VEHICLES

## → 2016

- Specially designed for service and school transport, the NOVO S was promoted.
- Within the framework of EU regulations, the transition was carried out from Euro 5 to Euro 5b+emission standards in the light duty truck segment and from Euro 5 to Euro 6 in the truck and bus segments.
- The CRM software project was implemented with important steps taken towards digitalization.
- The year 2016 was the second best year in the last 22 years for export activities. Export revenues reached approximately EUR 56 million, with a total of 666 vehicles sold.
- Anadolu Isuzu's "Raison D'être" was launched.
- Anadolu Isuzu's new, independent R&D center was officially opened.



Anadolu Isuzu's new, independent R&D center was officially opened.

# 2016

R&D Center

**5**  
segments

**25**  
different  
models

# D-MAX

## Pick-up

### D-MAXIMUM POWER

Introduced to users with the slogan of “D-MAXimum Power”, the D-MAX proves its power with a 3.5 tonne pulling capacity in the 4x4 models as well as the capability of rapid acceleration.

The D-MAX, a versatile vehicle, is a powerful business partner that provides solutions for both the SMEs and tradesmen. It also addresses individual customers and serves personal users. The D-MAX was designed to combine comfort and functionality with a powerful engine, along with durability, aesthetics and the D-VISION technology package.

## A VERSATILE VEHICLE



# Truck

## Group

### WIDE PRODUCT RANGE

The Anadolu Isuzu truck group has a wide range of products that are shaped by customer demands and expectations and are made up of different features. Particularly, the truck group vehicles, which stand out with their widespread after-sales network and affordable spare parts cost, gain the customers' appreciation with these advantages.



# Light Truck

## Group

### THE BUSINESS PARTNER FOR SMEs

The Anadolu Isuzu light truck group consists of four highly popular models that offer comfort in use and efficiency in transportation for customers from every segment, especially SMEs.



**NPR**

**NPR Long**

**NPR 10**

**NPR 10 Long**

**NPR 10 XLong**

**NPR 3D**

**Tora**

**Tora Long**

**N-Wide**

**N-Wide Long**

**NLR**

**NLR Long**



# Bus

## Group

### EFFICIENCY AND PROFITABILITY

The models in Anadolu Isuzu's bus group have a versatile area of usage which encompasses public transportation, the tourism sector, personnel vehicles and commercial fleets. The vehicles, which bring efficiency and profitability to their operators, offer passengers important features in terms of comfort and safety. They provide drivers with comfort in their cabin when they are driving, enabling them to focus entirely on the road.



# Midibus

## Group

### COMFORT AND SAFETY

The midibus group developed by Anadolu Isuzu for workplace, school, tourism transportation and public transportation consists of three members that stand out.



**Visigo**

**Visigo Interurban**

**Citiport**

**Citibus**

**Turkuaz**

**Novo S**

**Novo Lux**

**NovoCiti**

# Trucks

Group

## 210 PS

TORA's motor power

## 11.187 kg

Net carrying capacity

### TORA, THE ENVIRONMENTALLY FRIENDLY MODEL

TORA, which does not need any additives other than fuel, offers an environmentally friendly self-cleaning filter.



The Anadolu Isuzu truck group has a wide range of products that are shaped by customer demands and expectations and are made up of different features. In particular, the vehicles in the truck group, which stand out with their wide after-sales network and the affordable cost of their spare parts, gain acclaim from customers.

The Anadolu Isuzu truck group consists of the TORA, TORA LONG, NPR, NPR LONG, NPR 10, NPR 10 LONG, NPR 10 XLONG and NPR 3D models, which offer a wide array of very important features including comfort, capacity, efficiency in transportation, durability and safety.

Anadolu Isuzu trucks increasingly provide companies with added value when it comes to transportation expenditures. Anadolu Isuzu trucks and their features are summarized below.

### **TORA**

The engine used in the TORA, which is the world's most produced diesel engine offering the longest life, is supported with a turbocharger and intercooler, increasing the power and torque of the engine.

The TORA's 210 PS engine is quiet and fuel efficient. The TORA offers an environmentally friendly feature with its self-cleaning filter.

The truck, a faithful friend of long-haul drivers, is also designed with the safety and comfort of the drivers in mind and offers maximum functionality.

**WITH A MODERN AND SIMPLE EXTERIOR DESIGN, THE NPR PROVIDES THE USER WITH A COMFORTABLE MOTION AREA.**

### **FEATURES OF TORA TRUCKS**

- The trucks can load 15 Euro pallets, carry a maximum load weight of 15,700 kg and have a net carrying capacity of 11,187 kg.
- They are equipped with important safety systems such as ABS (Anti-Lock Braking System), ASR (Anti-Slip Regulation), ESC (Electronic Stability Control), EBL (Electronic BrakeForce Limitation) and LDWS (Lane Departure Warning System) which help protect against accident risk.
- There is also an air/parking brake system with an effective emergency spring on the rear brakes of the vehicle..

### **NPR TRUCK MODELS**

#### **NPR**

- 150 PS engine power,
- Isuzu engine with 375 Nm of torque,
- Stands out with its low fuel consumption.

As of 2016, the model formerly known as the "NPR 8" was replaced with the NPR.

Despite its high performance, the NPR - which has a 4.2 m long utility chassis - is more responsive to the needs of its drivers with a new generation fuel-efficient Isuzu engine.



# Trucks Group

## 190 PS

NPR 3D's motor power

## 12.500 kg

Maximum carrying capacity

**NPR 3D is a flexible vehicle with its cup and dimensions, allowing it to pass through narrow streets.**

### NPR LONG

As of 2016, the model formerly known as the "NPR 8 LONG" was replaced with the NPR LONG.

The NPR LONG with a 4.9 m utility chassis length is an ideal vehicle for those demanding volume and performance in the city with its high maneuverability.

With a modern and renewed simple exterior design, the vehicle provides a combination of driving comfort and a comfortable motion area for the user with a wide viewing angle and interior volume.

### NPR 10

With a 190 PS engine and 510 Nm of torque, drivers feel the performance of the NPR 10 truck models. The NPR 10 is a preferred model for those who want the best for in-city transportation with a maximum load weight of 9,800 kg and an air brake system.

The vehicle has won the acclaim of its users with the following features.

- Full-air front back disc brake system,
- High carrying capacity, and
- Superior maneuverability.

### NPR 10 LONG

Experienced drivers and customers are attracted to the NPR 10 LONG, popular for in-city and intercity close distances.

In addition to its dynamic and flexible structure, the vehicle earns for its customers with the following features, and is popular with customers in both the public and private sectors.

- Full air brake system,
- Low operating costs,
- Lower fuel consumption,
- Reduced maintenance need,
- Greater carrying capacity and stock rack area.

### NPR 10 XLONG

The NPR 10 XLONG is used in a wide range of sectors in transportation, from food and construction to municipal services.

The vehicle provides important benefits bringing important savings in terms of time and money with the following features that crown Isuzu's achievements in quality and assurance.

- Ergonomic cabin,
- Strong chassis that can hold up to 6.3 m in length,
- Full-air disc brake system,
- Superior maneuverability.

### NPR 3D

Offering the ability to carry a high load in terms of its class while also being economical, the NPR 3D sets itself apart with its properties.

Providing the user with flexibility with its cup and dimensions, which allow the vehicle to navigate through narrow streets, the most important features of the NPR 3D are listed below.

- High carrying capacity thanks to 3 axles,
- Able to carry a maximum load of 12,500 kg,
- 190 PS of power and 510 Nm of torque,
- Full-air, Dual circuit disc brake system,
- Brake system that regulates force according to load (EBL -Electronic BrakeForce Limitation),
- Automatic brake lining adjustment.

ISUZU TRUCKS OFFER  
COMPANIES SIGNIFICANT  
GAINS WITH THEIR OPTIMUM  
TRANSPORTATION COSTS.



# Light Trucks

Group

**120 PS**

Motor power

**300 Nm**

Motor torque

The N-WIDE offers drivers comfort with its suspension system as well as its large and deep cabin.



There are four highly popular models of the Anadolu Isuzu truck group that offer comfort in use and efficiency in transportation to customers in all segments, especially SMEs.

### **N-WIDE**

The N-WIDE, which provides ease of use thanks to its wider and deeper cabin and attaches importance on driver comfort with its advanced suspension system, stands out with the features below.

- 3.5 m useful chassis length,
- New generation Isuzu engine with 120 PS and 300 Nm of torque.

### **N-WIDE LONG**

The N-WIDE LONG requires less maintenance than other models, while also offering an affordable spare parts service and providing the user with additional fuel economy.

The N-WIDE LONG offers a solution for those requiring more volume with its useful chassis length of 4.3 m.

### **NLR**

In addition its special design enabling parking in narrow streets and areas, the NLR also offers the user convenience during loading and unloading. In addition, the vehicle that provides unique maneuverability is a distinguishing model of its class thanks to its 3 meter useful chassis length and durable chassis construction, performance and flexibility.



NLR's superior climbing ability of up to 49% and its 150 hp and 375 Nm engine torque minimizes ramp difficulties.

### **NLR LONG**

The NLR LONG commands an ambitious position with its world class technology. The vehicle is equipped with a Common rail Turbo Diesel Intercooler engine of 120 PS, which provides the required level of traction and protects the environment.

In addition to its agile structure, the vehicle also has a useful chassis length of 4.3 m which meets the volume requirements of individual and fleet users.

**AS WELL AS HAVING AN AGILE CONSTRUCTION, THE LIGHT DUTY TRUCKS PRODUCED BY ANADOLU ISUZU ARE ALSO RESPONSIVE TO THE VOLUME NEEDS OF INDIVIDUAL AND FLEET USERS.**



# Midibus

Group

## NOVO S

27 seats

## NOVOCITI

7.5 meter length

### VEHICLE WITH A DISABLED RAMP

The NOVOCITI is the first vehicle in its class to come with a disabled ramp.





The midibus group developed by Anadolu Isuzu for workplace, school and tourism transportation and public transportation consists of three members that stand out.

A summary of the NOVO S, NOVO LUX and NOVOCITI models of the NOVO family is provided below.

### **NOVO S**

The “NOVO S” was first launched in 2016.

With a 27 seat capacity, the NOVO S is especially designed as a personnel carrier and school bus. The vehicle, which provides economical fuel consumption and low operating costs, also offers high safety standards.

### **NOVO LUX**

The NOVO LUX comes with ABS and ASR braking systems as standard and the vehicle is equipped with the long-life 190PS Isuzu engine, which meets Euro 6 emission standards.

The NOVO LUX also includes the “immobilizer” (the key system with chip) system, which comes as standard on all NOVO series vehicles, is a necessary system measure for safety and comes in all new model vehicles.

### **NOVOCITI**

With a length of 7.5 m, the NOVOCITI offers superior manoeuvrability in urban transportation and is also the first vehicle in its class to offer a disabled ramp.

The NOVOCITI offers low fuel and maintenance costs and brings economic benefits to the user by reducing operating expenses with its powerful Isuzu engine.



**NOVO IS THE LEADER MODEL IN ITS CLASS.**



# Bus

## Group

# CITIPORT

12 meter segment

# Multiplex

Latest technology

The CITIPORT was chosen as Europe's most ergonomic and comfortable vehicle in the ECW (European Coach Week) competition held at the Busworld Kortrijk Europe 2015 Bus Fair.



The models in Anadolu Isuzu's bus group offer a versatile range of usage areas including public transportation, tourism, service vehicles and commercial fleets. As well as bringing efficiency and profitability to their operators, the vehicles come with a host of important features in terms of the comfort and safety they offer passengers. They allow drivers to use the car comfortably in their cabin and focus on the road.

**VISIGO**

The VISIGO, which has a higher and more spacious interior than its competitors, is a popular model in the tourism sector. The 9.5 m long VISIGO offers a combination of flexibility, economy and comfort.

**VISIGO INTERURBAN**

The VISIGO INTERURBAN, which can carry passengers standing up, facilitates disabled access with its different middle door design and lift option.

**THE VISIGO, WHICH HAS A HIGHER AND WIDER INTERIOR THAN ITS COMPETITORS, IS A PREFERRED MODEL IN THE TOURISM SECTOR.**

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## Bus Group

# RELAXING AND COMFORTABLE FOR DISABLED PASSENGERS

### CITIPORT

The CITIPORT, which is in Anadolu Isuzu's 12 m bus segment offers customers unique solutions in public transportation.

The vehicle, which is designed in line with users' needs, offers passengers a combination of comfort and safety with its aesthetically pleasing design, wide and spacious interior space, low operating cost and high passenger capacity. The CITIPORT won the "most ergonomic and comfortable vehicle in Europe" award in the ECW (European Coach Week) competitions held within the scope of the Bus world Kortrijk Europe 2015 Bus Fair in Belgium, in recognition of its design excellence.

Offering easy and comfortable transportation for the disabled, the CITIPORT has the following features.

- A special area reserved for wheelchair users, indicated with coloured markings,
- Information displays for the hearing impaired,
- High contrast and audio information systems for visually impaired passengers,
- Opportunities to provide support for easy access to mobility-impaired passengers (any slope inside the vehicle is limited to a maximum of 4.5),
- The "Kneeling" feature, which tilts the vehicle sideways to allow disabled passengers to get on and off easily.

### The CITIPORT - offering comfort and a range of passenger safety features, and an especially designed driver's cab

The CITIPORT comes with important features for the safety, comfort and ergonomics of both passengers and drivers in public transport.

In addition to the triple guards that allow passengers to hold on easily in the vehicles, there are functions of vital importance in terms of safety such as the full air EBS brake system, station brake, the three-staged intarder - which is integrated into the transmission that is steered by foot and hand - and the hill-holder system that prevents the vehicle from slipping on hills.

The CITIPORT also has a special driver cab that comes with a separator to enable the driver to drive in a comfortable and ergonomic environment and focus on the road, while there is an indicator panel integrated into steering shaft that is adjustable according to the seat position and does not disturb the viewing angle. In addition, drivers are able to drive more comfortably and safely thanks to a well ventilated adjustable driver's seat, standard electric driver's window and interior and exterior camera displays that are integrated into the front panel.

The other features of the CITIPORT, which has a Multiplex system incorporating the latest technology, are as follows:

- 6 gear forward fully-automatic transmission as standard,
- 6-cylinder diesel Commonrail Turbo Engine,
- Superior air conditioning system with 39 kW of power.



## CITIBUS

The widest bus in its class, the CITIBUS offers the highest passenger capacity.

The vehicle, which comes with a 3<sup>rd</sup> door as standard, promises safety for both its drivers and passengers with ABS and ASR brake systems, auxiliary exhaust brake, front and back disk brakes.

## TURKUAZ

The TURKUAZ, which provides comfort for its passengers as well as its users with its external appearance and interior design, offers sustainable earnings to its operators.

Journeys with the TURKUAZ, which is the ideal vehicle for the tourism sector, take on a pleasure of their own.



TURKUAZ VIP offers different seat configurations along with additional baggage space and lavatory facilities.



**ANADOLU ISUZU DEVELOPS DESIGNS CUSTOMIZED TO MEET CUSTOMERS' NEEDS AND CARRIES OUT SPECIAL PRODUCTION IN THE BUS SEGMENT.**



# D-MAX

Pick-up

# 3,5 tonne

Towing capacity

# D-Vision

Multimedia system

The 8" touch screen, navigation system, reverse view camera, rear parking sensor and controls from the steering column are standard in the V-Cross and Limited models.



COMFORTABLE DRIVING FOR  
EVERY NEED WITH MAXIMUM  
SAFETY

## THE D-MAX ADVANTAGE IN THE PICK-UP SEGMENT

Introduced to users with the slogan of “D-Maximum Power”, the D-MAX proves its power with its 3.5 tonne towing capacity in the 4x4 models as well as capability for rapid acceleration.

The D-MAX, a versatile vehicle, is a powerful business partner that provides solutions for both SMEs and tradesmen. It also addresses individual customers and is a good choice for personal users.

## THE D-MAX OFFERS COMFORTABLE DRIVING FOR EVERY NEED AND MAXIMUM SAFETY WITH ITS EQUIPMENT AND TECHNICAL FEATURES.



The D-MAX is designed with a combination of aesthetic, comfort and functionality with projector lens headlights, a metallic grille, body colour bumper, fog lights and steel alloy wheels.

### Comfortable driving for every need with maximum safety

The D-MAX offers comfortable driving for every need and maximum safety with its equipment and technical features.

The D-MAX's 2.5 litre engine with 120 kW / 400 Nm / 1400-2000 rpm straight torque, a dual turbocharger and high torque is not only powerful, but also long lasting and economical.

The vehicle, which allows the driver to perform all controls from the steering wheel, is also attractive with its front panel, climate controlled air conditioning and foldable electrical side mirrors.

The LIMITED and V-CROSS models of the D-MAX offer the “D-VISION” multimedia system with the Android operating system, an 8” touch screen and navigation and reverse view camera as standard.

As well as the superior safety systems such as EBD, ABS, BAS, ESC, TCS, the D-MAX also has a shock absorber nose, impact absorbing bars that reduce lateral impacts, a reinforced new cab skeleton and active seat belts.

### Superior engineering features

With the D-MAX, Anadolu Isuzu has moved from land transmission to introduce a “shift-on-the-fly” system, which allows the driver to switch to the 4x4 mode at the touch of a button while driving.

The main features of D-MAX, which is constantly improving its engineering superiority, can be listed as follows.

- Modernized transition system into 4x4,
- 6 forward gear (manual), 5 forward gear (automatic) transmission options and
- 2.5-litre double Turbo engine



# THE GLOBAL ECONOMY GREW BY 3.1% IN 2016.

## The world economy rounded off the year 2016 with moderate growth.

- Negative factors continued to weigh on the global economic outlook in 2016.
- Growth in developed and emerging economies was very weak, as inefficient monetary expansion policies, rising private sector debt, geopolitical and political uncertainties, the Brexit vote, volatility in the financial markets and the continuing low level of global demand pulled long-term growth forecasts lower.
- The IMF estimates that the world economy closed the year 2016 with 3.1% growth, almost the same as in 2015. In other words, the world economy closed the year with a rate of growth that was the lowest since the economic crisis.

## Turkey passed a very challenging test in 2016.

- In addition to the weakness in global trade, the Turkish economy passed a very challenging test in 2016 with the failed coup attempt on 15 July, which was compounded by significant geopolitical risks.
- The Turkish economy, which notched up growth in the first half of the year, contracted in the third quarter which was marked by the coup attempt.
- In 2016, the tensions between Turkey and Russia and political instability in the region wreaked significant adverse effects on trade in general, especially in the tourism sector. The number of foreign tourists visiting Turkey in 2016 decreased by 30% YoY. The volatility in the markets, which stemmed from domestic developments, in the wake of the coup attempt led to a renewed rise in risk premiums, paving the way for higher yields and a weaker TL.

## BREXIT

UK decides to exit the EU.

## Trump

new President of the US

2016

The Brexit vote and Trump's election as US President increased volatility in financial markets.

## Winds of change in the global outlook to steer developments in 2017.

- A look at developments in both the global economy and at home shows that uncertainty still prevails in many important areas.
- Some of the populist rhetoric in the developed countries following the Brexit vote and the presidential elections in the USA stands as a significant risk factor to growth rates in the global economy, especially the economies of developing countries.
- The economic policies to be followed by the new US president, Donald Trump, the timetable of Fed interest rate hikes, the referendum to be held in Turkey in April and its fallout, developments in relations with the EU that have become more tense recently - and their effects on exports and tourism, and regional developments are the main issues that are expected to steer the economy in 2017.



# THE YEAR 2016 WAS A DIFFICULT YEAR FOR THE COMMERCIAL VEHICLE SECTOR.

The year 2016 was a year of variable and challenging conditions for Turkey and the commercial vehicle sector.

The commercial vehicle sector, whose development goes hand in hand with Turkey's economic and political conditions, saw markedly different fortunes to the automotive sector, which enjoyed a successful year with records broken in 2016.

The depreciation of the Turkish lira, the coup attempt, the slowdown in economic growth - especially in the second half of the year - and the competition from imported products all had a negative effect on the performance of the commercial vehicle sector.

In addition, the transition to the Euro 6 emission standard from Euro 5 standards in the light and heavy commercial vehicle segments, within the framework of the EU regulations in Turkey, at the beginning of 2016 put pressure on costs and resulted in significant price increases.

Turkey's total automotive market in Turkey stood at 1,007,857 vehicles in 2016, marking a 0.33% contraction compared to the end of 2015.

While sales of motor vehicles increased by 4.3% YoY in 2016, sales of light commercial vehicles decreased by 6.5% to 226,782 vehicles for the 2016 full year.

In line with developments in the economy and the sector, increasing urbanization, people's desire to travel and the increased distribution of mid-level vehicles, the commercial vehicle sector is expected to post some recovery in 2017 and beyond.

## 6.5% decrease in light commercial vehicles sales

**7.2%**

Sales in the European automotive market, including EU (28) and EFTA countries, grew by 7.2% in 2016.

### A 7.2% YoY expansion in the European automotive market in 2016.

Total sales in the European automotive market, encompassing the EU (28) and EFTA countries, grew by 7.2% in 2016 to reach 17,536,560 vehicles.

The most rapidly growing automotive markets in 2016 were in Iceland (32.9%), Lithuania (26.4%) and Croatia (23.6% growth).

Turkey ranked 6<sup>th</sup> in the ranking of European automotive sales, with a 0.3% decline.

### Sales of 1,986,745 vehicles in the European light commercial vehicle market.

In 2016, according to the sum of the EU (28) and EFTA countries, sales in the light commercial vehicle market increased by 11.6% to 1,986,745 vehicles.

The three markets posting the most rapid growth in sales were Italy (50%), Iceland (38.9%) and Slovenia (33.6%).

Turkey ranked 4<sup>th</sup> in the ranking of European light commercial vehicle sales with a decline of 6.4% in 2016.

Source: ODD (Automotive Distributors Association), OSD (Automotive Industry Association)

ANADOLU ISUZU RECORDED  
TOTAL TURNOVER OF TL 830  
MILLION IN 2016 AND EXPORTS  
OF EUR 56 MILLION.



# 7,333

Number of vehicles sold

**2016**

Anadolu Isuzu recorded total sales of 7,333 vehicles in 2016.

## ASSESSMENT OF ACTIVITIES IN 2016

Despite the volatile outlook resulting from global and national economic conditions in 2016, Anadolu Isuzu maintained its stability and achieved a successful performance by acting in a planned and programmed manner, following up trends and applying the latest technology at world standards in its vehicles and introducing vehicles to customers.

In 2016, Anadolu Isuzu's market share by segments stood at 25% in the midibus segment, 12% in the pick-up segment, 9.5% in the truck segment, 6.2% in the bus segment and 4.1% in the light duty truck segment.

Total production stood at 5,240 vehicles in 2016, with a total of 7,333 vehicles sold, a 26% YoY decline. A total of TL 28.7 million in investment expenditures were realized in 2016.

A significant acceleration in the Company's export activities was achieved in 2016 which was the second best year for the Company's export activities, which have been continuing actively for 22 years. The Company realized total exports of EUR 56 million.

The R&D Center, which was relocated to the new building, completed a productive year by exceeding its target for patent applications by 3 times. The R&D Center, which mainly produced vehicles in response to developments in export markets in 2016, produced approximately twice as many special vehicles in 2016 as it had in 2015. This was positively reflected to the Company's operational and financial results.

The Anadolu Isuzu product portfolio achieved compliance with Euro 6 norms in the truck and light duty truck segments as part of the work on the transition from Euro 5 to Euro 6 norms within the framework of EU regulations.

Anadolu Isuzu has been continuing its digitalization activities that are being carried out throughout the Anadolu Group. In this context, work on the CRM [customer relationship management] software project in Marketing Strategies gained pace in 2016, with a focus on segmentation work. With the completion of the project, the existing system will be improved; customer relationships will be managed through a more analytical and effective structure. The project is expected to bring about significant gains and contributions to the Company from top to bottom.

## OUR MARKET SHARES (2016)

- midibus 25%
- pick-up 12%
- truck 9.5%
- bus 6.2%
- light truck 4.1%

## EXPORT ACTIVITIES IN 2016

Anadolu Isuzu has started to act with a new vision for foreign markets that offer growth potential, while expanding the market area within new segments in the domestic commercial vehicle market.

In contrast with international market activities carried out with a limited range of products and territories, which focused on Eastern Europe, Algeria and Azerbaijan in past years, sales activities to Western Europe were stepped up by determining a global strategy in and the Company began to turn to new markets in Africa and the Middle East.

The Company's total turnover, which has been following an increasing trend, especially in recent years, increased from TL 474 million in 2011 to TL 830 million in 2016.

Anadolu Isuzu has focused on increasing its international sales activities, not only through exports but also new business models such as production and strategic partnerships. The Company's primary goal is to develop customer-focused, innovative products and services. The Company also aims to develop a strong sales and service network which responds to customer needs with fast and proactive solutions.

As of the end of 2016, the Company has a sales network in more than 30 countries and its aim is to double this number in the medium to long term.



**The second best year for exports**

Thanks to its global strategy, Anadolu Isuzu completed its best year in export activities, which have been actively continuing for 22 years. A total of 666 vehicles were exported in 2016 with export revenues of EUR 56 million.

The Company's export portfolio, which has been more stable in recent years, gained momentum with new distributor assignments. In this context, an agreement was signed with six new distributors in 2016.

Anadolu Isuzu has realized a total of more than EUR 400 million in exports over the last 10 years.

**Renewed growth in vehicle sales with new distributor partnerships**

Anadolu Isuzu attaches great importance to synergic cooperation with its distributors abroad which serve as a driving force for export activities. Anadolu Isuzu ensures that its products are well promoted and spread in international markets through distributors, and the Company also sells the products through these channels.

As a result of the decline in vehicle sales in some regions, Anadolu Isuzu focused on the distributor issue and changed distributors in these regions in 2015. As a result of strong synergy created with its new distributors, the Company started to reap the rewards of the change in 2016. In this context, especially in recent years, new distributor collaborations in markets such as France, Germany, Poland, Morocco and Tunisia have had a positive influence on exports.

**400 million**

Euros export

**In 10 years**

Anadolu Isuzu's total exports amounted to EUR 400 million.

Likewise, in parallel with the activity in the European Union market, existing distributors in Italy, Lithuania, Bulgaria, the Czech Republic, Greece and Slovenia became more active thanks to the work carried out.

On the other hand, work was carried out without interruption in Europe, Africa and the Middle East to find new distributor agreements.

**Vehicles produced by Anadolu Isuzu now sold in one of Europe's three major markets.**

In 2015, Anadolu Isuzu began exporting to France, which is one of the three major markets in Europe alongside the UK and Germany, and also a suitable market for the Company's existing vehicle portfolio. Anadolu Isuzu sold more than 100 vehicles to France in 2016. In addition, Anadolu Isuzu's first CNG vehicles were sold to France.

# GROWTH OF OVER 100% WAS ACHIEVED IN EXPORTS IN 2016.



## Vehicle parks with a capacities for 4,000 vehicles exported to various countries in the last 5 years.

Anadolu Isuzu exported vehicle parks with a capacity of approximately 4,000 vehicles to leading markets between 2011 and 2016, with the highest number exported to Algeria followed by Azerbaijan, Bulgaria, Romania and France.

This serves as an indication of Anadolu Isuzu's strength in after-sales services in the mentioned countries.

## Increasing sales in the bus product group

Anadolu Isuzu benefited from the trend of rising sales in the bus product group.

## Growth of over 100% was realized in exports.

On the other hand, new countries were added to the customer portfolio to replace markets that had been lost due to the crisis experienced in various countries. In this context, Anadolu Isuzu gained new export markets such as Morocco and Tunisia, taking the place of the lost sales to Algeria, while an equal amount of distribution was realized to various markets in Europe to replace the lost sales to Azerbaijan.

# 53%

Market share

### In 2016

Anadolu Isuzu achieved the leadership title in the midibus export market with a market share of 53%.

## In 2016, Anadolu Isuzu once again achieved the title of midibus export champion.

Anadolu Isuzu, which was the leading exporter of midibus vehicles for 11 years in succession between 2004 and 2014, became the midibus export leader again in 2016 after losing the position for one year. Anadolu Isuzu thus achieved the leadership position in the midibus export market with a market share of 53%.



#### **Bus sales to Bulgaria.**

Anadolu Isuzu sold school buses to Bulgaria in 2016, while there was significant growth in the Polish market as a result of change in the distributor. In addition, the Company's activity in the Middle East market has also increased year after year.

Other developments in the export activities in 2016 are summarized below.

- School buses were sold to Italy,
- Sales effectiveness was increased in the Baltic States of Latvia, Lithuania and Estonia,
- Morocco, which has not been in the portfolio in the past years, was included in the customer portfolio,
- There was a sharp rise in sales to the Czech Republic, after years of relatively stagnant growth.

#### **Fairs attended in 2016**

Anadolu Isuzu participated in a number of fairs abroad in 2016 as part of its export activities.

## **Bulgaria**

### School buses export

Anadolu Isuzu sold school buses to Bulgaria.

#### **Objectives for the future**

Anadolu Isuzu aims to realize its sustainable growth objective by diversifying export markets with new products. In this context, with the contribution of the R&D Center, the Company aims to step up its quest for new markets in the coming years.

Have you ever seen a bus  
that can travel thousands of  
miles across the sea?

**ANADOLU ISUZU  
IS THE MIDIBUS EXPORTS  
CHAMPION  
FOR THE 12<sup>th</sup> TIME!**



ANADOLU ISUZU AIMS TO REALIZE ITS SUSTAINABLE GROWTH OBJECTIVE BY DIVERSIFYING EXPORT MARKETS WITH NEW PRODUCTS. IN THIS CONTEXT, WITH THE CONTRIBUTION OF THE R&D CENTER, THE COMPANY AIMS TO STEP UP ITS QUEST FOR NEW MARKETS IN THE COMING YEARS.

**In 2016, Anadolu Isuzu participated in the following fairs;**

- The “Transcaspian Fair” in Baku, the capital of Azerbaijan, in May,
- The “IAA Hannover” fair in Germany and the “Plovdiv” fair in Bulgaria in September,
- The “Rimini” fair in Italy, “Lyon” fair in France, “Nitra” fair in Slovakia and “Kielce” fair in Poland, all in October,
- And the “Czech Bus Fair” in Czech Republic in November.

**In 2017, Anadolu Isuzu plans to participate in a number of other fairs including the following;**

The 13<sup>th</sup> International Defense Industry Fair (IDEF) in Turkey between 9 and 12 May, the International Bus and Public Transport Vehicles Fair (FIAA) in Madrid, the capital of Spain, between 23 and 26 May, and the Busworld Bus Fair to be held in Kortrijk, Belgium between 20 and 25 October.





**R&D and the increasing importance of innovation**

R&D and innovation is becoming more and more important year after year in the increasingly competitive environment due to globalization.

The R&D centers, which increase the competitiveness of companies in domestic and international markets, also bring positive effects on costs.

The R&D centers, which enable innovative technologies to be developed in Turkey while reducing companies' external dependency and helping companies achieve a competitive advantage, are also of key importance in adapting to the technologies in the world in terms of product and production quality.

Systematic studies aimed at producing new materials, new products or devices by exploiting available knowledge obtained by research and / or fieldwork is performed in the R&D centers at the highest level, along with studies aimed at establishing new processes, systems and services, and significantly improving the already produced or established processes.

The companies operating in the automotive sector, which is intertwined with technology, closely follow the rapidly developing and changing trends in the sector and carry out works in this direction in Turkey as it is in the world.

Acting on these facts, Anadolu Isuzu has increasingly attached special importance on R&D activities in recent years. The Company deems investments in this field to be an integral part of its strategy.



**6,220 sqm**

Closed area

Anadolu Isuzu's R&D Center has a closed area of 6,220 sqm.





ANADOLU ISUZU'S R&D  
CENTER HAS THE LARGEST  
NEW TEST CENTERS IN TURKEY  
AND EUROPE, A PROTOTYPE  
WORKSHOP, OFFICE AND  
MEETING AREAS.



**The R&D Centre contributes significantly to the Company's profitability, with its activities based in its new and modern building.**

The Anadolu Isuzu R&D Center was established in 2009 with the accolade of being one of Turkey's first registered R&D centers by the Ministry of Science, Industry and Technology, and is the only R&D center with a Japanese partner in the sector. With the investment made in 2015, it became a modern center with all kinds of technological equipment, was transformed into a directorship and was affiliated to the General Manager in the organization structure.

The R&D Center's modern building with a 6,220 m<sup>2</sup> enclosed area is host to the largest new test centers in Turkey and Europe, a prototype workshop, an office and meeting areas.

The Company is composed of 16 groups, in which the following activities are carried out under the General Directorate.

- R&D Center,
- New vehicle development,
- Special Projects,
- Test Centre and Validation services,
- Design Centre,
- Production Engineering.

The R&D Center, which employs about 100 people, continues to offer innovative products and services on the international platform with dynamic and specialized human resources in a manner that is respectful to the environment and adds value to the lives of its customers.

## 2009

### Establishment of R&D Centre

Registered by Ministry of Science, Industry and Technology, the R&D Centre was established in 2009.





### **Anadolu Isuzu R&D Center meets its targets in 2016.**

Despite some obligations to be complied with in terms of the regulations and laws as well as the challenges presented by the economic conjuncture, the R&D Center managed meet its targets in 2016.

In parallel with the developments in export markets, vehicles were produced in line with the needs by contributing to exports. Production of special vehicles approximately doubled realized in 2016 compared to 2015. The demands of foreign markets as well as the domestic market were met. In the Special Vehicles Workshop, which can respond to all kinds of customer needs and established within the Centre special vehicles can be produced without being a burden on the standard production line.

The research and development and production work aimed at new markets was carried out and a contribution was made to the enrichment of the customer portfolio. This work has reflected positively to the Company's exports.

On the other hand, various test services were provided in 2016 in line with the objective of opening test activities in the R&D Center to different companies inside and outside the sector.

In addition, the R&D Center was subjected to various inspections from the Ministry of Science, Industry and Technology during the year and successfully passed the inspections.

**IN THE BUS SEGMENT, THE R&D CENTER HAS THE KNOW-HOW TO CARRY OUT THE ENTIRE PROCESS FROM CHARCOAL SKETCHES ON THE DRAWING BOARD TO THE PLATING OF THE VEHICLE, INCLUDING THE ENGINEERING AND VALIDATION PROCESSES WITH ITS KNOW- HOW.**

### **All the processes starting with the idea until the product reaches the customer are realized within Anadolu Isuzu.**

In the bus segment, the R&D Center has the know-how to carry out the entire process from the charcoal sketches on the drawing board to the plating of the vehicle, including engineering and validation processes.

On the other hand, truck and pick-up vehicles are produced with the design and know-how of Isuzu Motors Ltd. The new applications in line with the market demands of the vehicles are realized within the Anadolu Isuzu R&D Center.

As a result of successful efforts of the R&D Center innovation team, Anadolu Isuzu was ranked 6<sup>th</sup> in the "Innovation Strategy" category in the InovaLIG Awards of the Turkish Exporters Assembly (TIM), organized with the support of A.T Kearney, an American global management consulting company.

# THE NUMBER OF PROJECTS RECEIVING SUPPORT FROM TUBITAK HAS INCREASED.

## The Anadolu Isuzu R&D Center made more than three times as many patent applications as it targeted in 2016.

The R&D Center achieved a productive year in terms of patents in 2016; it made a total of 71 patents and 25 design registration applications.

The R&D Center, which made more than 3 times as many patent applications as it had targeted for 2016, has been providing significant contributions to both the Company and the sector, thanks to the new model vehicles it has developed and the increasing number of its brands.

## Collaboration with universities and conferences attended

In 2016, the Anadolu Isuzu R&D Center participated in Career Days events of the leading universities in Turkey under the organization of the Human Resources Department. It therefore found an opportunity to introduce the Company and R&D activities to students about to graduate, exchanging ideas with them and offering them advice as they prepared to enter their professional work lives.

Within the scope of university collaborations in 2016, studies continued to be carried out develop projects with various universities such as ITU, Gebze Technical University (GTU), METU and Okan University. In addition, there were exchanges of ideas with many TTOs (Technology Transfer Offices) for the expansion of activities.

As part of the increasing number of TUBITAK (the Scientific and Technological Research Council of Turkey) projects, support was given to the SAN-TEZ (Industrial Base) Project.

Moreover, as part of the efforts to foster cooperation between industry and academia, support continued to be provided to postgraduate and PhD students to help them gain experience within the R&D Center.

Participating in many international and domestic conferences, the R&D Center increases its recognition by participating in various activities in the national and international platforms, thereby contributing to its activities.

# 71

Patent applications

# 25

Design registration applications

## 2016

The R&D Center made more than three times as many patent applications as it targeted in 2016.





**Objectives for the future**

The medium and long term objective of the Anadolu Isuzu R&D Center is to continue to work in a synergistic cooperation with other departments in line with market needs and customer expectations by taking the necessary measures in the R&D organization. It also aims to offer targeted products to the market through the processes to be carried out and contribute to the profitability of the Company.

Within the framework of published EU technical legislation and laws, compliance was achieved with new regulations such as safety and emissions. The Company will continue the application of necessary systems on vehicles and the expansion and development of the product range through following-up of technologies.

Other objectives of the R&D Center are summarized below.

- Effective participation in all activities carried out for ensuring compliance with the EU technical legislation. Within the framework of these activities, advanced technological systems aimed at reducing the incidence of fatal accidents by ensuring that vehicles fully comply with the regulations, especially environmental and safety regulations are aimed to be commissioned by 2019.
- The aim is to steer the sector by increasing the effectiveness in associations and organizations such as the OSD (Association of Automotive Industry) and AUSDER (Association of Smart Transportation Systems).





### Stepping up development efforts on customer relationships

Seeing customer satisfaction as an unchanging priority, Anadolu Isuzu carries out its activities with the aim of unconditional customer satisfaction at all times and in all cases.

In addition to producing good and quality products, providing a flawless after-sales service and increasing brand awareness, the Company believes that customer management and segmentation are of key importance in achieving customer satisfaction within the scope of the Company objectives.

Within the framework of the continuous improvement and development activities in customer relations, Anadolu Isuzu set up an in-house Call Center and continues work on the CRM Project without interruption.

## CRM Transformation

Dynamic and analytical segmentation and analytical work will allow customer profiling.

With the completion of the transition to the CRM infrastructure, which includes dynamic and analytical segmentation and analytical work, a better recognition of the customer and a profile analysis of the customer will be achieved. Thus, it will be possible to further increase customer satisfaction, consolidate efficiency and integration and also improve the existing system.

The CRM Project, which will provide a detailed examination of the sales, after-sales and customer services processes, will pave the way for significant gains for the Company. The project will bring positive impacts and contributions in many areas, from stronger and sustainable execution of customer relationships, operational efficiency and profitability for the Company.

# CUSTOMER SATISFACTION IS AN UNCHANGING PRIORITY.

## **A CRM infrastructure built on segmentation and digitalization**

The CRM Project, launched by Anadolu Isuzu in 2015, and its software-writing process which was continuing at the end of 2016, is built on segmentation and digitalization.

### **GAINS EXPECTED FROM SEGMENTATION**

- Customers will be able to be followed up under different categories.
- It will be possible to monitor customer segments with auto-updated sets under certain conditions (when a new vehicle is purchased, period since the vehicle's last service, how many buses are registered in a fleet and the value of the bus etc.).
- By combining dynamic and static segmentation criteria (by intersecting), it will be possible to create sub-segment groups.

### **GAINS EXPECTED FROM DIGITALIZATION**

- It will be possible to follow up and analyse the messages sent through social media (Twitter, Facebook, news and video channels, complaint websites and blogs) related to Anadolu Isuzu's brands, products and services,
- It will be possible to follow up of the regional analysis sent concerning Anadolu Isuzu's brands, products and services on the basis of source location and date.

## **Detailed customer analysis with dynamic and static segmentation**

The segmentation work, which is ongoing in Anadolu Isuzu and which is planned to be commissioned in 2017, is divided into two categories; dynamic and static.

In static segmentation, there is a needs analysis classifying customers according to their preference reason, need and usage area. There are also sub-breakdowns that examine who is using the vehicle.

In dynamic segmentation, data and information such as which customers purchase the vehicles and the situation of using after-sales services, the usage area of the vehicle and the product / brand can be accessed on a yearly basis. In addition, it will be possible to carry out location-focused work on the map by determining the Company's service area and where it is strong.

One of the most important objectives of the segmentation studies, which aim at consolidating the loyalty and satisfaction of existing customers, is to support communication and marketing activities. Campaigns will be organized based on the results of the work, which will attract new customers.

Based on analysis resulting from the segmentation, the Company plans to implement improvement activities in after sales services and, in the following stage, carry out sales through this channel.

### **Objectives for 2017**

Following the segmentation, "Potential Customer Management" software, with which the sales team can register potential customers with various pieces of information such as the number of customer visits made, whether or not the order has been taken and the reasons, will be rolled out actively from June. The software is currently in the writing stage.



Mücahit Gül, a partner of the SMB Group, which conducts the logistics activities for Unilever, Algida, Eti, Castrol and Koleksiyon Mobilya, stated that the Group was especially satisfied with the Isuzu N-WIDE light duty trucks in the Algida ice cream distribution business. Mücahit Gül praised the N-WIDE light duty trucks as an ideal vehicle for the ice cream distribution business, where vehicles need to have a heavy case, due to the thick chassis structure of the N-WIDE light duty trucks. He also stated that he was very pleased with the manoeuvrability of the vehicles.

Mücahit Gül, whose family started their business life with the Isuzu brand, expressed that the first thing to come to his mind when Isuzu is mentioned is "family". One of the leading reasons for choosing Isuzu was the durability of the vehicles, the costs of maintenance and the affordability of their spare parts. They have used the trucks for a long time and do not pay large sums of money for the maintenance of the vehicles.

Operating in a number of provinces throughout Turkey and many districts of İstanbul, the SMB Group is also one of Isuzu's first customers to have purchased the Isuzu N-WIDE automatic transmission light duty trucks, and indicated their satisfaction with the vehicle.

"The vehicles are durable, and the cost of maintenance and spare parts is affordable"

**Mücahit Gül**  
SMB Group



"Anadolu Isuzu is a solution focused company"

**Şener Fındık**  
DOĞUŞ GIDA

Doğuş Gıda, which has a wide distribution network and carries out the sales, distribution and logistics activities of international brands such as Coca-Cola, Damla Su, Efes Pilsen and Mey İçki, chose the NPR 10 model developed by Anadolu Isuzu for the beverage sector.

Emphasizing that Anadolu Isuzu is a solution-focused company, Doğuş Gıda President Şener Fındık stated that the NPR 10 is a model that meets its needs and the company has not been disadvantaged for the tonnage thanks to the model. Şener Fındık stated that Isuzu is a world brand, adding that he had been using Isuzu branded vehicles since he began trading. Şener Fındık explained why they chose Isuzu brand trucks and light duty trucks: "Isuzu is a brand that does not cause problems, their vehicles have a high resale value, it has an extensive service network, the vehicles have low operating costs and they have a strong and long-lasting engine."







**“The number one in quality and after-sales service”**

**Göksel Ovacık**  
ÖZULAŞ A.Ş.

Founded by 308 private transporters and offering city passenger transportation services in the Asian side of Istanbul, ÖZULAŞ A.Ş. has the title of being the first company established in the sector.

ÖZULAŞ President Göksel Ovacık stated their satisfaction with the comfort and quality of Isuzu brand buses. Mr. Ovacık, who emphasized that the design of the CITIPOINT was attractive and modern, was also very pleased with the after sales services offered by Anadolu Isuzu.



**“The fact that the vehicles are domestically produced is one of the reasons we chose them ...”**

**Murat Çubukçu, Bora Algan**  
BİOTEK

Biotek, operating in the pest control sector with its products and services, has operations covering Bursa, Kırıkkale, Balıkesir, Ordu provinces and Başakşehir, Bağcılar and Esenyurt districts of İstanbul.

Biotek attaches importance to the fact that the D-MAX 4x2 TR is domestically produced, that it contributes to the national economy and provides employment by being produced in Turkey, and this was considered to be one of the reasons for choosing it.

Murat Çubukçu, the Finance Manager of Biotek and Bora Algan, the Sales Manager of Biotek stated that they need heavy machinery and equipment because of their sector. They choose the Isuzu D-MAX pick-ups because of their ground clearance. They also cited significant advantages of the vehicle, such as its durability, convenient chassis width, high resale value, extensive service network and low operating / maintenance costs.

# WE ARE ONE

Isuzu Sahada (in the field)

The project aims to strengthen the synergy based cooperation with all of Anadolu Isuzu's authorized service providers.

## THE POWER BEHIND ANADOLU ISUZU'S AFTER SALES SERVICE, THE ISUZU IN THE FIELD PROJECT

Anadolu Isuzu launched the "Isuzu Sahada (in the field)" project in March 2016 with the aim of strengthening the synergy-based cooperation that it developed with all authorized service providers.

Within the scope of the project launched at Çetaş Otomotiv, the İstanbul Authorized Dealer, it was explained that Anadolu Isuzu stood by all authorized service providers with a message of "WE ARE ONE".

Within the framework of the project, the Isuzu Sahada event was organized at 19 service providers in 2016 with the participation of representatives from various departments, including employees of the General Directorate. Visits are planned to all Anadolu Isuzu service providers within the next 3 years.

The main objective of the project goes beyond visiting the service providers; it is to reveal the areas of change by communicating with local customers and to increase the functionality and efficiency of Anadolu Isuzu's after-sales services power. In addition, by adopting a focus on the customer, it has become possible to offer the fastest and most effective solutions which meet customer needs.

In parallel with the "Isuzu Sahada" project, in the direction of being the "solution partner of the customer", Anadolu Isuzu will gain the opportunity to better listen, understand and recognize its customers upon the commissioning of the CRM project, the new customer relations management software, for which the works have been continuing.

The renovated R&D Center will also undertake critical tasks in this process thanks to its design and testing facilities and innovative products that respond to customer needs.





**IN 2016, THE ISUZU SAHADA EVENT WAS ORGANIZED AT 19 SERVICE PROVIDERS. VISITS ARE PLANNED TO ALL ANADOLU ISUZU SERVICE PROVIDERS WITHIN THE NEXT 3 YEARS.**



**Anadolu Isuzu carries out its activities in order to add value to human resources under all conditions.**

In line with the Company's raison d'être and strategies, the Human Resources Mission of Anadolu Isuzu is to contribute to the profitability of the Company by enhancing employees' motivation and loyalty and developing their qualifications, and to provide added value to the entire organization. The Human Resources Vision of Anadolu Isuzu is to be a strategic business partner that creates competitive advantage.

Anadolu Isuzu's Human Resources Strategy has been determined in line with its vision and mission, and is executed under the basic policies as follows:

- To bring the right human resources, who share a global perspective and talents, into the Company,
- In a business environment based on open communication and trust, to create a working culture and Human Resources systems where employees constantly seek to improve themselves by working in teams and with knowledge,
- To contribute to organizational efficiency and organizational development,
- To strengthen the culture of employee loyalty,
- To create a people-focused employer brand, which is preferred by employees.

In this vein, the Company's values, which shape its vision and mission, also serve as a guide in the recruitment processes of candidates.

**13,730**  
Hours of training

An average of 16.8 hours of training was provided to each employee in 2016, an increase of 20%.

Anadolu Isuzu attaches importance on employees thinking globally, who are open to teamwork and communication, attach importance to development and can analyse and take initiative. Anadolu Isuzu acts with the principle of business and customer oriented working. The Company regards the qualities of leadership, strategic thinking and managerial effectiveness as priorities for its managerial candidates.

**Anadolu Isuzu gives "priority to people" in every condition.**

Anadolu Isuzu deems its human resources to be the most valuable source of its value and the most important element that provides the Company with a competitive advantage.

In the light of Anadolu Isuzu's values and corporate culture, the Company gives "priority to people" without

# ANADOLU ISUZU AIMS TO ADD VALUE TO ITS HUMAN RESOURCES.

discriminating on the basis of language, religion race or gender. "Equality of opportunity", which is included in the Group's working principles and practiced without compromise, is supported and ensuring equal opportunities and creating diversity is overseen starting from the recruitment process of the employees in all human resource practices, including their education, wages and careers. In addition, importance is placed on creativity and innovation; the Company is managed in line with an understanding that is dynamic, transparent and which invests in innovation.

The Company aims to be a "preferred employer" in all circumstances with supportive and innovative Human Resources practices for employees to add value to the Company's future vision and strategy by creating a working environment where employees can use their potential.

## **Anadolu Isuzu's HR profile**

As of the end of 2016, there are a total of 823 employees including 562 blue-collar and 261 white-collar employees in Anatolia Isuzu. In line with the importance attached to research and development studies, a total of 91 employees work in the R&D Center.

The percentage of women working in the Company increased by 1.2% in the last 2 years in order to ensure equality of male and female employees within the Company. Continuing to promote women's employment, at the same time, the Anadolu Isuzu Human Resources department also develops projects to increase satisfaction and standards of existing women's employees in the workplace.

## **Performance Management System**

The decisions taken in the Board of Directors of Anadolu Isuzu include the performance targets set for the employees on an annual basis, within the framework of the performance criteria. The Performance Management System contributes to the success of the Company by improving the performance and competence of the teams and individuals. In addition, the Performance Management System provides feedback on the strengths and areas open to development for all employees, by focusing on the development of employees as well as business results.

## **Training and Development Activities**

Anadolu Isuzu develops all its employees in strategically focused areas with training and development activities carried out for their continuous improvement and development. Corporate development programs are organized within the "Academy Isuzu" in order to support young talent and train new leaders.

In 2016, a total of 13,730 hours of training were given to employees with an average of 16.8 hours of training per person, which was 20% higher than the target for training hours.

The training activities carried out in 2016 are summarized below.

- With the "Young Isuzu Development Process", 15 employees were provided with training and workshop activities on the topics of communication, team work and social responsibility awareness. Within the scope of this process, the Young Isuzu carried out Social Awareness Projects with different NGOs and stakeholders.
- Within the scope of the "Towards the Future Program" designed for management and leadership skills, 40 managers in the middle and upper management positions were included in the development process, which included workshop activities. In order to support this process, the "Mentor-Mentee Program" was introduced, which adopts the principle of sharing experience.
- Within the framework of vocational and competency-based training, 110 employees were provided with 16 different training programs on subjects such as Creative Problem Solving, Effective Communication, Negotiation Skills, Efficiency and Cost Reduction Techniques, Project Management, Labour Law and Sales Psychology.
- Special training programs were carried out to improve the qualifications of blue collar employees and strengthen their sense of belonging. Within this scope, 21 blue collar employees received training on Teamwork and Problem Solving Techniques, Communication and Stress Management, Efficiency and Cost Awareness.
- In 2016, emphasis was placed on learning foreign languages; eight senior and upper level employees took courses on advanced English and 15 employees enrolled on Japanese language courses.



#### HR internal communication activities

Attaching importance to internal communication activities, Anadolu Isuzu's Human Resources department publishes all Human Resources policy and procedures through its portal, which is open to employees.

On the other hand, employee satisfaction and loyalty surveys carried out at certain intervals within the Company. Employees were given an opportunity to share their innovative ideas through an e-platform to ensure a healthy system of communication between employees and the management team.

#### Cooperations in 2016

During 2016, eight people participated in the Vocational Courses, which are organized in cooperation with İŞKUR (Turkish Employment Agency) and were initiated in 2014. Six employees, who participated in the course in the field of paint, were included within Anadolu Isuzu.

Within the scope of the projects of cooperation between University and Industry, senior students are employed in various departments as long-term project interns in order to bring qualified human resources with potential to the Company. In this respect, 18 students were employed in the Production, Quality Control, Human Resources and R&D departments in 2016. In addition, 65 students were provided with short-term internship opportunities in the summer term.

Within the scope of cooperation between Vocational High Schools and Industry, internship opportunities were offered to 46 senior students studying at Industrial

#### ATTACHING IMPORTANCE TO INTERNAL COMMUNICATION ACTIVITIES, ANADOLU ISUZU'S HUMAN RESOURCES PUBLISHES ITS ENTIRE HUMAN RESOURCES POLICY AND PROCEDURES THROUGH THE PORTAL OPEN TO EMPLOYEES.

Vocational High Schools. The project of establishing the Anadolu Isuzu Paint Technologies Workshop, launched in 2015, continued at the Küçükaly Vocational and Technical Anatolian High School through extending support aimed at increasing the competency of the pupils in 2016.

#### Participation to events

Anadolu Isuzu participates in the career days at leading universities in Turkey and sponsors' case analysis studies. In this context, in 2016, the Company participated in the Campus Interview Day held on the Sabancı University Career Days. 20 students were interviewed and 5 students were accepted into the internship program. In addition, the Company took part in the METU Career Day and the ITU Career Summit.

In addition, during 2016, students of Industrial Products Design at Özyeğin University, students of Mechanical and Automotive Engineering at Okan University, and students of Industrial Engineering students at Marmara University were hosted in the factory tour. In addition, within the scope of the "Plan your Career in the Anadolu Group" (KAP) project, the General Manager of Anadolu Isuzu, Tuğrul Arıkan, conducted a conversation with the managers at the Sabancı University.

# An-Idea Festival

The "Ergonomizing of the Baggage Section Plating Process" project was selected as the "2<sup>nd</sup> Most Successful Project" in the "An-Idea Festival".

## Industrial Relations

At Anadolu Isuzu, relations with blue collar employees come under the scope of the Collective Labour Agreement. The United Metal Workers Union is the authorized labour union in the workplace. The Company has one Head Representative and three Trade Labour Union Representatives who are appointed by being elected. These representatives are in charge of following up demands, complaints and problems of blue-collar employees within the limits set by the law and the Collective Labour Agreement signed between the United Metal Workers Union and MESS (Turkey Metal Industrialists' Union) and representing employees in the committees such as the Disciplinary Committee and the Occupational Health and Safety Council, while overseeing their legal rights.

## Innovation and Creativity

Anadolu Isuzu's "Ergonomizing the Baggage Section Plating Process" project was chosen the "2<sup>nd</sup> Most Successful Project" in the "An-Idea Festival", where the most innovative ideas compete, within the scope of the "An-Idea Application", in which the employees develop their creativity individually and as a team and add value to the Group companies by presenting their innovative and creative ideas.

Anadolu Isuzu has always supported and encouraged creative and innovative ideas, a process which got underway with the work on the Quality Circle and Kaizen in recent years and which have since then become something of a tradition.

## Appreciation and Reward System

Setting out with the aim of supporting the happiness of its employees, Anadolu Isuzu established the "Appreciation and Reward System" in 2016. In this context, the processes of appreciation, recognition and rewarding are gathered under a single roof with the name of "Isuzu Ekstraa".

In the Isuzu Ekstraa, employees are offered the chance to earn points on special occasions such as their birthdays and marriage; when they realize targets of accident-free work and absenteeism; when they participate in corporate volunteering projects; when they participate in training and when they make a difference with superior performance.

So far, 423 employees have earned around 11,000 points and have benefited from gift options such as food, travel, hobby workshops.



## The "Garage" Innovation Team

The "Garage" innovation team entered activity in 2016 with the following aims;

- To transform the in-house entrepreneurship and innovation perspective into a culture by spreading it throughout the Company,
- To create high added value solutions for customer problems through an entrepreneurial mindset and
- To create the future by going out of the existing ways of doing business.

In 2016, the Garage team carried out in-house Innovation and Entrepreneurship workshops at the senior and medium level to determine the Company's innovation perception and development points. Ten of the 208 ideas revealed as a result of the workshops were prioritized and the decision was taken to work for 5 projects.

Garage members come together twice a month to create new ideas. The Garage members continue to evaluate the projects approved by the Senior Management in the weekly meetings.

## HR Digitalization Activities

The Anadolu Isuzu Human Resources Department carries out pioneering work in digitalization in order to create the infrastructure of today's qualified workforce and to provide an environment that supports the innovation needed to development technology. In this context, in 2016, a total of 63 employees benefited from 20 different training courses and 30 different educational videos thanks to the distance learning platform "AGAKADEMi", which offers employees the opportunity to participate in training from at locations at all times.

In addition, the orientation process, which is one of the most effective means of introducing the organization and the Company culture to newly recruited employees, started to be carried out over an online platform.

ANADOLU ISUZU'S  
UNCHANGING OBJECTIVE IS  
TO DEVELOP VEHICLES WITH  
LOWER CARBON EMISSIONS.





# Global

## Warming

The main cause of global warming has been found to be greenhouse gas emissions caused by human activities.\*

**ANADOLU ISUZU IS CONSTANTLY RAISING THE AWARENESS OF ITS EMPLOYEES IN THE FIELD OF SUSTAINABILITY IN ORDER TO DEVELOP ENVIRONMENTALLY FRIENDLY APPROACHES.**



### **Working Towards a Sustainable Environment**

Anadolu Isuzu aims to minimize the negative effects of its activities on the environment throughout its entire production cycle and products, and is constantly raising the awareness of its employees in the field of sustainability in order to develop environmentally friendly approaches.

A sustainable world, water management, waste reduction, energy management, limiting the use of natural resources and climate protection are among Anadolu Isuzu's objectives. Environmental problems are mounting as a result of increasing population density in the world and, consequently, increasing agricultural and industrial production.

It is predicted that climate change and environmental problems, such as record breaking temperatures, melting glaciers and rising sea levels will have many negative consequences ranging to human health to the extinction of species on Earth in the future.

The main cause of global warming is cited as greenhouse gas emissions from human activities in the reports published by the Intergovernmental Panel on Climate Change (IPCC). The increase in the level of greenhouse gases in the atmosphere will affect our planet's climate system and ecosystem through global climate change and warming.

Therefore, unless measures are taken to tackle global warming and environmental damage, irreversible changes will occur.

Against such a backdrop, the duties of business world are to work in a way that maximises synergies and maintain close cooperation with all internal and external stakeholders including NGOs, press and broadcasting organizations, as well as customers and suppliers, to approach the issue in a meticulous and sensitive manner and support international agreements and global initiatives, and to actively participate in such work.

### **Anadolu Isuzu approaches environmental and sustainability issues with sensitivity.**

As an industrial organization that carries out production in the automotive sector, Anadolu Isuzu approaches environmental and sustainability issues with greater sensitivity and attaches importance to these because of the sector in which it operates. The Company carries out rigorous work to minimize environmental impacts as a responsibility that arises from operating in the sector. Acting with an awareness of its responsibility to the environment, Anadolu Isuzu sets up programs aimed at protecting the environment from the potential impacts of its activities, products and services.

The Company, determining objectives and targets in this direction, plans the following;

- Establishing an environmental management system,
- Continuous improvement in its environmental performance,
- Compliance with the relevant legislation and
- Using the resources without disturbing the natural balance or causing pollution.

\* As per the reports published by Intergovernmental Panel on Climate Change (IPCC).

# COLLABORATION WITH STAKEHOLDERS IN PROTECTING THE ENVIRONMENT

## Integrated solutions aimed at the protection of the environment

At Anadolu Isuzu, which aims to minimize the environmental impacts of its activities, has achieved important progress in the collection of waste in appropriate ways and the reduction of waste at the source.

Care is taken to ensure that hazardous waste is properly collected in accordance with the laws, disposed of, and recovered if appropriate.

Believing that educating employees represents the solution to environmental problems, in this direction, the Company has been preparing various programs to develop environmental awareness.

On the other hand, within the Company, in addition to taking measures to reduce energy consumption, work is also carried out to ensure energy efficiency. Likewise, Anadolu Isuzu, which also attaches importance to the use of water, the most vital of natural resources, also carries out work aimed at saving water.

## Environmentally friendly practices in the production process

Anadolu Isuzu operates in accordance with the environmental legislation, the legal and administrative regulations determined by the relevant public authorities and carries out activities in cooperation with the organizations engaged in environmental protection activities.

In addition, environmentally friendly practices are spread out at all stages of the production process.



# Recycling

## Waste

Anadolu Isuzu takes care to ensure that waste is collected, disposed of and, where suitable, recycled.

### Anadolu Isuzu's future targets in protecting the environment

- The Company aims to apply technologies that will have a minimum impact on the environment in accordance with economic and commercial conditions in order to protect the environment and prevent the pollution of natural resources.
- In addition to raising awareness through education and providing an effective flow of information for the purpose of ensuring the participation of all employees in activities by acting with an awareness and sense of responsibility of protecting the environment, the Company aims to achieve synergy in cooperation with subcontractors and organizations in the supply industry in its environmental activities.
- The Company plans to carry out efforts such as minimizing the environmental impact of waste released into the atmosphere, water and soil on the environment, while treating, storing, removing and controlling waste, ensuring the efficient utilization of natural resources by encouraging saving and ensuring recycling from waste by keeping up-to-date with advancing technologies.



# People First

Anadolu Isuzu's priority

Anadolu Isuzu approaches the matter of human health and safety in a sensitive and meticulous manner.

## Putting People First and Putting a Safe Work Environment First

The primary task of Anadolu Isuzu is to establish a safe working environment for its employees, who are the most valuable asset of the Company, in all of the activities that it carries out. Setting out from this point, the Company oversees the "People First" focus in its activities from end-to-end.

Approaching the matter of human health and safety in a sensitive and meticulous manner, the Company carries out its projects and work as a team on the matter of disposal of the elements that threaten human health and safety by extensively reviewing production and all other business processes. These are also among the issues requiring priority at the management level.

## Anadolu Isuzu's OHS (Occupational Health & Safety) Performance in 2016

Anadolu Isuzu carries out activities to protect the health and safety of those visiting the facility as well as the human resources. Acting with a "zero accident" target, the Company reduces the incidence of accidents year by year. In 2016, the incidence of accidents decreased by 70%.

A total of 14 workshops were held within the Company to receive the "Safe Zone" flag, which is given when there have been no work related accidents during the year.

On the other hand, the Company obtained the OHSAS 18001 Occupational Health and Safety Management Systems certification in March 2016 within the framework of certification efforts.

Anadolu Isuzu's good OHS applications were also conveyed in the "Good Practices in Automotive" seminar organized and implemented by the OSD (Automotive Industry Association) Occupational Health and Safety Committee as a social responsibility project in 2016.



## Efficiency Enhancement Activities in OHS with Employee Participation

Anadolu Isuzu organizes Near Miss Notifications in order to increase its employees' participation in Occupational Health and Safety activities and to increase awareness. The Occupational Health and Safety department evaluates the notifications that it receives on a monthly basis and puts them into its processes. Within the framework of Isuzu Ekstraa, the Award and the Appreciation Program, the "the Near Miss of the Month" is selected and awarded.

In addition, interns, subcontractors, suppliers and facility visitors are all permitted to make a Near Miss Notification.

The Company's objective for 2017 in OHS activities is to further increase employee participation from all levels and ensure awareness in this context.

## OHS Success Stories Supported by Awards

Anadolu Isuzu won various awards in 2016 as a result of its successful OHS activities that it carried out intensely.

In this vein, in 2016, the "Ergonomizing the Station where Baggage Plating Process is Performed" project won the award in the An-Idea platform where innovative ideas are evaluated within the Anadolu Group.

The Company won an award with the "Awareness against Cutting" project in the category of "Recommended Applications" in the Golden Glove / Gold Suggestion Competition organized by MESS (Turkey Metal Industrialists' Union) for the second time in 2016.



# Nearly 300

## Volunteers

Nearly 300 Anadolu Isuzu employees voluntarily participated in the projects on education, the environment and disability.

As one of Turkey's leading commercial vehicle producers, Anadolu Isuzu touches every part of society and every aspect of trade with its vehicles that undertake different tasks the cycle of life.

Setting out from this simple fact, Anadolu Isuzu views social responsibility activities as an important complement to its corporate identity.

Anadolu Isuzu, a member of the Private Sector Volunteers Association (ÖSGD), which aims to spread the concept of corporate volunteering in the private sector and to carry out volunteering in a sustainable and systematic manner, is focused on adding lasting value to society through its social responsibility activities.

### Social Awareness Projects

Since 2014, social responsibility activities at Anadolu Isuzu have been carried out with the contribution of an increasing number of voluntary employees, which continue under the name of "Social Awareness Projects".

With a particular focus on the issues of education, the environment and disability, Anadolu Isuzu works in cooperation with related NGOs in this context and implements its activities with the voluntary participation of its nearly 300 employees.

Anadolu Isuzu won the Most Successful Volunteering Project of 2015 Award with the "Another World in One Step" project, which is one of the projects carried out under the leadership of the ÖSGD and the Jury Special

Award of 2016 with "the Hand in Hand with Children National Festivals" Project.

The highlights of Anadolu Isuzu's Social Awareness projects, which were carried out in 2016, are summarized below.

- In order to raise awareness of national values among children, the 29 October Republic Day ball was held with 100 pupils from the Tuvana Children Aspiring to Read Education Foundation (TOÇEV), with visits to Atatürk's Mausoleum. In addition, educators were invited to the Republic Day ball to talk to the children, and every effort was made to ensure that the children had fun.
- In cooperation with the Dreams Academy and the Alternative Life Association (AYDER), internal trainers were appointed from among the employees of the Company as part of taking the right approach towards disability. Approximately 150 employees were coached by trainers and awareness was strengthened throughout Anadolu Isuzu. In parallel with this, support was given to disabled people within the Company to help them be more active in both the social and business environment by increasing their quality of life. Within this scope.
- Volunteers among the employees were given sign language training in order to pave the way for easier communication with hearing-impaired employees, and conversation meetings were held with disabled employees; in addition, disabled people from the Dreamers Academy were hosted.
- Hearing impaired employees were given support to feel part of the meeting by including the sign language interpreter in the Sharing Meetings held by the General Manager.
- In cooperation with the Mother Child Education Foundation (AÇEV), 30 employees participated in AÇEV's Father Support Program with the "Super Father" project implemented in order to strengthen the relationship between fathers and their children. Fifteen employees, who voluntarily supported the project, ran in the Eurasia Marathon for the benefit of AÇEV.



### The Coaches of Vocational High School Program

The Vocational High School Coaches program involves private sector employees sharing their experience in their specialty area with the vocational high school pupil groups in groups of 2 coaches and implementing personal development modules.

Anadolu Isuzu employees have been supporting the development of pupils at the Hatice Bayraktar Industrial Vocational High School since 2014 by coaching them.

Within the scope of the program;

- Students have been supported for their school attendance, taking up an occupation - in short their personal and professional development by ensuring that they spend time with role model figures who have a profession.
- This support contributed to increasing the employability of the pupils and meeting the needs of the private sector of the competent workforce with developed skills.



### ANADOLU FOUNDATION - SOCIAL ENTREPRENEURSHIP PROJECTS

#### I am Young, but I Know: Traffic Angels

The purpose of the Traffic Angels project is to raise awareness among children, who are the most vulnerable participants in traffic, about complying with the Highway Code and to provide them with a safe traffic environment.

Thanks to the project,

- 50 pupils from the Fatma Aliye Kindergarten in the Bafra district of Samsun were trained in traffic rules.
- In order to develop traffic awareness and reinforce training, battery operated cars and informative traffic signs were given to the school.
- A play related to traffic, acted by the pupils, was shown to ensure that the education about traffic was long-lasting.

#### Do it Yourself, Play by Yourself

The "Do it Yourself, Play by Yourself" project aims to teach children to make toys from waste materials and to raise individuals who produce and play, in addition to ensuring the reuse of materials.

- A workshop was held in the Zubeyde Hanım Kindergarten in Artvin with the participation of 8 volunteers for the use of waste materials with 25 students. The workshop offered pupils different experiences, supporting their creativity.
- The project contributed to the cognitive, emotional, social and language development of the pupils.
- An awareness of waste material and the recycling perception was created throughout the participants.

#### Anadolu Isuzu Paint Technologies Workshop





The cooperation between vocational high schools and industry paved the way for an important contribution to vocational education by establishing the Anadolu Isuzu Paint Technologies Workshop at the Küçükyalı Vocational and Technical Anatolian High School. In the 2016-2017 school year, 19 students in the Truck Paint Shop section and 8 students in the Paint Technologies Workshop continue their education.

With the project, support was given to the training of qualified personnel who could use this knowledge in production by following technological developments, supporting the professional and personal development of the pupils. This also contributed to the creation of qualified human resources, in demand by the industrial sector.

### THE “PLANTING TREES AROUND THE SCHOOL” EVENT WAS ORGANIZED IN THE SCHOOL GARDEN TOGETHER WITH PUPILS AT THE CEMİL TÜRKER KINDERGARTEN, WHICH IS LOCATED IN THE COMPANY’S REGION.

#### 5<sup>th</sup> June World Environment Day

The activities carried out in 2016 within the scope of World Environment Day at Anadolu Isuzu are summarized below.

- The “Planting Trees around the school” event was organized in the school garden together with pupils at the Cemil Türker Kindergarten, which is located in the Company’s region.
- The exhibition under the topic of the environment, prepared by pupils for the World Environment Day, attracted visitors and various gifts were presented to the pupils during the exhibition.



**Tuncay ÖZİLHAN**  
**Chairman**

Mr. Özilhan has been the Chairman of the Board of CCI since 1996. He started his career as General Director of Erciyas Biracılık in 1977. He became Coordinator of the Beer Group and General Coordinator at Anadolu Endüstri Holding before his appointment to Anadolu Group as CEO in 1984. Mr. Özilhan has been the Chairman of the Board of Anadolu Endüstri Holding since 2007 and he also acts as the Chairman of various Anadolu Group companies including Anadolu Efes Biracılık and Coca-Cola Satış ve Dağıtım. Mr. Özilhan served as TÜSİAD's (Turkish Industry and Business Association) Chairman from 2001 to 2003 and he is currently the Chairman of its High Advisory Council. His other responsibilities include; Member of the Board of Directors and Chairman of the Turkish – Russian Business Council at the Foreign Economic Relations Board (DEİK), Honorary Consul for the Republic of Estonia and President of the Anadolu Efes Sports Club. Tuncay Özilhan holds "The Order of the Rising Sun, Gold and Silver Star", constituting one of the most important orders awarded by Japanese government.



**İbrahim YAZICI**  
**Deputy Chairman**

Born in 1949, İbrahim Yazıcı is graduated from Bursa Economic and Commercial Sciences Academy in 1975. He completed his post graduate study on Business Management in University of Atlanta in USA between 1976 and 1979. İbrahim Yazıcı assumed active functions in Anadolu Group companies since 1982 and currently serves as Anadolu Endüstri Holding (AEH) Deputy Chairman of the Board, İbrahim Yazıcı also works as Vice Chairman and Member in the Boards of Directors of the other companies of Anadolu Group.



**Süleyman Vehbi YAZICI**  
**Member**

Born in 1947 in İstanbul-Sarıyer, Süleyman Vehbi Yazıcı finished high school in Beyoğlu Tarhan Koleji after which he graduated from Economics in 1972. Having gained on-the-job experience in various family-owned Group companies while he was a student, Mr. Yazıcı served as General Manager of Çelik Motor A.Ş. from 1975 to 1977. Mr. Vehbi Yazıcı has also been an active member and held managerial positions in NGOs such as Anadolu Eğitim ve Sosyal Yardım Vakfı (Anadolu Education and Social Assistance Foundation), Türk Kalp Vakfı (Turkish Heart Foundation), Göz Nurunu Koruma Vakfı (Eyesight Protection Foundation), Doğal Hayatı Koruma Vakfı (World Wildlife Fund), Kenan Evren Eğitim Kültür Vakfı (Kenan Evren Education Culture Foundation) and Bodrum Sağlık Vakfı (Bodrum Health Foundation). He has been serving as member of the Board of Directors in Anadolu Endüstri Holding and Anadolu Group companies.





### **Nilgün YAZICI**

#### **Member**

Nilgün Yazıcı was born in İstanbul in 1961. She graduated from Kadıköy Girls' College in 1978. She studied Business Management in Oglethorpe University and MBA (International Management) education in Preston University between 1978 and 1981. She has been serving as Board Member in Anadolu Endüstri Holding companies since 1995.

### **Hülya ELMALIOĞLU**

#### **Member**

Born in 1962, Hülya Elmaliöglü graduated from Private Kadıköy Girls' College in 1979. She attended language courses in the USA between 1979-1980. Elmaliöglü serves as a member of the Board of Directors for Anadolu Endüstri Holding and Anadolu Group companies.

### **Talip Altuğ AKSOY**

#### **Member**

T. Altuğ Aksoy received his bachelor's degree in Economics from Oglethorpe University in USA. He began his career as Finance Assistant Specialist at Anadolu Group in 1995 and was appointed as a Finance Specialist in 1996. Mr. Aksoy worked as Human Resources and Treasury Specialist from 1998 to 2000. He served as Director of Sales and Marketing at Efes Invest from 2000 to 2003 and was appointed as the Director of Trade and Export at Efes Beer Group in January 2003. Continuing his career at the Group as the Director of Purchasing and Logistics from 2006, Mr. Aksoy was appointed Director of Supply Chain of Efes Beer Group in June 2008. In November 2011, he was appointed as Efes Turkey Managing Director and served in this position until January 2017. Mr. Aksoy still continues to serve as a Board Member in various Anadolu Group companies.

### **Salih Metin ECEVİT**

#### **Member**

Born in 1946, Mr. Metin Ecevit graduated from Faculty of Political Sciences in 1967. He also achieved a master's degree from Syracuse University in Economics in 1976. Between 1967-1980, he worked as a Tax Inspector and Deputy General Manager of General Directorate of Revenues in Finance Ministry. Mr. Ecevit joined to Anadolu Group in 1980 and worked at various levels, serving as General Manager in Automotive companies of the Group, Board Member and Chairman of the Board of Directors. He retired in 2006, while he was serving as the Automotive Group President. He also served as the Board Member and Chairman in the 'Association of Imported Car Distributors in Turkey' between 1992-2004. Currently he is memberships in Board of Directors of various Anadolu Group companies and also Board Chairman for Yazıcılar Holding A.Ş.



### **Mehmet Hürşit ZORLU**

#### **Member**

Mr. Zorlu has been a Board Member of CCI since 2004. He holds a Bachelor of Science degree in Economics from İstanbul University. Prior to joining Anadolu Group in 1984, he held various positions in Toz Metal and Turkish Airlines. Mr. Zorlu joined Anadolu Group as a Marketing Specialist at the Efes Beverage Group and held various positions including Assistant Marketing Manager, Assistant Project Development Manager, Project Development Manager and Business Development & Investor Relations Director. Mr. Zorlu held the position of Chief Financial Officer (CFO) for Efes Beverage Group between 2000-2008 and the position of CFO for Anadolu Group between 2008-2013. From 2013 onwards he served as the Deputy CEO of Anadolu Group, until his appointment as the CEO of Anadolu Group in February 2017. He also currently acts as a Board Member in various Anadolu Group companies. Mr. Zorlu is the Chairman of Turkish Corporate Governance Association (TKYD) and also serves as a Board Member in Turkish Investor Relations Society (TÜYİD).



### **Ahmet Cemal DÖRDÜNCÜ**

#### **Member**

Born in 1953 in İstanbul. After graduating from the Business Administration Department at Çukurova University, Ahmet C. Dördüncü pursued graduate studies in Mannheim and Hannover Universities. His career began at the German Claas OHG company, continuing at Mercedes-Benz Inc. Turkey between 1984-1987. He joined the Sabancı Group in 1987 and has held various positions at Kordsa Inc. until 1998. He worked at Group Company DUSA as General Manager/ President of South America region and later the North America region. After serving as the Strategic Planning and Business Development Group President at Sabancı Holding in 2004, he took on the role of Chairman of the Executive Board at Sabancı Holding between 2005 and 2010. Acting as Chief Executive Officer at Akkök Holding since January 2013, Ahmet C. Dördüncü became the Chairman of the Board at SAF GYO and Gizem Frit; he also serves as on various executive boards of Akkök Holding and Akkök Group companies. Dördüncü is the member of the executive board at Coca-Cola İçecek A.Ş., Anadolu Efes Biracılık and Malt Sanayi A.Ş., as well as the International Paper Co except Anadolu Isuzu.



### **Kamil Ömer BOZER**

#### **Member**

Born in 1958 in İstanbul Ömer Bozer, after graduating from METU Business Administration Department has received his master's degree from Georgia State University. He started his career in 1983 as a management trainee at Koç Group; he served as Deputy Chief Executive in Maret and Düzey Pazarlama respectively. He served as the General Manager of Migros in 2002. Bozer has been the President of Food, Retail and Tourism Group at the Koç Group in 2005-2006, Food and Retail Group President between 2006-2008 and again the President of Food, Retail and Tourism Group between 2008-2011. Kamil Ömer Bozer is an Independent Member of the Board of Directors of Anadolu Group Companies and a Board Member of TeknoSA and CarrefourSA.



**Ryutaro MASHIKO**  
**Member**

Ryutaro Mashiko got his diploma from the Department of Law at Niigata University. Mashiko started his career in 1983 in Itochu Corporation in Tokyo. After continuing his office in the machinery department of Itochu Corporation in Thailand, he was appointed as the Vice President of the ITOCHU Vietnam Office in 2007. Ryutaro Mashiko served as the Manager of Planning and Project Department in Central Office of Itochu Corporation after 2011, he succeeded many infrastructure projects. Ryutaro Mashiko continues working as the General Manager of Itochu Corporation Turkey since April 1, 2014.

**Yasuyuki NIIJIMA**  
**Member**

Yasuyuki Nijima was born in Saitama, Japan. Graduated from the Department of Economics at Tokyo Keio University, he started his working career at Isuzu Motors Limited in 1983. After serving as Domestic Sales Manager, Group Leader In The Department Of Truck Body Business Development , Vice Manager Of Corporate Planning Department of American Isuzu Motors, Senior Executive in the department of Domestic Business Development, General Manager of Isuzu Network Co. Ltd. in the Department Of Domestic Business Development, General Manager of International Sales Department in Isuzu Motors Ltd. respectively, Yasuyuki Nijima continues his career as the Director of International Sales in Isuzu Motors Ltd.

**Hiroko YAGUCHI**  
**Member**

Hiroko Yaguchi was born in Tokyo, capital city of Japan. Graduated from the Department of Foreign Studies at Tokyo Sophia University, she started her working career at Isuzu Motors Limited Japan in 1986. Respectively, she worked as an assistant general manager of Isuzu Motors Panama Office between 1998-2001, international sales group leader at Southeast Asia Group between 2011-2014, international sales group leadership at European Group between 2014-2016. Hiroko Yaguchi continues her career as the General Manager of International Sales in Isuzu Motors Ltd. Japan.

**Takuya KAWAI**  
**Member**

Takuya Kawai was born in 1973 in Osaka, Japan. After graduation from the Department of Economics at Tokyo Keio University, he worked as the sales representative in Middle East Automotive Department of Itochu Corporation between 2004-2005 and Vice President of the Vehicles Middle East Co. Bahrain and Vehicles Middle East FZCO Dubai. Later, he served as the labor officer in the Department of Building Machinery of Itochu Corporation Tokyo Isuzu between 2009-2010, corporate employee in Isuzu Motors Sales Ltd. between 2010-2014 and as the officer of marketing Turkish commercial vehicles in Itochu Corporation until September 2014. He is serving as the General Manager consultant in Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. since October 2014.



## **Bora KOÇAK**

### **Automotive Group President**

Born in Ankara in 1969, Bora Koçak graduated from Ankara Atatürk Anatolian High School in 1985 and Mechanical Engineering Department of Naval Academy in 1989 and completed Advanced Management Program at Harvard Business School in 2007.

He served as Technical Officer Chief at technical management positions in the Navy between 1989 and 1996. Koçak served as Training Chief, After Sales Service Chief and After Sales Services Manager between 1996-1999, Kia Product Manager between 1999-2001, Honda-Kia-Lada Product Director between 2001-2005 at Çelik Motor Ticaret A.Ş. Between 2005-2008, he worked at Citroen Baylas Otomotiv A.Ş. as General Manager and he served as the General Manager of Mazda Motor Europe (Turkey) between 2008-2010.

Bora Koçak joined Anadolu Group again in 2010 serving as General Manager of Çelik Motor Ticaret A.Ş. up to August 2016. As of August 2016 he is appointed as the Automotive Group President of Anadolu Group. Koçak is also a Board Member of Automotive Distributors Association (ODD) and MESS.



## **Yusuf Tuğrul ARIKAN**

### **General Manger**

Born in 1963 in Germany, Y. Tuğrul Arıkan graduated from Business Administration Department at Boğazici University following his graduation from Sankt Georg Austrian High School. Starting his business career in 1986 at Pfizer İlaç A.Ş., Tuğrul Arıkan worked between the years 2002-2013 at Olmuksa A.Ş., a joint venture of Sabanci Holding and International Paper. In 2002, he assumed the duties as Financing Director and subsequently held the position of General Director at Olmuksa A.Ş in 2007. Since 18 March 2013, he assumed duties within our Company as General Manager. He is a member of KALDER (EFQUA European Foundation for Quality Management), FEFCO (The European Federation of Corrugated Board), OMUD (Corrugated Cardboard Industrial Association), TURMEPA Deniz Temiz Derneği (Turkish Marine Environment Protection Association), Özel Sektör Gönüllüleri Derneği (Private Sector Volunteers Association of Turkey), İş Dünyası ve Sürdürülebilir Kalkınma Derneği (Business Council for Sustainable Development).

**Ahmet Fatih TAMAY\*****Sales and Marketing Director**

He was born in 1957 in Istanbul. He graduated from Haydarpaşa High School in 1974 and from the School of Aeronautical Engineering at Department of Machinery Engineering at İstanbul Technical University in 1980. Two years after he started his career at Anadolu Otomotiv Sanayi in 1980 as a Purchasing Engineer, he did his military service as an R&D Engineer at the Kayseri Air Supply Facilities of the Turkish Armed Forces in 1982. After completing his service, he started working as a Purchasing Chief at Anadolu Isuzu and then moved on to function as a Production Planning and Stock Control Manager. Following this role and project, he became a Purchasing Manager responsible for Production Increase and Side Industry Development projects. Within the scope of the reorganization of the Company, he was appointed as Sales Manager for Sales, Service and Spares by early 2001, and undertook major duties in the restructuring of the dealer and service shops network, increasing exports, and setting up the service network abroad. He was named Sales and Marketing Director in 2006, in which position he still serves responsible for Sales, Marketing, Service and Spares Operations. In tandem with his post, he is an Assembly member of İSO (İstanbul Chamber of Industry), Vice Chairman of Automotive Key and Side Industry, Member of Automotive Assembly of TOBB (The Union of Chambers and Commodity Exchanges of Turkey), Member of Transportation Specialty Committee of İstanbul Chamber of Commerce, Chairman of the Board of IPRU (International Passenger and Road Transportation Union) and member of Road Transportation Assembly of TOBB.

**Bora ÖNER****Chief Financial Officer**

Bora Öner was born in 1973 in İstanbul. He graduated in 1992 from Saint-Joseph High School and from Department of Economics in English at İstanbul University in 1997. After completing the Executive MBA master's program at Koç University in 2006, he completed General Management Program in 2007 at Bled School of Management Slovenia. Between 1998 and 2014, he held the positions of Financial Affairs Assistant Specialist, Financial Control Specialist, Financial Controller, Financial Control Manager and Financial Affairs Vice Coordinator, respectively at Anadolu Endüstri Holding. Since 2014, he holds the position of CFO at Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.

**Hakan ÖZENÇ****Technical Director**

Hakan Özenç was born in 1968 in Gölcük. He graduated from Ankara Atatürk Anadolu High School in 1986 and from Department of Machinery Engineering at METU in 1990. He completed the Executive Development Program at Marmara University in 1999 and holds a master degree on Management from Sabancı University. Hakan Özenç held the positions of Quality Control Engineer, Quality Control Chief, Material Supply Chief, Bus Production Chief, Production Manager in 1994-2006 respectively, R&D Manager between 2007-2013 at Anadolu Isuzu. Since 2014, Hakan Özenç holds the position of Technical Director at Anadolu Isuzu responsible for Production, Quality Control, Production Planning and Stock Control Departments.

\* Our Sales and Marketing Director Ahmet Fatih Tamay, left his position due to retirement on 10.03.2017. From this date on, has been decided that Sales Directorate, Marketing Directorate and After Sales Services Directorate which works under the Sales and Marketing Directorate, will report directly to the General Manager.



**Arif ÖZER**  
**R&D Director**

Arif Özer was born in Frankfurt in 1971. He graduated from İzmit Technical High School in 1989 and Department of Mechanical Engineering at Yıldız Technical University in 1993. In 1996, he completed his master's degree in the field of Advanced Manufacturing Techniques at Salford University. Arif Özer held the positions of Material Supply Engineer, Quality Control Chief, Quality Control Manager, Material Supply Manager and After Sales Services Manager at Anadolu Isuzu between 1996-2013. Served as R&D Manager between 2013-2015, he functions as R&D Director at Anadolu Isuzu since May 2015.



**Tunç KARABULUT**  
**Sales Director**

He was born in 1970 in İstanbul. He graduated from La Verne University Business Administration Department in Athens, in 1995. In 2004, he completed his master's degree on Management at Sabancı University. Karabulut held the positions of Marketing Specialist, Marketing Supervisor, Export Manager and Sales Manager at Anadolu Isuzu between 1997 and 2015. Since May 2015, Tunç Karabulut assumed duties as Sales Director.



**Mustafa Kemal ÖZER**  
**Purchasing Director**

Born in 1966 in Ankara. He graduated from the Industrial Engineering Department at Yıldız Technical University in 1987. Kemal Özer held the positions of Production Planning Engineer, Production Planning Chief, Production Planning and Stock Control Manager, Material Supply Manager and Purchasing Manager at Anadolu Isuzu respectively between 1990 and 2015. Since May 2015, Mustafa Kemal Özer has assumed duties as Purchasing Director.

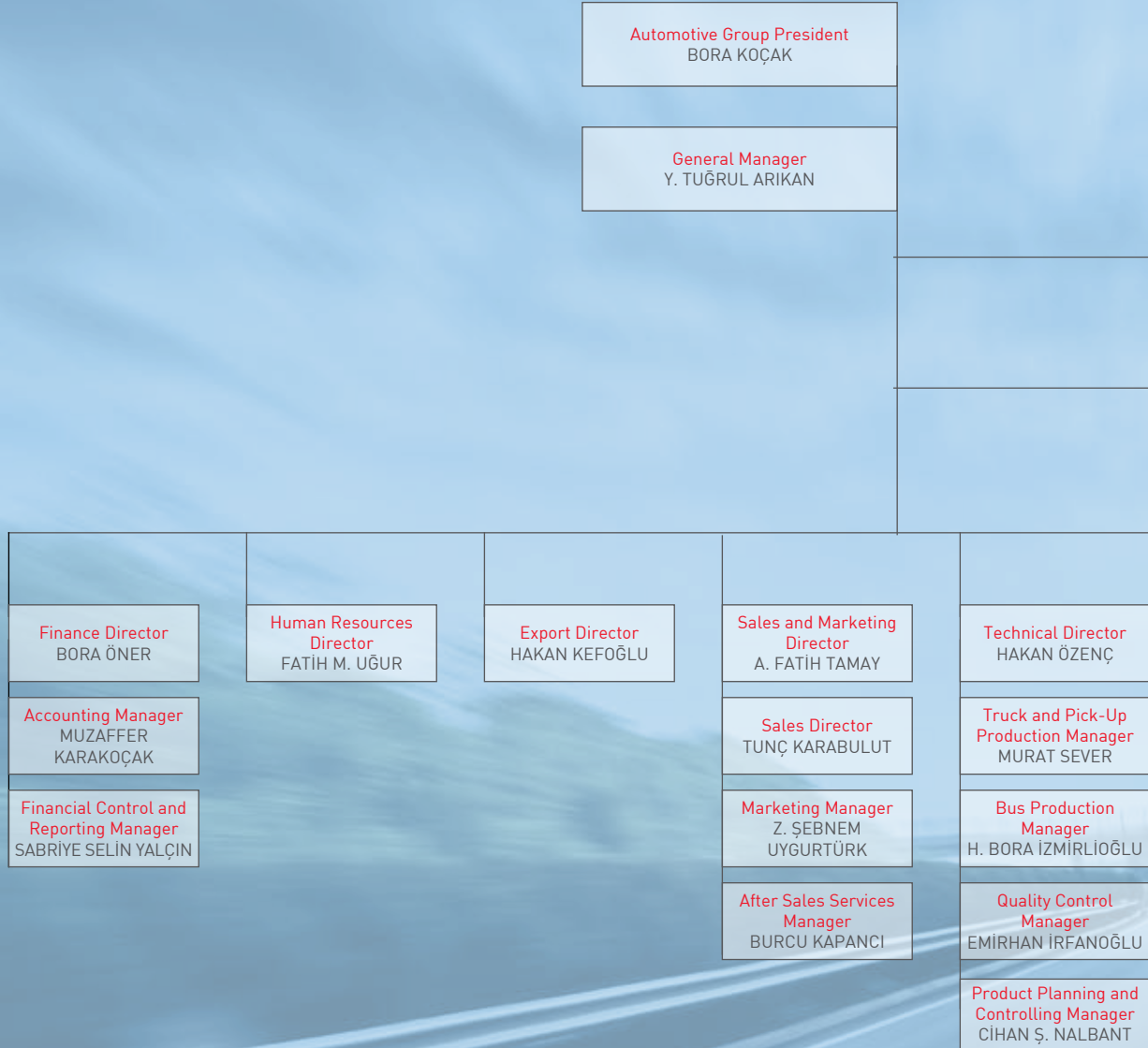
**Fatih Mehmet UĞUR****Human Resources Director**

Born in 1966 in İstanbul. He graduated from Fenerbahçe High School in 1983 and from the Industrial Engineering Department at Yıldız Technical University in 1989. Fatih Mehmet Uğur functioned as Production Planning and Control Engineer, Stock Control Engineer, Stock Control Chief, Truck Manufacturing Chief, Material Supply Chief and Service Chief at Anadolu Isuzu respectively between 1989 and 2012. Assuming the duty of Human Resources Manager between 2012 and 2015, since May 2015 he functions as Human Resources Director at Anadolu Isuzu.

**Hakan KEFOĞLU****Export Director**

Born in 1979 in İstanbul. He graduated from İstanbul German High School in 1998 and from the Business Administration Department at Koç University in 2003. Before joining Anadolu Isuzu, Hakan Kefoğlu held the position of Advisor at IBS between 2001 and 2004. He functioned as Foreign Trade Specialist and Foreign Trade Chief at Mey İçki from 2005 to 2009. Between 2009 and 2010, he assumed the duties of Export and National Chain Stores Manager at Doluca Şarapçılık. Functioning as Export Development Manager and Export Manager respectively between 2010 and 2015 at Anadolu Group, Kefoğlu assumed the duty of Export Director at Anadolu Isuzu in May 2015.

# Organization Chart



\* Ahmet Fatih Tamay, our Company's Sales and Marketing Director, retired from his position on March 10, 2017. It has been resolved that the functions of Sales Director, Marketing Manager and After-Sales Services Manager that used to report to the Sales and Marketing Director start reporting directly to the General Manager as of this date.



Advisor to the  
General Manager  
TAKUYA KAWAI

General Manager's  
Marketing Advisor  
YOSHITSUGU FUJIHIRA

R&D Director  
ARIF ÖZER

Purchasing Director  
M. KEMAL ÖZER

Internal Audit Manager  
ORÇUN ÖZDEMİR

Information  
Technologies and  
Corporate Risk  
Management Manager  
EBRU KÖKTEN



**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT  
ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

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

**Auditor's Report on the Board of Directors' Annual Report**

1. We have audited the annual report of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. and its Subsidiary (collectively referred to as the "Group") for the year ended 31 December 2016.

Board of Directors' responsibility for the Annual Report

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

**Independent Auditor's Responsibility**

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 28 February 2017 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

**Opinion**

4. Based on our opinion, the financial information in the annual report of Board of Directors of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects.

**Other Responsibilities Arising From Regulatory Requirements**

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of the Group to continue its operations for the foreseeable future.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Adnan Akan, SMMM  
Partner

Istanbul, 13 March 2017

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****1) GENERAL INFORMATION**

Reporting Period	: 01.01.2016 - 31.12.2016
Corporate Name	: Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.
Trade Registration No	: 173921
Mersis No.	: 0068006909500014
Head Office	: Fatih Sultan Mehmet Mah. Balkan Cad. No: 58 Buyaka E Blok Tepeüstü 34771 Ümraniye/İST.
Factory Contact	: Şekerpınar Mah. Otomotiv Caddesi No: 2 41435 Çayırova/KOCAELİ
Phone	: (90) 850 200 19 00
Fax	: (90) 262 658 85 56
Web Site	: www.anadoluisuzu.com.tr

**Capital Structure**

As of December 31, 2016 the Company's capital is 25,419,707 TL. There has been no change in the capital in the interim.

As of December 31, 2015 and December 31, 2016 partner's shares and capital ratios are as follows.

Shareholder	31.12.2015		31.12.2016	
	Share Amount	Share Ratio (%)	Share Amount	Share Ratio (%)
Yazıcılar Holding A.Ş.	9,077,665	35.71	9,077,665	35.71
Özilhan Sınai Yatırım A.Ş.	4,271,842	16.81	4,271,842	16.81
Anadolu Endüstri Holding A.Ş.	266,640	1.05	267,946	1.05
Isuzu Motors Ltd.	4,319,991	16.99	4,319,991	16.99
Itochu Corporation	2,405,286	9.46	2,405,286	9.46
Itochu Corporation – Istanbul	834,678	3.28	834,678	3.28
Public	3,811,860	15.00	3,811,860	15.00
Other	431,745	1.70	430,439	1.70
<b>TOTAL</b>	<b>25,419,707</b>	<b>100.00</b>	<b>25,419,707</b>	<b>100.00</b>

**Company's Direct and Indirect Participations and Shares**

The subsidiaries and percentage of shares are as follows.

Affiliates	31.12.2015	31.12.2016
	Share Rate (%)	Share Rate (%)
Ant Sınai ve Tic. Ürünleri Paz. A.Ş.	100.00	100.00

## 2) MANAGEMENT AND ORGANIZATION

### Board of Directors:

The Board of Directors consists of fourteen people; one Chairman, a Deputy Chairman and twelve members. All Board members who are elected in Ordinary General Meeting on April 15, 2016 will be on duty until new Board of Directors are elected in the next Ordinary General Meeting.

Current Board Members and their job descriptions are as follows:

Name-Surname	Title
Tuncay ÖZİLHAN*	Chairman
İbrahim YAZICI	Deputy Chairman
Süleyman Vehbi YAZICI	Member
Nilgün YAZICI	Member
Hülya ELMALIOĞLU	Member
Talip Altuğ AKSOY**	Member
Salih Metin ECEVİT	Member
Mehmet Hurşit ZORLU*	Member
Takuya KAWAI	Member
Ryutaro MASHIKO	Member
Yasuyuki NIIJIMA	Member
Hiroko YAGUCHI	Member
Ahmet Cemal DÖRDÜNCÜ	Independent Member
Kamil Ömer BOZER	Independent Member

\* By the Board of Directors decision dated August 1, 2016, it was resolved to accept the resignation of Board of Directors Chairman Mehmet Kamil Eser from his seat as the Chairman and Member of the Board of Directors due to retirement, and to appoint Tuncay Özilhan, currently a member of the Board of Directors, to the vacated position of the Chairman of the Board of Directors. It was resolved by the Board of Directors decision dated October 4, 2016, to appoint Mehmet Hurşit ZORLU to the vacated member's seat on the Board of Directors, which will be laid down for approval at the next General Assembly to be convened as per Article 363 of the Turkish Commercial Code.

\*\* By the Board of Directors decision dated January 3, 2017, it was resolved to accept the resignation of Tülay Aksoy from her seat as a member of the Board of Directors, and to appoint Talip Altuğ Aksoy to fill the vacated member's seat on the Board of Directors, which will be laid down for approval at the next General Assembly to be convened as per Article 363 of the Turkish Commercial Code.

### Information about Board Members and Outside Company Activities of Managers

There are no rules created by the Company that Board members should undertake other activities outside the Company but the regulations set in the Corporate Governance Principles are complied.

The Board of Directors has gathered 5 times in the interim.

### Committees formed by the Board Structure

In accordance with the provisions in the declaration about the Determination and Implementation of Turkish Commercial Law and Capital Markets Board's, Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee have been established in order to fulfil duties and responsibilities smoothly. Regulations on working principles have been published on our corporate website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

After election of new Board members on April 15, 2016 in Ordinary General Meeting, according to Corporate Governance Principles published by the Capital Markets Board with the Board of Directors' decision dated April 21, 2016, committee members are listed as follows.

### Corporate Governance Committee

Name-Surname	Title
Kamil Ömer BOZER	Chairman
Salih Metin ECEVİT	Member
Ali Osman MAĞAL	Member

Nomination Committee and Compensation Committee's duties are performed by the Corporate Governance Committee.

Corporate Governance Committee has gathered 4 times during the year.

**Audit Committee**

Name-Surname	Title
Ahmet Cemal DÖRDÜNCÜ	Chairman
Kamil Ömer BOZER	Member

Audit Committee has gathered 4 times during the year.

**Early Detection of Risk Committee**

Name-Surname	Title
Ahmet Cemal DÖRDÜNCÜ	Chairman
Salih Metin ECEVİT	Member

Early Detection of Risk Committee has gathered 6 times during the year.

**Company Management:**

Employees in top management and their titles as of December 31, 2016 are as follows:

Name-Surname	Title
Bora KOÇAK	Automotive Group President
Yusuf Tuğrul ARIKAN	General Manager
Ahmet Fatih TAMAY*	Sales and Marketing Director
Bora ÖNER	Financial Affairs Director
Hakan ÖZENÇ	Technical Director
Arif ÖZER	R&D Director
Tunç KARABULUT	Sales Director
Mustafa Kemal ÖZER	Purchase Director
Fatih Mehmet UĞUR	Human Resources Director
Hakan KEFOĞLU	Export Director

\* Ahmet Fatih Tamay, our Company's Sales and Marketing Director, retired from his position on March 10, 2017. It has been resolved that the functions of Sales Director, Marketing Manager and After-Sales Services Manager that used to report to the Sales and Marketing Director start reporting directly to the General Manager as of this date.

**Financial Benefits Provided to Top Management**

Benefits provided to our senior executives in 2016 (salaries, bonus, social benefits, premium, severance and notice pay) is 5,751,367 TL.

**Human Resource and Employment**

Total employment in 2016 was 823 people, 261 white-collar workers and 562 blue-collar workers with a decrease by 13% compared to the previous year. (31 December 2015: 290 white-collar workers and 654 blue-collar workers, a total of 944).

**Internal Audit Activities**

Internal Audit Manager are operatively connected to the General Manager, is also in direct contact with the Audit Committee.

The effectiveness of the Company's internal control system is also monitored by internal audits. The findings and identified risks obtained by the internal audit activity in 2016 are forwarded to the Company's top management and related departments with suggestions for improvement.

**Risk Management and Internal Audit System**

Risk Management and Internal Control System in Anadolu Isuzu is the responsibility of Company Management and under their control. Corporate Risk Management, established to reassure and consult to the management, reports directly to the Early Detection of Risk Committee. Anadolu Isuzu's top management identifies significant opportunities and threats that may arise in the framework of Corporate Risk Management and manages them according to the risk appetite of the Company. Corporate Risk Management is a systematic and disciplined process established to determine the business strategies of Anadolu Isuzu which is affected by all Company employees and covers Company's all implementations.

The risks that may arise in terms of reaching the Company's targets are submitted for management's consideration with the coordination of Corporate Risk Management and prior risks are identified. Prior risks and action plans to mitigate these risks are shared with Early Detection of Risk Committee to be presented to Board of Directors. The management and continuity of this process, integrated with strategic business plans, is supported by a technological infrastructure in use.

A number of methods are used to manage our risks are as follows:

Performance and risk indicators are used as early warning system to monitor the risks and to take measures on time.

SAP system that integrates to all processes within the Company is an effective technological decision support system used for this purpose.

With this usage, activity results are followed instantaneously, therefore the human error was eliminated and early detection of risks and the effectiveness of internal control systems have increased. At the same time, internal communication system with advanced technology enables to intervene and create solutions for the problems.

Business continuity and crisis management activities are carried out with a support of an efficient insurance management in order to prevent and reduce losses caused by natural risks, supply chain problems.

In any exceptional circumstances, in order to the systems are not affected and avoid the data loss, investments are made for data backup system.

At the same time, environmental factors and exceptional circumstances are being investigated and instant measures are taken to minimize the risk permanently.

Internal Audit Department, within the framework of the audit plan based on risk, reviewing the Company's risk management and internal control system regularly in order to achieve the following and reports to the Audit Committee and Company Management:

- The accuracy and reliability of financial and operational informations
- Effectiveness and efficiency of operations
- Protection of Company assets
- Ensurance of compliance with law, regulations and contracts.

#### **Election of Independent Auditing Firm**

Board of Directors has chosen Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member of PricewaterhouseCoopers) as the independent auditor covering the fiscal year of 2016, as a result of the evaluation, also with the opinion of the Audit Committee, in accordance with the Turkish Commercial Code and Capital Market regulations. Board's decision was approved by the Ordinary General Meeting held on April 15, 2016.

#### **Reviews for the Future**

Turkey's geopolitical risks were closely monitored in 2016. As compared with 2015, 2016 has been a negative year with respect to economic indicators due to several adverse occurrences including the ongoing terrorist acts and domestic security risks, deteriorated commercial relations with Russia, relations with the EU that get tense from time to time, the military action in Iraq and Syria in which Turkey takes part and the flow of immigrants, and rating agencies' decisions to downgrade ratings.

Commercial vehicle market contracted in 2016 due to the fact that part of the demand for 2016 was sucked in 2015 due to anticipated rise in production costs and sales prices stemming from the obligation to install Euro 6 engines in these vehicles starting from 2016, which served as an additional factor to existing negative economic conjuncture. While the shrank market kept our domestic sales figures below those of 2015, high volatility in foreign currency markets and the excessive value gain of the Japanese yen in 2016, in particular, negatively impacted the Company's profitability and financial results. Nevertheless, efforts for strengthening the existing position in the overseas markets and for penetrating new ones bore their fruits, and export figures rose remarkably as compared with the previous year.

The topics that are anticipated to steer the economic developments in 2017 include the changed administration concept as a result of the outcome of the US presidential election, negotiations for resolving the issues in Syria and the Middle East, security measures intended to decrease terrorist acts in Turkey, the referendum process in relation to the presidential system in Turkey, normalization of relations with Russia, loosened embargo implemented against Iran, and the improving relationships between Turkey and Israel.

In 2017, the commercial vehicle market is expected to remain flat with 2016 in the automotive sector. Continued upward fluctuations in FC markets might bear adverse impacts on the Company's financial results.

In relation to the Board of Directors decision dated December 22, 2016 regarding "capital increase and amendment to the articles of association", the Capital Markets Board of Turkey (CMB) approved, on February 2, 2017, the application for amending the articles of association so that the capital can be increased by 230.45228% from TL 25,419,706.54 to TL 84,000,000, which will be fully covered from the Company's internal funds. The said decision in relation to the bonus issue will be discussed and laid down for approval at the Ordinary General Assembly Meeting planned to be held in April, upon which the timeline for the new share issue will be defined.

Also in 2017, Anadolu Isuzu will move ahead strongly to increase the number of export destinations by cementing its existing position in international markets, and penetrating new ones by also making use of the global sales network of our shareholder, Isuzu Motors Ltd.

Anadolu Isuzu will aim to expand its product portfolio and increase the profitability levels with effective R&D projects. On the other hand, plans include the initiation and expansion of the testing service, in order to make the testing activities taken on by the R&D Center available to various sector or non-sector companies.

### Investments in 2016

#### Investments for Tangible Fixed Assets

Description (TL)	2016
Underground and Overland Plants	95,889
Buildings	104,882
Plant, Machinery and Equipment	5,317,292
Vehicles	415,466
Fixtures	90,708
Ongoing Investments	3,167,945
<b>Total Tangible Fixed Assets Investments</b>	<b>9,192,182</b>

#### Intangible Fixed Assets

Description (TL)	2016
Rights	208,649
R&D Projects	9,008,409
Other Intangible Fixed Assets	639,703
Ongoing Investments	9,659,095
<b>Total Intangible Fixed Asset Investments</b>	<b>19,515,856</b>



## Financial Results

Showing the operating results in 2016 and financial statements by dependent audit company and explanatory notes are presented for your attention in the related parts of Annual Report.

Anadolu Isuzu's total assets remained at the same levels compared to the previous year and reaching TL 885.1 million, while the Company's revenue decreased by 11% to TL 829.8 million.

Compared to 2015, gross profit decreased by 31% to TL 108.1 million mainly due to the exchange rates and cost increase due to the engine switching. In 2016, there was an operating loss of TL 6.3 million and a net loss of TL 46.3 million.

Our Company's cash level increased by 53% in parallel with the decrease in inventory and was TL 119.9 million compared to the previous year. Financial debt level increased by approximately TL 98 million, inventory level decreased by TL 46 million compared to 2015.

Our Company closely monitors financial risks and pays attention to keep these risks within the limits set by the Board and the Audit Committee. The basic policies implemented on the various risks, the nature and the level of the risks are disclosed in the footnotes of the financial reports.

<b>Financial Data (TL)</b>	<b>2016</b>	<b>2015</b>
Sales Income	829,811,333	935,494,541
Gross Profit	108,101,277	156,298,251
Real Operating Profit	(6,301,509)	26,890,223
EBITDA	16,378,994	47,705,891
Profit before Tax	(60,901,230)	18,005,467
Net Profit (Parent Company Shares)	(46,336,647)	17,743,897
Owners' Equity (Belonging to Parent Company)	262,464,571	323,361,734

<b>Profitability Rates</b>	<b>2016 (%)</b>	<b>2015 (%)</b>
Gross Profit Margin	13.0	16.7
Real Operating Profit Margin %	(0.8)	2.9
Net Profit Margin	(5.6)	1.9
Equity Profitability Rate	(17.7)	5.5
Operating Expenses/Net Sales	13.8	13.8
Financial Expense/Net Sales	(6.6)	(1.0)
EBITDA Rate	2.0	5.1

<b>Financial Rates</b>	<b>2016</b>	<b>2015</b>
Current Rate	1.85	1.80
Cash Ratio	0.31	0.19
Liquidity Rate	1.14	1.02

<b>Indebtedness Rates</b>	<b>2016 (%)</b>	<b>2015 (%)</b>
Total Trade Payables/Equity	80.8	75.7
Total Financial Payable/Equity	141.1	84.3
(Tot. Trade Payab. + Tot. Fin. Payable) Equity	221.8	160.0
Total Payable/Total Assets	70.3	63.3
Owners' Equity/Total Assets	29.7	36.7

<b>Market Value (TL)</b>	<b>2016</b>	<b>2015</b>
ASUZU	493,142,316	451,708,193

The Company's capital did not remain uncovered, nor was it over-indebted.

### Changes in the Articles of Association in 2016

In 2016, there wasn't any change in the Articles of Association.

### Production

Our Company continued production in pick-up, truck, light truck, midibus and bus segments in 2016.

Based on the projection that the demand for Euro 5 products would hike in line with the increased costs due to the 2016 transition to the Euro 6 engine, production figures went up to as high as 11,162 in 2015, before slumping by 53% year-on in 2016 to stand at 5,240 in the aggregate.

Production	2016	2015
Truck	1,648	4,663
Light Truck	662	2,400
Pick-Up	1,577	1,612
Midibus and Bus	1,353	2,487
Total Production	5,240	11,162

### Domestic Sales - Export

Anadolu Isuzu operates sales activities with 26 dealers country wide. In 2016, a total of 7,333 vehicles were sold, of which 6,667 to domestic market and 666 to foreign markets. The Company's sales volume decreased by 26% in comparison with the previous year in terms of quantity.

Domestic Sales	2016	2015
Truck	2,305	3,897
Light Truck	1,157	1,937
Pick-Up	2,320	2,060
Midibus and Bus	885	1,760
Total Domestic Sales	6,667	9,654

During this period, export sales increased by 163% compared to the previous year. The development and diversification of the region continued, while the opportunities that may arise due to the conjuncture, were evaluated.

Export	2016	2015
Number of Vehicle	666	253

### After Sales Services

In 2016, focus was placed on activities to enhance customer satisfaction, with special emphasis on Isuzu in the Field Project, which was conducted with active involvement of all our authorized services and our employees.

Highlights of the reporting period are presented below:

- Isuzu in the Field was carried out at 19 authorized services, and face-to-face contact was established with nearly 500 Isuzu owners and users. Also, feedback and suggestions from service staff were gathered, on-site determinations were made and improvement reports were issued for respective services.
- Countrywide audits were performed in order to upgrade service standards, while restructuring of services according to new criteria continued.
- In addition to technical programs, administrative training sessions were organized for service consultants, service managers and spares personnel at Academy Isuzu Training Center. A total of 183 business days of training were given in two classrooms during 2016, and total number of participants reached 730, including informative training offered directly to drivers.
- The outcomes from the survey administered by an independent firm to measure customer satisfaction were communicated to services at quarterly periods, thus informing the services about their shortcomings.
- In addition, another system measuring customer satisfaction called Happy or Not was put in pilot run at 20 services, and customers' comments regarding their "satisfaction with the service received" were reported to services on a daily basis.
- As of the end of 2016, we were delivering service via our 114 authorized services. These services offer 2 years unlimited mileage guarantee for truck, van and bus group and 3 years or 100,000 km guarantee for D-MAX vehicles.
- "Five Star Service" criteria updated and the number of services with this title has been 24.
- After sales service is provided with 21 distributor companies abroad. 2 years or 100,000 km guarantee application was made for bus and midibus segment.
- The service center team provided technical support in the domestic and international markets.

### Other Informations and Activities

- There are no administrative and judicial sanctions neither on the Company nor the governing body unless there is something against legislative provisions.
- Our Company's Ordinary General Meeting was held on April 15, 2016. The decisions taken in the General Meeting and meeting records are published on our web site and the Public Disclosure Platform. Our Ordinary General Meeting on May 3, 2016 has been registered by Istanbul Trade Registry Office. All decisions taken in the Ordinary General Meeting on April 15, 2016 were applied. During the year Extraordinary General Meeting wasn't held.
- There wasn't any recorded lawsuit against the Company that may affect the financial condition and operations of the Company. The provisions for lawsuits brought against our Company as of December 31, 2016 and not finalized as of balance sheet date are disclosed in the footnotes in our financial statements.
- There are no special inspections carried out during the accounting period. There is no accrued transaction following the public scrutiny.
- There is no legal action taken for the benefit of our main partners and their affiliates, with the guidance of our partners. There is no taken or avoided measure for the benefit of our main partners or their affiliate companies (TCC Regulations Art. 11<sup>th</sup>).
- The Company hasn't acquired its own shares during the period.

### 3) ACTIVITIES AFTER BALANCE SHEET DATE

By the Board of Directors decision dated January 3, 2017, it was resolved to accept the resignation of Tülay Aksoy from her seat as a member of the Board of Directors, and to appoint Talip Altuğ Aksoy to fill the vacated member's seat, which will be laid down for approval at the next General Assembly to be convened as per Article 363 of the Turkish Commercial Code.

In relation to the Board of Directors decision dated December 22, 2016 regarding "capital increase and amendment to the articles of association", the Capital Markets Board of Turkey (CMB) approved, on February 2, 2017, the application for amending the articles of association so that the capital can be increased by 230.45228% from TL 25,419,706.54 to TL 84,000,000, which will be fully covered from the Company's internal funds. The said decision in relation to the bonus issue will be discussed and laid down for approval at the Ordinary General Assembly Meeting planned to be held in April, upon which the timeline for the new share issue will be defined.

### 4) DIVIDEND DISTRIBUTION POLICY

Our Company pays dividends regarding the Turkish Commercial Law provisions, Capital Market Regulations, Tax Regulations, other relevant regulations and the article about dividend in Articles of Association.

Our Company, at least 50% of its distributable profit distributes as cash and/or bonus shares every year.

To maintain this distribution policy is among the main objectives of our Company except special cases like investments, funds and extraordinary developments in economic conditions required for long-term growth of the Company.

Individual decision taken by the Board of Directors on dividends for each fiscal year and presented to the General Meeting for approval. Commencement of dividend distribution, at latest until the end of the year the General Meeting held, is determined by the General Meeting. The Company can consider the payment of dividends in advance or distribute dividends in equal or different instalments in accordance with legislation provisions.

This policy was decided to be treated as a written policy since 2005 within the framework of harmonization process in Corporate Governance Principles. It was approved by Board of Directors' decision dated March 21, 2014 according to the Capital Markets' II - 19.1 no. dividend notification and the revised dividend policy which was published on the same date on Public Disclosure Platform, was approved by the General Meeting, dated April 17, 2014.

At the 2015 Ordinary General Assembly Meeting of Shareholders, approval was granted to the Board of Directors' proposal based on its decision dated March 4, 2016 regarding "distribution of 2015 profit", which proposes that dividends in the amount of TL 12,709,853.27, which is the sum of TL 12,099,553.05 (that is 2015 net profit for the period in the amount of TL 17,743,897.- that descended in the independently audited consolidated financial statements that have been drawn up in accordance with the financial reporting standards embraced by the CMB less legal reserves that are required to be set aside pursuant to the provisions of the Turkish Commercial Code) and TL 610,300.22 out of extraordinary reserves, be paid out starting from May 31, 2016 as cash dividends such that TL 0.50000 gross (TL 0.4250 net) shall correspond to each share with a nominal value of TL 1 so as to ensure a gross profit distribution at the ratio of 50.00% over the issued capital. Accordingly, dividend payout occurred between May 31, 2016 and June 2, 2016.

Due to the fact that the Company posted loss for the period on its 2016 operations, dividend distribution is not envisaged for 2017.

**BOARD OF DIRECTORS OF ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.  
2016 AFFILIATE REPORT PREPARED DUE TO 199. ARTICLE OF TURKISH TRADE LAW**

Board of Directors of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. is obliged to provide a report about its relationship with the controlling shareholder and its affiliated companies during the past year of operation, in the first three months of operations in accordance with the 199. article of Turkish Commercial Law no. 6102 which is effectuated on July 1, 2012.

Required disclosures about the transactions of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. with related parties are in the footnotes of the financial reports no. 27.

The report dated February 27, 2017 prepared by the Board of Directors of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. states the following: "Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. has not performed any transactions with its controlling shareholders and subsidiaries of these controlling shareholders with the guidance of the controlling company or with the intention to obtain results in its own favour or that of any of its subsidiary companies; no measures were taken or avoided in favour of the controlling company or any of its subsidiary companies; in 2016, in accordance with the circumstances known to us, proper counter acts were gained at arm's length in every transaction the Company made with its controlling shareholder and subsidiaries of the controlling shareholder in order to sustain the competitiveness of the operation in the current market at the time of the transaction; no measures were taken or avoided in favour of the controlling shareholder of our Company and the subsidiary companies of the controlling shareholder, which might result in a loss for the Company and there are no transactions or measures which may require offsetting within this framework."

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

#### 1. Corporate Governance Principles Compliance Statement

All activities of our Company are carried out in line with all legal regulations and "Corporate Governance Principles" which are regulated by the CMB (Capital Markets Board). In our Corporate Governance Principles Compliance Report we include reasoned descriptions regarding incidents in which principles were not applied, if any, along with information regarding Company practices for each subject addressed in the Corporate Governance Principles, conflicts of interest which occurred due to not complying completely with such principles, if any and explanations regarding whether our Company has a plan to make changes in line with management practices principles in the future.

The 2016 Corporate Governance Principles Compliance Report was prepared in line with the format which the Capital Markets Board (CMB) declared in its Decision No. 2/35 in bulletin No. 2014/2 dated January 27, 2014.

Our Company adopted it a strategic necessity to take all the required precautions to be in compliance with the requirements of the "Corporate Governance Principles" announced by the Capital Markets Board to the public. Our Company complied with the "Corporate Governance Principles" issued by the CMB, excluding some principles apart from the principles which are stated below and with which we must comply during the financial period between January 1, 2016 and December 31, 2016. There is no conflict of interest resulting from unimplemented items listed below.

- According to the Article no. 4.6.5 of the Corporate Governance Principles, wages and all other benefits granted to top managers with administrative responsibility as well as members of the Board of Directors are disclosed to the public through the annual activity report. However, as in the previous years, the statement won't be on personal basis, but it will be made in a way to provide differentiation for Board of Directors and managers with administrative responsibility.
- Due to the fact that there is no available written indemnity policy which must be created for personnel as per Article No 3.1.2 of our Company's "Corporate Governance Principles", we pay the utmost attention to protect our employees' indemnity rights, not only within the scope of principles in the Anadolu Group Working Principles but also the Labour Law which we are obliged to comply.
- 21% of the Company's Board of Directors is composed of women. The Board of Directors was advised by the Corporate Governance Committee to increase the number of women in its body and our work on this issue continues.
- Apart from special situations and notes, financial statement declarations which must be disclosed to the public according to the capital markets legislation are not currently explained in English in addition to Turkish in KAP (Public Discourse Platform). The declarations are planned to be presented in KAP in English in the next period.

Kamil Ömer BOZER  
Corporate Governance Committee Chairman

Salih Metin ECEVİT  
Corporate Governance Committee Member

Ali Osman MAĞAL  
Corporate Governance Committee Member

## SECTION II - SHAREHOLDERS

### 2.1. Investor Relations Department

The personnel whose names, contact details and licence information are presented below work in our Company's investor relations department coordinated by Financial Affairs Director Bora ÖNER.

**Ali Osman MAĞAL** – Investor Relations Department Manager / Chief of Finance  
Phone: (90) 850 200 19 00  
E-mail: investorrelations@isuzu.com.tr  
Licence: Capital Markets Activities Level-3  
CMB Corporate Governance Rating Licence

**Veysel KIRICI** – Investor Relations Department Member / Chief of Financial Control and Reporting  
Phone: (90) 850 200 19 00  
E-mail: investorrelations@isuzu.com.tr  
Licence: Capital Markets Activities Level-3  
Corporate Governance Rating Licence

Our Investor Relations Department performs activities to guarantee the use of rights of shareholding and, in particular, to facilitate communication between the Board of Directors and shareholders. In this context, it is the role of the Investor Relations Department to make material event statements in the matters stipulated by Capital Market regulations, to prepare periodic information notes regarding activities to inform the investors, to prepare the content of the Company's website, to prepare the annual report and to meet the written/verbal information requests of shareholders.

The Investor Relations Department responded to investors' questions and made the necessary explanations within this period. The department received 38 applications within the period. The number of questions asked was very high during the periods when the annual financial statements and the ordinary general assembly meeting date were announced and other material event statements are made.

The Corporate Governance Committee was assigned to supervise the work of the investor relations department at our Company. In this context, the committee determines standards related to all communications and the basic principles of investor relations, reviews these standards and principles every year, as well as compliance with them and makes necessary recommendations to the Board of Directors. The report issued by the Investor Relations Department about the activities carried out and presented to the Corporate Governance Committee at each meeting is communicated by the committee to the Board of Directors. 4 committee meetings were held in 2016.

### 2.2. Use of Shareholders' Rights to Obtain Information

#### Shareholders' Information Requests from the Company

In line with our Company's information policy, particular importance is attached to communicating all necessary information to the shareholders in a complete and accurate way in order to ensure that all shareholders can use their shareholding rights. Information requests from shareholders are evaluated within this context and information sharing is done within the scope of the content previously disclosed to the public.

Contacts were made to ensure that local and foreign corporate and individual investors and shareholders and analysts obtain information about our Company's activity results, performance, other developments which occurred within the period and all matters identified as per the Capital Market regulations were disclosed to the public with material event and press statements.

Questions answered within the scope of the information requests coming from direct shareholders or intermediary companies were about the Company's financial statements, the market structure, changes in the market, development of the Company's market share and new projects for the future and relevant investments during the period when financial statements were disclosed to the public.

### **Evaluating the Information Requests of Shareholders and Updating the Investors**

Information requests of shareholders are immediately answered. In addition, there is detailed information on the Company's website regarding the Company's capital structure, trade registry information, Articles of Association, organizational structure, activities and financial statements for the period and material event statements made within the period.

We also answer each of the questions of local individual investors, in particular those who reach us through the contact form on our Company's website, as soon as possible.

### **Special Auditor Assignment**

Our Company's Articles of Association do not include any provision which would impede performance of a special audit and Company management avoids carrying out any transaction which would impede a special audit. Our Company acts in compliance with the relevant provisions of the TCC regarding the use of the right to request a special audit. In 2016 shareholders did not make any special auditor assignment request.

### **2.3. General Assembly Information**

Our Company holds General Assembly meetings according to all the principles stated under "General Assembly" in the Corporate Governance Principles.

Within the period, our Company held its ordinary General Assembly Meeting for 2015 on April 15, 2016 at 14:00 at "Esenkent Mahallesi Deniz Feneri Sokak No: 4 Ümraniye 34776 İstanbul" with 87% participation by the shareholders.

Shareholders were invited to the General Assembly Meeting at least three weeks prior to the meeting through national newspaper announcements. Also, the registered share owners were notified via a written invitation.

Information regarding the Company's activity results is made ready for examination by shareholders at headquarters and the factory three weeks before the General Assembly date. Also, after financial statements have been disclosed to the public, information regarding the financial statements are announced on the Company's website. The meeting chair paid attention due to communicate the items on the agenda in an unbiased and detailed manner using a clear and understandable method throughout the ordinary General Assembly Meeting. The meeting chair ensured that all the shareholders' questions which did not fall into the scope of commercial secrets were answered directly at the General Assembly Meeting. There were no questions not related to the agenda or which were so complex they could not be answered directly at the ordinary General Assembly Meeting.

Pursuant to Article 1.3.7. of the Corporate Governance Principles, there were no transactions performed within the scope of the Company's field of operation by persons with privileged access to Company information on their own behalf and which must be communicated to the General Assembly.

When preparing the General Assembly agenda, due care was paid to present each offer under a separate title and agenda titles were presented clearly in a way which would not lead to disparate interpretations. Due care was paid to not include expressions such as "other" and "various" in the agenda. The information given before the General Assembly Meeting was provided by referencing the relevant agenda items.

While setting the meeting agenda, there was no subject that shareholders conveyed in writing to the Investor Relations Department of the Company and requested be included in the agenda. Likewise, shareholders, the CMB and/or other public bodies and institutions related to the Company did not request including a new item on the agenda.

The total number of shares and voting rights which represent the Company's shareholding structure were published in our Company's website as of the General Assembly Meeting announcement date.

Invitation to the General Assembly is made in a national newspaper and a trade registry gazette three weeks beforehand. Also, the decision of the Board of Directors to invite the General Assembly to the meeting and the meeting agenda are published on the website of the Company, the Electronic General Assembly System and Public Disclosure Platform. Our aim is to hold the General Assembly Meetings in a manner that does not involve inequality among the shareholders and allows shareholders to participate with the minimum cost in order to increase the participation rate of the shareholders. Accordingly, the 2015 ordinary General Assembly Meeting on April 15, 2016 was held in line with the Company's Articles of Association, in İstanbul, where the Company's headquarters is located, at "Esenkent Mahallesi Deniz Feneri Sokak No: 4 Ümraniye 34776 İstanbul". Also, information regarding the decisions made in the General Assembly is published on the Public Disclosure Platform and the Company's website after the meeting.

Members of the Board of Directors, other relevant people, officers and auditors responsible for preparation of financial statements were present at the General Assembly Meeting in order to disclose necessary information and answer questions related to matters of importance on the agenda.

The Articles of Association do not include a provision regarding this matter, however, the General Assembly Meetings are open to the public, including the beneficiaries and media, without granting the right to speak. Beneficiaries and media did not participate in the ordinary General Assembly Meeting on April 15, 2016, but the Company authorities stated in the previous paragraph attended.

Our Company does not have a separate policy entitled aids and donations, however, this issue was covered in detail in the Articles of Association. A separate item was added to the General Assembly agenda regarding the aid and donations made within the period. During the meeting the shareholders were informed about this matter.

Within the period there were no transactions where the yes votes of the majority of the independent Board of Directors' members were sought in order to enable a decision by the Board of Directors and where the decision making was transferred to the General Assembly due to an insufficient number of yes votes.

The shareholders were informed that there weren't any significant transactions performed within the year in line with the provision in compulsory Corporate Governance. Principle No. 1.3.6 of the CMB's Communiqué No. II-17.1 which states, "in the event that shareholders who have control over the management, Board of Directors members, managers with administrative responsibility, their spouses, blood relatives up to second degree and relatives by marriage carry out a significant transaction which may lead to conflict of interest with the partnership or its subsidiaries and/or perform a transaction with the nature of commercial business in the business field of the partnership or its subsidiaries on their own or others' behalf, or enter into a partnership with the capacity of unlimited liability partner, the said transactions shall be included in the General Assembly's agenda as a separate item which will be detailed further at the General Assembly and recorded in the General Assembly Meeting minutes."

The meeting minutes and the list of attendants were disclosed to the public on the same day as the meeting through the Public Disclosure Platform. The General Assembly Meeting minutes and list of attendants are available on our website and open to access by the shareholders.

## **2.4. Voting Rights and Minority Rights**

### **Privilege in Voting Rights**

There is no practice which makes it more difficult for shareholders to use their rights to vote and mechanisms required to ensure that each shareholder uses their right to vote in the easiest and most suitable way, including cross border regions within the framework of the provisions of Turkish Commercial Law related to electronic General Assembly, are established.

According to the Company's Articles of Association, there is one right to vote for each share in the General Assembly and there is no privilege in the right to vote.

There is a regulation regarding the election of Board of Directors' members in the current Articles of Association of the Company as follows:

The Company is managed by a Board of Directors consisting of 14 members, to be elected by the General Assembly according to the provisions of Turkish Commercial Law and Capital Market regulations.

Four members of the Board of Directors from among the candidates nominated by B group shareholders to represent themselves, eight members from among the candidates nominated by A group shareholders to represent themselves and other members from among the candidates nominated by any shareholder and are elected by the General Assembly.

Anadolu Group signed a joint venture contract between their foreign partners Isuzu Motors Limited and Itochu Corporation in 1985 and Isuzu Motors Limited became a licensor partner. This cooperation which included technology transfer occurred with the participation of foreign partners in management in a partnership structure which does not have a majority.

### **Cross Shareholding**

The Company does not have a cross shareholding relation with any organization.



### **Representing the Minority Shares in Management**

Our Company shows maximum care of the use of minority rights. In accordance with Corporate Governance Principles, independent members in the Company's Board of Directors can perform their duty without being influenced in any way and they therefore ensure that minority rights are protected by contributing to the objective management of the Company.

Although minority rights are recognized in the articles of association of companies for shareholders holding less than one twentieth of the capital, our Company's articles of association do not include a provision enlarges the scope of minority rights relative to the measures determined by law.

### **2.5. Dividend Right**

#### **Privileges Regarding Participation in Company Profit**

There is no privilege granted to shareholders regarding participation in Company profit.

#### **The Company's Dividend Distribution Policy**

Our Company distributes profits pursuant to the provisions of the Turkish Commercial Code, Capital Markets Board regulations, tax regulations, other relevant regulations, as well as the article related to profit distribution in our Articles of Association.

Our Company has adopted a policy of distributing at least 50% of its distributable profit every year, in cash and/or as bonus shares.

It is among the basic purposes of our Company to sustain this dividend distribution policy except in special situations such as extraordinary developments in economic conditions or when investments and other funding needs are required for the Company's long-term growth.

The Board of Directors makes a decision every accounting period regarding dividends and submits the decision to the General Assembly for approval. Dividend distribution starts at a date set by the General Assembly, which cannot be later than the end of the year when the General Assembly is held. The Company may opt to distribute dividend advances or pay dividends in instalments in equal or different portions in line with the provisions of the effective legislation.

It was resolved to put this policy in writing as of 2005 within the framework of our Corporate Management Principles compliance work. Pursuant to Communiqué on Dividend No. II-19.1 of the Capital Markets Board, a revised dividend distribution policy approved by a Board of Directors' decision dated March 21, 2014 and published on the Public Disclosure Platform on the same date was approved at the April 17, 2014 General Assembly.

The dividend distribution policy is included in the annual report. The dividend distribution policy is also published on the Company's corporate website.

#### **Dividend Distribution in 2016**

At the 2015 Ordinary General Assembly Meeting of Shareholders, approval was granted to the Board of Directors' proposal based on its decision dated March 4, 2016 regarding "distribution of 2015 profit", which proposes that dividends in the amount of TL 12,709,853.27, which is the sum of TL 12,099,553.05 (that is the net profit for the period in 2015 in the amount of TL 17,743,897.- that descended in the independently audited consolidated financial statements that have been drawn up in accordance with the financial reporting standards embraced by the CMB less legal reserves that are required to be set aside pursuant to the provisions of the Turkish Commercial Code) and TL 610,300.22 out of extraordinary reserves, be paid out starting from May 31, 2016 as cash dividends such that TL 0.50000 gross (TL 0.4250 net) shall correspond to each share with a nominal value of TL 1 so as to ensure a gross profit distribution at the ratio of 50.00% over the issued capital. Accordingly, dividend payout occurred between May 31, 2016 and June 2, 2016.

### **2.6. Transfer of Shares**

The Company's Articles of Association do not include provisions which restrict transfer of shares neither do they include a practice which impedes transfer of shares freely.

## SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Company Website and Content

The Company's corporate website is [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr). The website is presented both in English and Turkish.

Information about privileged shares is not stated separately because it is included in the Articles of Association. Other matters stated in the Corporate Governance Principles are available on the website in a comprehensive way. Information on our Company's website is the same as and correlates with the statements which were made with regard to the provisions of the relevant legislation and do not contain any contradictory or incorrect knowledge.

Financial statement declarations other than the material events and notes, which must be disclosed to the public as per Capital Markets legislation, are not simultaneously disclosed in English in addition to Turkish in the Public Discourse Platform at present. It is planned that the said declarations will also be in English in the Public Discourse Platform in the future period.

### 3.2. Annual Report

Annual reports of our Company are prepared in a detailed manner which enables the public to access complete and accurate information about the Company's operations and to include the information stated in Article 2.2.2. in Section 2 of the Corporate Governance Principles in addition to matters covered in legislation and other sections of the Corporate Governance Principles.

## BÖLÜM IV - BENEFICIARIES

### 4.1. Informing the Beneficiaries

#### Informing the Beneficiaries

Beneficiaries are persons, corporations, or stakeholders, such as employees, creditors, customers, suppliers, unions and various non-governmental organisations involved in the Company's operations or achievement of the Company's goals. Our Company preserves beneficiaries' rights which are regulated by legislation and mutual agreements during its transactions and operations. In cases when such rights cannot be preserved through legislation and mutual agreements, the Company pays due care to protect beneficiaries' interests within the framework of goodwill and to the extent of the Company's capability. Our Company acts in line with the Corporate Governance Principles in relationships with beneficiaries and has established all mechanisms required to ensure this.

In the event that conflicts of interest occur among beneficiaries or a beneficiary is included in more than one stakeholder group, a balanced policy is pursued as much as possible in terms of preservation of the rights, with the aim of protecting each and every right independently from one another.

Our Company implements relevant legislation provisions when using a mechanism such as indemnity provided to beneficiaries. Even though there is no available written policy regarding employee indemnities which must be issued as per Article 3.1.2 of our Company's "Corporate Governance Principles", we pay due care to preserve personnel indemnity rights not only within the scope of Anadolu Group Working Principles but also Labour Laws that we are obliged to implement.

It is one of the most important policies of the Company to keep beneficiaries satisfied by producing applicable and timely solutions for issues related to employees and other beneficiaries. Our employees, suppliers, customers and consumers are informed about matters that are relevant to them through various channels.

#### Communication of Beneficiaries with Corporate Management Committee and Auditing Committee

Beneficiaries inform the Corporate Management Committee or Audit Committee through the Internal Auditing Directorate and Financial Affairs Directorate about operations of the Company which are contrary to legislation and ethically inappropriate when it is necessary.

### 4.2. Participation of Beneficiaries in Management

#### Efforts Made to Ensure That Beneficiaries Participate in Management

Models which encourage beneficiaries, particularly the Company's employees, to participate in the Company's management are developed in a manner which does not cause any delay in the Company's operations. An open platform is provided to the shareholders to convey their positive or negative opinions regarding the Company in the General Assembly meetings which are open for participation by shareholders. Also, the contact form on the Company website is an efficient communication mechanism for shareholders.

Our employees can share their ideas which will add value to our corporation with management through our idea system, the Anadolu Group Innovation Portal. Our employees efficiently use the Human Resources Request and Improvement Line to send requests and improvement requests for services offered to our employees by the Human Resources Department. In addition, the annual Employee Satisfaction and Loyalty Survey, developed to support our employees' participation in management, is a channel through which employees are able to express their requests and improvement demands regarding the organization.

The Company carries out work which aims to improve the activities that employees may participate in within the scope of Kaizen improvement work and quality circles.

Dealers and suppliers' opinions are requested at annual meetings and such opinions are assessed in strategic plan work.

Our Company takes all types of measures in order to achieve customer satisfaction in marketing and sales of goods and services. Requests related to the goods and services purchased by customers are swiftly evaluated and our customers are informed about any delay, before the deadline. Quality standards are met in all goods and services and due care is paid to maintain a certain standard. Certain warranties related to quality are provided with this aim. Within the scope of commercial secrets, confidentiality of information related to customers and suppliers is dealt with using due care. Beneficiaries are consulted regarding significant decisions which would yield consequences related to them.

### **4.3. Human Resources Policy**

#### **Human Resources Policy**

Our Company's Human Resources Policies were created in line with Anadolu Group Human Resources Quality Policies and announced to all employees.

Our mission of Human Resources is to increase our employees' motivation and commitment in accordance with our Company's reason of being and strategies in order to increase the profitability of our Company and to provide added value to the entire organization. Anadolu Isuzu Human Resources vision is being a strategic business partner creating competitive advantage.

Human Resources strategy of our Company are created in accordance with our vision and mission to support our strategic business plans and is carried out under the following basic policies:

- To have the global perspective and the ability to provide the right human resources to the Company.
- In a business environment based on open communication and trust; a team and working with information, constantly looking for a better work culture and create HR systems.
- To contribute to organizational efficiency and organizational development.
- To strengthen the employee commitment.
- To establish a people-oriented employer brand.

From labour force planning to placement, performance management, training and development management, talent and career management, compensation and benefits management, appreciation and reward, like all Human Resources systems to provide continuous improvement and development is implemented in encouraging superior performance and reward principle.

In this respect, our values shape our vision and mission, shows us the way to our candidates in the recruitment process. We care about that our employees thinking globally, being open for team work and communication, cares about development, analysis capable, care to be able to use initiative, working on business and client basis. The candidates in managerial positions, we see leadership, strategic thinking and managerial effectiveness as a priority.

Decisions taken by the Board of Directors are included in the annual performance are of our employees according to the Critical Performance Criteria. We apply the Performance Management System, increasing the performance of teams and individuals, helping to sign the Company's successful results to improve their competence. The Performance Management System focuses on the business results as well as the development of our employees. All of our employees have the opportunity to receive feedback on their personal strengths and areas which needs development.

As Anadolu Isuzu in the light of our values and corporate culture; without discriminating different language, religion, race, gender, we focus on "human based" service. We make no compromise on "Equal opportunity principle" which is one of our Group's working principles in order to create diversity. We provide equal opportunity to our employees by all human resources practices such as recruitment, training, wage and career development. We value creativity and innovation, and the Company employs a dynamic and transparent management concept that invests in innovation.

In this regard, all human resources policies and procedures are published on an open portal to our employee and we attach great importance to internal communication activities. We implement employee satisfaction and engagement surveys regularly, provide an e-platform for our employees to share their innovative ideas and we support an open communication between staff and management team.

### **Industrial Relations**

Blue-collar employees are protected by the Collective Bargaining Agreement and United Metal Workers' Union is the official labour union. In our Company there is 1 assigned Chief Representative and 3 Union Representatives. These representatives are entitled to follow up the demands, complaints, problems of our blue-collar employees in the scope of the Collective Bargaining Agreement signed between the Metal Workers' Union and MESS, as well as to represent and supervise the employees who are part of the Disciplinary Board and the Occupational Health and Safety Committee.

With regard to the implementation of the agreement, before sharing the requests and complaints of the employees, union representatives negotiate with employers or representatives of employers. According to the Law of Trade Unions, Union Representatives have the legal rights to ensure the harmony, collaboration and the continuation of the peace between the workers and employers.

### **Human Resources Activities**

#### **Primarily Human**

As Anadolu Isuzu team we see the human resources as the most precious treasure and a very important factor that provides us the advantage of a competitive environment. Creating a work environment where our employees use their potential in the best way to participate the Company's future vision/strategy and supportive way to provide value to designing innovative HR practices we aim to be a preferred employer in every aspect.

#### **Training and Development Investments**

Through training and development activities intended to produce constant improvement and enhancement, we urge all our employees to thrive in areas in our strategic focus.

We are organizing corporate development activities within the Academy Isuzu to train new leaders and to support young talents with our 'human-oriented' approach. Under our development process called "Young Isuzu", we provided training and workshops on communication, teamwork and social responsibility awareness to 15 employees during 2016. Within the scope of this process, we put into life Social Awareness Projects that Young Isuzu People co-conducted with various NGOs and stakeholders.

Under the "Future Orientation Program" designed around managerial and leadership skills, we have involved 40 middle/top level executives in a development process entailing workshops. To support the process, we have launched the "Mentor/Mentee Program" built on the principle of experience sharing.

Within the frame of professional and competency-based training, we have offered 16 different training options about various topics including Creative Problem Solving, Effective Communication, Negotiation Skills, REFA, Productivity and Cost Saving Techniques, Project Management, Business Law, Psychology of Selling, etc.

We gave a total of 13,730 hours of training to our employees in 2016.

We launched specific training programs for our blue-collar workers in order to build upon their qualifications and strengthen their sense of belonging. Within this frame, we have included 21 employees in a development process entailing Teamwork and Problem Solving Techniques, Communication and Stress Management, Productivity and Cost Awareness training programs.

At the end of 2016, we had a total of 823 employees which consists 562 blue-collar and 261 white-collar. In line with our commitment to research and development, our total number of employees in R&D Center was 91.

We believe that our women employees make significant positive contributions to our working environment by virtue of their idiosyncratic skills and competencies. The key step towards encouraging equality between men and women workers was taken with the increased number of blue-collar women. The number of our blue-collar women was seven at year-end 2016 (2013: 0). The ratio of our women employees to our total employees increased by 1.2 basis points over the last two years. As we carry on with our efforts in relation to woman employment, we also develop projects to enhance the satisfaction and standards of our existing women employees in the working environment.

The courses to provide occupation launched in 2014 in cooperation with the Turkish Employment Agency (İŞKUR), continued in 2016. 8 people participated to this courses and 6 people of was employed at paint shop at the Company.

We employ university students as interns in various departments for long-term projects within the scope of projects realized in University-Industry Cooperation. With this project, we aim to attract qualified and potential workforce to our Company. In this regard, 18 students were employed from the departments of production, quality control, HR and R&D in 2016. During the summer term, we offered short-term internship opportunities to 65 students.

Within the scope of Vocational High School-Industry Cooperation, we provided internship opportunity to 46 senior students from Industrial Vocational High School. We carried on with the project for setting up Anadolu Isuzu Paint Technologies Workshop at Küçükyalı Vocational and Technical High School launched in 2015 by extending support for building on the students' competencies in 2016.

For the purpose of creating a "human-oriented" brand; we have participated in the leading universities career days, we also provide sponsorship to the case analysis. In 2016, we took part in the On-Campus Interview Days within the scope of Sabancı University Career Days and interviewed 20 students. We included five of these students in our internship program. We also participated in METU Career Day and ITU Career Summit.

In the scope of factory tour, we hosted students from Ozyegin University Industrial Design, Okan University Mechanical and Automotive Engineering and Marmara University Industrial Engineering departments in our Company. In addition, within the context of KAP Project ("Plan your career at Anadolu Group" - "Kariyerini Anadolu Grubu'nda Planla") our General Manager attended to interview activities with the managers at Sabancı University.

### **Innovation, Creativity**

In the An Idea Festival, where the most innovative ideas across the Group compete as part of the An Idea implementation whereby Anadolu Group employees submit their innovative and creative ideas, further their creativity individually and as a team, and contribute added value to the Group companies, we, as Anadolu Isuzu team, have been elected the runner up with our project "Rendering Trunk Sheeting an Ergonomic Process". We are constantly trying to support and encourage innovative and creative ideas, an attitude that took its first roots at Anadolu Isuzu in the past with Quality Circle and Kaizen initiatives, later to be embraced as corporate culture.

### **Recognition and Rewarding System**

In 2016, we have created our Recognition and Rewarding System as part of our efforts to find out what makes our employees happy, starting with the working environment and daily life. With this so-called Isuzu Ekstraa structure, we gathered all our appreciation, recognition and rewarding processes under a single roof, and took an important step towards propagating this culture across the Company.

At Isuzu Ekstraa, employees earn points on their special days (birthdays, childbirth, marriage), and when they achieve their accident-free and attendance goals, take part in corporate volunteer projects, participate in training programs, or make a difference with their superior performance. We have assigned nearly 11,000 points to 423 employees. With these points earned, our employees can benefit from a selection of presents consisting of meals, gift vouchers, trips and hobby workshops.

### **HR Going Digital**

In a bid to create the setup for qualified workforce and establish the innovation environment for technology development, we, as HR, are trying to lead digitization. In this sense, we are offering all our employees the chance to participate in training programs independent of time and place with AGAKADEMİ distance learning program. AGAKADEMİ gives our employees access to a range of development tools such as a library, a digital training collection, and video series by a single touch. During 2016, 63 employees benefited from 20 different training programs and 30 different training videos on the AGAKADEMİ platform. We have also launched our orientation process on an online platform, which is one of the most effective tools to acquaint newcomers with our Company, organization and corporate culture. To this end, our efforts are ongoing to expand and further develop e-orientation during 2017.

### **Innovation Team: Garage**

The aims of "Garage", the Innovation Team that started activities in 2016, are set as propagating internal entrepreneurship and innovation perspective across the entire Company so as to pave the way for its internalization as a culture, producing high value-added solutions for customer issues based on an entrepreneurial mind-set, and creating the future by stepping out of our existing business conduct.

During 2016, the Garage team carried out top and middle-level Innovation and Internal Entrepreneurship workshops, and identified the Company's innovation perception and development areas. Over the course of a 6-day intensive workshop, Garage members conceived 208 ideas, 10 of which were prioritized and a decision was made to work on 5 projects. Garage members get together twice a month and carry on with idea conception efforts. Work is in progress to transform projects that are approved to be handled by the Senior Management into a commercial asset through weekly meetings.

**For Our Future!**

Being the Company's strategic business partner, we continue to produce projects that will provide added value for the future. We constantly work to align our organizational structure with our future strategies, and we attach importance to organizational development.

Our goals for 2017 include improving the recruitment process, strengthening our competency-based interviewing skill, and broadening the scope of the orientation process in order to attract the right and qualified workforce to our Company.

We will also be taking action to expand "Isuzu Ekstraa", the recognition and rewarding system established in an effort to enhance employee loyalty/satisfaction.

We will continue to promote the "creativity-proactivity" and "innovation" approaches throughout the Company.

**4.4. Ethical Rules and Social Responsibility****Ethical Rules**

Anadolu Group has a corporate culture which it has pursued with awareness, managed diligently and preserved with due care since its foundation. The corporate culture shared by all managers and employees includes knowledge and experience as well as prospective expectations and strategies which meet the requirements of the current era. Provision of the best service and best products to not only the people located in the regions within their operation zone but also all people and transfer of dignity to future generations, are basic values that affect how Anadolu Group does business.

Anadolu Isuzu has adopted a commitment to legal rules and ethics in business and social circles; working based on trust; producing high quality, accurate and reliable results; acting in compliance with rules and opinions; and being respectful of nature and the environment as indispensable elements of its corporate culture.

Our Company's operations are carried out within the scope of Anadolu Group's Working Principles which are available on our corporate website. Our Company is also a member of the Ethics and Reputation Society. Our Company has an Ethics Board presided by the General Manager and periodic assessment meetings are held.

On the other hand, reminders are issued regarding the liabilities of Company employees arising from regulations about insider trading within the Anadolu Group Working Principles prepared for the Group companies to reinforce compliance with Corporate Governance Practices and with Capital Market regulations in Anadolu Group, which is highly recognizable and seen as reliable in local and foreign capital markets. Because we are a publicly traded company, the practice known as "forbidden period", which forbids those who can access relevant insider information from the sale and purchase of such stocks, is also in place.

**Social Responsibility Activities**

Being a company engaged in the commercial vehicle segment, Anadolu Isuzu takes place right in the heart of social life and touches all segments of the society every day through its vehicles. Thus, the Company regards its social responsibility activities as part of its corporate identity, and exercises utmost care in putting the principles it adopts into life.

Within the frame of this perspective, Anadolu Isuzu, being a member of the Private Sector Volunteers Association (ÖSGD) that works to propagate the concept of corporate volunteerism among private sector employees and to vest volunteering in companies in a sustainable and systematic framework, gives importance to social responsibility and volunteerism projects, and touches various segments of the society.

**Social Awareness Projects**

Introduced in 2014 at Anadolu Isuzu in line with a sustainable approach to social responsibility initiatives, "Social Awareness Projects" are put into life with the contributions of an ever-growing number of volunteer employees each year.

Carried out in cooperation with NGOs working in three main topics, namely education, environment and disability, and with the involvement of nearly 300 employees, initiatives produce significant results that will create value for, and contribute to, the society. This approach ensures an awareness of social responsibility and volunteerism notions across Anadolu Isuzu, while also giving employees the chance to acquire positive and satisfying experiences.

In 2016, Anadolu Isuzu was awarded the Special Jury Prize by the Private Sector Volunteers Association (ÖSGD) for its project titled "Celebrating National Holidays Hand in Hand with the Children".

The activities carried out within the frame of Social Awareness Projects in 2016 included the following:

- With the aim of raising an awareness of national values among children, October 29<sup>th</sup> Republic Day ball and Anıtkabir visit were carried out with 100 students from TOÇEV (Tuvana Foundation for Children Willing to Study). Within the frame of the Republic Day ball, educators were invited to hold talks with the children, and events that children will enjoy were organized.
- Internal trainers have been trained from among Company employees, who will be working towards building the right approach to disability in cooperation with The Dreams Academy - Alternative Life Association. Internal trainers gave training on the right approach to disability to nearly 150 employees, thus igniting a Company-wide awareness of the topic. In parallel, life qualities of disabled employees in the organization were enhanced, extending support for their more active involvement in social life and in business life. Within this scope, sign language training was given to volunteer employees so that they can communicate with hearing-impaired employees more easily; conversation sessions were held with disabled employees, and disabled employees from The Dreams Academy were hosted at our Company. In addition, a sign language translator was included in the informative meetings held by our General Manager, thus helping our hearing-impaired employees to feel themselves part of the meeting.
- Our Company cooperated with the Tarlabası Community Center (TTM), to acquaint 10 children in the 10-12 age group identified by TTM with the city they live in by being immersed in the culture and the arts, to build on their perspective of life and to support their creativity. Along these lines, these children received creativity training from academics from Yıldız Technical University Faculty of Fine Arts. In guided tours of the Archeology Museum, the children heard about the historical development of their city, while a visit to the Toy Museum was used for imaginative work, and the visit to Rahmi Koç Museum served to familiarize them with the novelties of the modern age and their impact on our lives. Finally, the children took part in creative writing and painting workshop, and were given the opportunity to express themselves on a free platform.
- "Super Dad" project was launched in cooperation with the Mother Child Education Foundation (AÇEV) with the aim of strengthening the relationship between fathers and their children, to help them spend quality time together, and to give them different points of view about the father-child relationship and its impact. Within this scope, 30 Isuzu employees took part in the Father Support Program of AÇEV.
- With the purpose of informing Anadolu Isuzu employees about environmental protection and enhancing their awareness, cloth bags were distributed to employees, thereby reducing the use of plastic shopping bags. In addition, "I don't litter" stickers were designed and distributed for use by employees in their car windows.

#### Outputs of Social Responsibility Projects

- Over the course of two years, a total of 300 employees were acquainted with the volunteerism notion; attention was drawn to volunteerism and social responsibility across the Company, and awareness was raised of the same.
- Disabled employees communicated that they are highly motivated by the initiatives targeting them, and by the fact that a Company-wide awareness of the right approach is being created. They expressed that they feel like part of the Company. Currently, all our positions for disabled individuals are filled.
- 30 Anadolu Isuzu employees took part in, and successfully completed, AÇEV's Father Support Program. Pre- and post-training survey and assessment results reveal that our employees gained various information about gender, parent roles and father-child communication, and that this information positively reflected on their acts. In addition, it was established that fathers who attended the training also shared their learnings with their circle of friends and family.

#### The Coaches of Vocational High School Program

The program entails groups consisting of 2 coaches from among private sector professionals, who share their experiences with groups of vocational high school students pursuing vocational studies in the coaches' respective fields of expertise and implementation of personal development modules.

Anadolu Isuzu employees have been supporting the development of Hatice Bayraktar Vocational High School students by coaching them since 2014.

#### Under the program:

- Anadolu Isuzu volunteers and vocational high school students got together within the frame of the coaching model that produced a project instilling excitement in both sides.
- By creating opportunity for students to spend time with role models who have acquired a profession, they were supported with respect to their school attendance and acquisition of a profession, e.g. with respect to their personal and professional development.
- The support extended helped increase the employability of the students, and thus, fulfilling the real sector's need for competent workforce with advanced skills.

Outputs of the Vocational High School Coaching Program

- In 2015, 10 volunteer coaches got together with 90 students from 10<sup>th</sup> and 11<sup>th</sup> grades for 10 times in one year and completed the process.
- A tour of Anadolu Isuzu plant was given to students.
- 10 of these students got hands-on training as interns at Anadolu Isuzu, and gained information about the corporate culture and the sector.
- The program continued with three volunteer coaches in 2016.

### **Anadolu Foundation - Social Entrepreneurship Projects**

#### **I am Young, but I Know (Küçüğüm Ama Biliyorum): Traffic Angels**

The project is intended to raise our children, the most defenceless group in traffic, as individuals who are conscious about traffic rules, and to provide them with a safe traffic environment.

- 50 students at Fatma Aliye Playschool in Bafra district of Samsun received training about the traffic rules.
- Battery-operated cars and informative traffic signs have been allocated to the playschool in order to enhance awareness of traffic and to consolidate the training program.
- A drama play about traffic was staged, in which the students acted and which helped etch the traffic training in minds.

#### **Do it Yourself, Play by Yourself**

The project is intended to raise children as individuals who use waste materials as input, and who produce, play and let others play, by teaching children how to make toys from used materials.

- A workshop on the use of waste materials was held with 25 students from Zübeyde Hanım Playschool in Artvin. Participated by eight volunteer employees, the initiative allowed the children to live different experiences and supported their creativity.
- The initiative contributed to cognitive, emotional, social and language development of the students.
- An awareness of waste materials and the notion of recycling was created among participants.

#### **Anadolu Isuzu Paint Technologies Workshop**

Within the scope of the importance attached to vocational schools-industry cooperation, a significant support to vocational education was extended with the Anadolu Isuzu Paint Technologies Workshop set up at Küçükyalı Vocational and Technical High School.

Through the project, support was given to:

- training qualified personnel who will be able to follow up advancements in technology and use that information in manufacturing;
- professional and personal development of students; and
- the creation of the qualified human resource that the industry needs.

Within the scope of the project:

- Support was provided for technological equipment and setup for establishing a workshop;
- Occupational safety equipment, all kinds of paint materials, machinery, equipment, sets and application tools were purchased;
- Internal trainers from our Company gave occupational health and safety and paint application training to students;
- Technical catalogues and similar documentation were provided within the scope of the training;
- 19 students received vocational training in the Paint Technologies Workshop in 2015/2016 academic year;
- 19 students study as interns at Anadolu Isuzu Bus and Truck Paintshop section in 2016/2017 academic year;
- 8 students study at the Paint Technologies Workshop in 2016/2017 academic year.

#### **5<sup>th</sup> June World Environment Day**

As part of the World Environment Day activities in 2016:

- "Let's Plant Trees in our Schoolyard" event was carried out with the students of Cemil Türker Playschool located in the vicinity of our Company;
- Following tree planting, the painting exhibition themed environment and prepared by the students for the World Environment Day was visited and gifts were given to playschool students for the exhibition they produced.

In addition, magnets covering informative notes on the environment were distributed to all our employees.



## SECTION V – BOARD OF DIRECTORS

### 5.1. Structure and Formation of the Board of Directors

The Board of Directors consists of fourteen people; one Chairman, a Deputy Chairman and twelve members. The Board of Directors elects a Chairman and a Vice Chairman as per the Articles of Association every year. Management and representation affairs may be shared among the members of the Board of Directors. Chairman and members of the committees to be established are determined. The Board of Directors is authorised to make the necessary decisions in this regard.

By the Board of Directors decision dated August 1, 2016, it was resolved to accept the resignation of Board of Directors Chairman Mehmet Kamil Eser from his seat as the Chairman and Member of the Board of Directors due to retirement, and to appoint Tuncay Özilhan, currently a member of the Board, to the vacated position of the Chairman of the Board of Directors. It was resolved by the Board of Directors decision dated October 4, 2016 to appoint Mehmet Hürşit Zorlu to the vacated member's seat on the Board of Directors, which will be laid down for approval at the next General Assembly to be convened as per Article 363 of the Turkish Commercial Code.

By the Board of Directors decision dated January 3, 2017, it was resolved to accept the resignation of Tülay Aksoy from her seat as a member of the Board of Directors, and to appoint Talip Altuğ Aksoy to fill the vacated member's seat, which will be laid down for approval at the next General Assembly to be convened as per Article 363 of the Turkish Commercial Code.

There are currently no executive members in the Board of Directors. The curriculum vitae of the Board members which also include their responsibilities outside of our Company are provided both in 2016 Annual Report and the website of our Company.

Current Board Members and their roles are presented below:

Name-Surname	Role	The Roles Currently Assumed Outside the Company
Tuncay ÖZILHAN	Chairman of Board of Directors	Chairman of the Board of Directors at Anadolu Endüstri Holding A.Ş. - Chairman, Vice Chairman and Member of the Board of Directors at Anadolu Group Companies
İbrahim YAZICI	Vice Chairman of the Board of Directors	Chairman, Vice Chairman and Member of the Board of Directors at Anadolu Group Companies
Süleyman Vehbi YAZICI	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Hülya ELMALIOĞLU	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Nilgün YAZICI	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Talip Altuğ AKSOY	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Mehmet Hürşit ZORLU	Member of the Board of Directors	Executive Director at Anadolu Group - Member of the Board of Directors at Anadolu Group Companies
Salih Metin ECEVİT	Member of the Board of Directors	Chairman and Member of the Board of Directors at Anadolu Group Companies
Takuya KAWAI	Member of the Board of Directors	Itochu Corporation – Manager
Ryutaro MASHIKO	Member of the Board of Directors	General Manager of Itochu Corporation Istanbul
Yasuyuki NIIJIMA	Member of the Board of Directors	Isuzu Motors Limited – Manager
Hiroko YAGUCHI	Member of the Board of Directors	Isuzu Motors Limited – Manager
Ahmet Cemal DÖRDÜNCÜ	Independent Member of the Board of Directors	CEO of Akkök Group – Member of the Board of Directors at Aksa A.Ş., Akenerji, Akkim, Saf GMYO and International Paper - Independent Member of the Board of Directors at Anadolu Group Companies
Kamil Ömer BOZER	Independent Member of the Board of Directors	Independent Member of the Board of Directors at Anadolu Group Companies, Member of the Board of Directors at TeknoSA and CarrefourSA

### **Independent Members and Criteria of Independence**

The "Independent Board of Directors' Membership" of Ahmet Cemal DÖRDÜNCÜ and Kamil Ömer BOZER, suggested by a decision of the Corporate Governance Committee on March 11, 2016 and a decision of the Board of Directors was approved in the General Assembly Meeting on April 15, 2016.

Neither Ahmet Cemal DÖRDÜNCÜ nor Kamil Ömer BOZER has served as members of the Board of Directors at Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. for more than six years in total in the last decade. Also, they have not served as members of the executive Board of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. and Anadolu Group companies within the last five years.

No case has occurred where independence of independent members has been violated. Those selected as Independent Board Members have not been registered and announced as part of any legal entity.

### **Assignment of Members of the Board of Directors outside the Company**

There are no rules established by the Company regarding Board of Directors' members taking on duties outside the Company. However, arrangements defined in Corporate Governance Principles are adhered to.

### **Ratio of Women Members on the Board of Directors**

21% of the Board of Directors comprises women members. The Corporate Governance Committee recommended the Board of Directors increase the number of women members on the board in upcoming years. We have initiated ongoing studies in this respect.

## **5.2. Activity Principles of Board of Directors**

Our Company's Board of Directors conducts its activities in line with all matters identified by Corporate Governance Principles in a transparent, accountable, fair and responsible way. The Company's Board of Directors convened five times during the relevant period. One of the meetings was held with the participation of 14 members, the other one was held with the participation of 11 members, two of the meetings were held with the participation of 9 members and one of them was held with the participation of 7 members.

The Board of Directors assumes a leading role in the protection of active communication between the Company and the shareholders, resolution of possible conflicts and finding solutions for them and works in close cooperation with the Corporate Governance Committee and the Department of Investor Relations in this respect.

As per the Company's Articles of Association, the Board of Directors selects a Chairman and a Vice Chairman every year. The Chairman of the Board of Directors is responsible for managing Board of Directors meetings, regular negotiations and having the meetings recorded. While authorities of Chairman/members of the Board of Directors and Company managers are defined within the Company's Articles of Association, no one in the Company has the sole authority to make unlimited decisions.

### **Identification of Board of Directors Agenda and the Call**

In accordance with Article 4.4.1. Corporate Governance Principles, the Board of Directors holds meetings at a frequency which enables them to perform their duties effectively. Dates of Board of Directors' ordinary meetings are identified on the basis of an annual calendar and announced to the members. In accordance with our Company's Articles of Association, in Board of Directors Meetings, the majority of the total number of members participates in the meetings and decisions are made by taking the verdict of the majority after opinions of members are received.

### **Informing Members of Board of Directors**

Members of the Board of Directors are informed by the General Manager about Company activities.

### **Putting the Reasons for Counter Votes on a Memorandum of Decision**

All of the discussions in the meetings held by the Board of Directors are passed on to a memorandum of decision as per Corporate Governance Principles. In Board of Directors meetings, not only our Company's performance for the prior period but also its developments for the current period, its growth plans for the future, strategies developed against competitors and matters regarding human resources and organizational structure are discussed. While not every matter is resolved, the memorandum is not disclosed to the public because disclosure of resolved matters may cause various speculations. On the other hand, all important matters resolved by Board of Directors are disclosed to the public through material disclosures.

The method and frequency of Board of Directors meetings, meeting and decision quorums, methods for objecting to Board decisions and matters regarding the validity of Board decisions, are clearly identified in the articles of association.

The agenda of Board of Directors meetings consist of the matters that were agreed in the previous meeting would be discussed in the next Board meeting and matters identified by top management of the Company. Matters that should be discussed by the Board are conveyed to the Financial Affairs Director and collected to create the agenda of the next meeting. Ordinary Board of Directors meeting dates are identified at the beginning of the year and all members are informed about such meetings. Also, before every meeting date, members of the Board of Directors are informed once more about the issues on the meeting agenda through formal information letter and report.

The Board of Directors can convene more than once in a month if necessary. The Chairman, Vice Chairman and every Board member have the right to add matters they want to be addressed to the relevant meeting agenda and/or to convoke the Board on condition that all Board members are notified about it a minimum of fifteen (15) days beforehand. Board meetings may be held in Company headquarters or another place inside or outside Turkey that the Board decides on in an ordinary meeting in which a decision quorum is provided. Members are informed about the opinions of members who do not attend the meeting and send their opinions in writing instead. The Board of Directors may take a decision without holding a meeting as per Turkish Commercial Law. Meeting and decision quorums stated in the Company's Articles of Association shall apply to such decisions as well.

The Company's Financial Affairs Director performs responsibilities of secretary for the Board of Directors. In the event that there are grounds for reasonable and detailed counter votes with regard to the issues for which different opinions are stated and questions are asked by the Board of Directors in the meetings, these shall all be recorded in the decision minutes. As per Corporate Governance Principles, it must be ensured that members actually attend Board of Directors meetings.

Board members do not have voting and/or veto authority in cases of ties. Each member of the Board of Directors, including the Chairman, has one vote and none of the members has the authority to break a tie.

The Company's Board of Directors assesses its own performance periodically. Self assessment of the Board of Directors is conducted once a year in a way which reflects the individual performances of members of the Board of Directors. Self assessment is also used to identify the competencies that the Board of Directors requires in the context of developing and changing global business conditions and the necessary actions are taken in line with these findings.

#### **Related Party Transactions**

Decisions the Board of Directors makes regarding significant related party operations are conducted with the approval of the majority of independent members in line with Corporate Governance Principles.

#### **Manager Liability Insurance**

Insurance Losses incurred by the Company due to errors by the members of the Board of Directors during their assignments have been insured with an insurance policy with USD 25,000,000 in coverage.

### **5.3. Number, Structure and Independence of Committees Established in the Board of Directors**

#### **Corporate Governance Committee**

The Corporate Governance Committee, which was formed as per a Communiqué, consists of three members. Independent Board Member Kamil Ömer BOZER was selected to be Committee Chairman and Ali Osman MAĞAL, who works as investor relations manager at our Company, was selected to be a member of the Corporate Governance Committee as per Article 4.5.3 of Communiqué on Corporate Governance of Capital Market Board No. II-17.1 dated January 03, 2014, which states, "employees who are not members of the Board Of Directors and who are specialists in their field can be assigned as members to committees, except for the Audit Committee", along with the other member Salih Metin ECEVİT.

The duties of Nomination Committee and Wage Committee are fulfilled by the Corporate Governance Committee.

The Corporate Governance Committee convened four times during the year.

Corporate Governance Committee regulations approved by the decision of Board of Directors, in accordance with the Corporate Governance Communiqué are published on our Company website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

**Audit Committee**

The Audit Committee, which was formed as per a Communiqué, consists of two members. Ahmet Cemal DÖRDÜNCÜ, Independent Member of the Board of Directors, was elected to be the Chairman and Kamil Ömer BOZER, Independent Member of the Board of Directors, was elected to be a member.

The Audit Committee is responsible for taking all the necessary measures to perform any internal and independent audit in a sufficient and transparent way.

The Audit Committee gathered four times during the year.

Audit Committee regulations approved by the decision of Board of Directors, in accordance with the Corporate Governance Communiqué are published on our Company website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

**Early Risk Detection Committee**

The Early Risk Detection Committee, which was created as per a Communiqué, consists of two members and Independent Board Member Ahmet Cemal DÖRDÜNCÜ was elected as the Chairman and Salih Metin ECEVİT as a member.

The duty of the Committee is early detection of risks that may endanger the presence, development and continuation of the Company, application of necessary measures regarding the detected risks and work to manage the risk. The Early Risk Detection Committee gathered six times during the year.

The regulation regarding the working principles of the Early Risk Detection Committee was identified with the decision of Board members dated July 23, 2013 and numbered 2013/28. It was published on our Company website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

**Inclusion of Committee Members in More Than One Committee**

All of the Audit Committee members, the Chairman of the Early Risk Detection Committee and the Corporate Governance Committee were selected from among independent board members in line with Communiqué on Identification and Application of Corporate Governance Principles Serial: IV No: 56 by the Capital Markets Board. There are two independent members on our Company's Board of Directors, both of whom function in all three committees. Salih Metin ECEVİT functions as a member on both the Corporate Governance Committee and the Early Risk Detection Committee since he will contribute to both committees with his knowledge and experience.

**5.4. Risk Management and Internal Control Mechanism****Company's financing resources and risk management policies**

Anadolu Isuzu, in order to finance its investments besides the cash and capital, uses long-term TL and foreign currency loans (EUR) from foreign or Turkish Banks. The principles of risk management policies of Anadolu Isuzu is stated in Corporate Governance Principles Compliance Report.

**Descriptions of main elements of Group's internal audit and risk management system regarding the process of preparation consolidated financial statements**

The Internal Audit department of Anadolu Isuzu audits all consolidated Companies and units periodically each year. The business plan of the department is approved annually by the Audit Committee and revised during the year, depending on developments. Internal audit in all our consolidated Companies is performed according to the subject of standards published by the International Institute of Internal Audit.

**Risk Management and Internal Control Mechanism**

Risk Management and Internal Control System are under the control and the responsibility of Company Management in Anadolu Isuzu. Corporate Risk Management function, which is operating to reassure the management regarding these issues and consult, report directly to the Early Detection of Risk Committee.

Anadolu Isuzu's top management identifies significant opportunities and threats that may arise in the framework of Corporate Risk Management and manages them according to the risk appetite of the Company. Corporate Risk Management is a systematic and disciplined process established to determine the business strategies of Anadolu Isuzu which is affected by all Company employees and covers Company's all implementations.

The risks of the Company are submitted for management's consideration with the coordination of Corporate Risk Management and prior risks are identified. Prior risks and action plans to mitigate these risks are shared with Early Detection of Risk Committee to be presented to Board of Directors. The management and continuity of this process, integrated with strategic business plans, is supported by a technological infrastructure in use.

A number of methods are used to manage our risks are as follows;

- The performance and risk indicators for monitoring and timely receipt of necessary measures of risk are used as an early warning system. SAP system that integrates all processes within the Company is an effective technological decision support system used for this purpose.
- Following the results instantaneously as activities with this use, eliminating human error and removed Early Detection of Risks and the effectiveness of internal control systems has increased. At the same time, senior technology internal communication system used to intervene in the problems in a short time and provides opportunity for solutions.
- Natural risks, supported by an efficient insurance management to prevent and reduce losses resulting from supply-chain problems that can lead to job and production cuts.
- Investments for the backup system to not be affected by any disaster and loss of system data are performed.
- At the same time, environmental factors and exceptional circumstances are being investigated following causes instant measures are taken to minimize the risk permanently.

Internal Audit Department, within the framework of the audit plan is made based on risk, reviews the Company's risk management and internal control system, in order to achieve the following objectives in reviewing regularly and reports to Audit Committee and Company management:

- Financial and operational information accuracy and reliability
- Effectiveness and efficiency of operations
- Protection of Company assets
- Act to ensure compliance with laws, regulations and contracts.

### **5.5. Company's Strategic Objectives**

The Board of Directors is responsible for administration and representation of the Company by keeping the risk, growth and yield balance of the Company at the most suitable level, looking out first for the long term benefits of the Company using smart and prudent risk management, while also ensuring that the Company reaches the operational and financial performance objectives disclosed to the public. In this respect, relevant directorates create annual budgets and business plans every year and submit them to the Board of Directors through the Financial Affairs Directorate. Results which occurred after having performed activities in line with such plans during the year are continuously compared with the budget as accepted by the Board of Directors and reasons for deviations are sought.

The Company's Board of Directors approves the strategic objectives created as a result of work and basic assumptions during the process of creating annual strategic objectives.

The Board of Directors follows the strategic objectives of Company activities and comparative results in the light of the annual reports and direct information from Board of Directors meetings.

### **5.6. Financial Rights**

#### **Criteria Used to Identify the Rights Granted to Board Members**

Dividend payments to Board of Directors members are not possible as per the articles of association.

As stated in the articles of association, wage amounts that will be provided to Board members are identified by the General Assembly. Board members are authorized to elect top managers, who will serve for Company management and to identify their authority, wages and other rights and make or break agreements with them.

On the other hand, it was decided as per the resolution taken in the ordinary General Assembly Meeting held on April 15, 2016 to pay TL 5,500 monthly to each member assigned to the independent Board of Directors to preserve their independence during their term of duty. There is no other wage or benefit granted to the Board of Directors.

#### **Benefits and Wages Granted to Senior Employees of the Company**

As per Corporate Governance Principles Article No. 4.6.5, wages and all the other benefits granted to top managers as well as Board members are disclosed to the public through the annual report. However, this statement includes a distinction between the Board of Directors and managers with administrative responsibilities and does not refer to individuals.

The Board of Directors performs the work considered necessary in order for top managers to receive reasonable wages according to market conditions. Wage Policy that has been prepared for this purpose is presented in Appendix: 2.

#### **Debts Given to Board Members and Managers by the Company**

The Company has not granted any loan to members of the Board of Directors or to managers who have assumed administrative responsibilities, given them credit, extended the payment periods of loans and credits granted to them, improved their loan and credit conditions, granted them credit in the name of personal credit through a third party, or granted them guarantees such as indemnification in one's favour.

**ASSESSMENT REGARDING THE WORKING PRINCIPLES AND EFFICIENCY OF BOARD OF DIRECTORS**

According to the Board of Directors Decision passed on April 21, 2016 pursuant to Corporate Governance Principles following the elections to the member seats on the Board of Directors carried out during the Ordinary General Assembly Meeting convened on April 15, 2016:

- The Audit Committee will consist of two members and in this respect, Independent Board Member Ahmet Cemal DÖRDÜNCÜ will be the Chairman and Independent Board Member Kamil Ömer BOZER will be a member;
- The Early Risk Detection Committee will consist of two members and in this respect Independent Board Member Ahmet Cemal DÖRDÜNCÜ will be the Chairman and Salih Metin ECEVİT will be a member;
- The Corporate Governance committee will consist of three members and in this respect Independent Board Member Kamil Ömer BOZER will be the Chairman and Salih Metin ECEVİT and Ali Osman MAĞAL will be the members.

It is decided that the duties of Nomination Committee and Wage Committee will be fulfilled by the Corporate Governance Committee and this issue has been disclosed to the public on the Public Discourse Platform and the Company website.

Our Audit Committee, Corporate Governance Committee and Early Risk Detection Committee fulfilled their roles and responsibilities as per their own regulations and worked actively in 2016.

In line with their annual meeting plans which were found necessary for their working activities, identified and created in their respective regulations in 2016:

The Audit Committee gathered four times: on April 22, 2016, July 22, 2016, October 20, 2016 and December 16, 2016 and they submitted their reports, including the results of the meetings held during the year as well as information regarding their work, to the Board of Directors. In this respect;

The "Audit Committee", responsible for taking all the necessary measures to conduct any internal and independent audit in a sufficient and transparent way and applying the internal control system efficiently, conveyed all recommendations in matters for which it is responsible, including opinions and suggestions regarding the internal audit and the internal control system to the board of directors.

The Corporate Governance Committee gathered four times: on January 29, 2016, April 29, 2016, July 29, 2016 and October 28, 2016 and they presented their reports, including the results of the meetings held during the year as well as the information regarding their work, to the Board of Directors. In this respect;

The "Corporate Governance Committee", established to examine the Company's Compliance with Corporate Governance Principles, make improvements in this regard and make suggestions to the Board of Directors, identified whether Corporate Governance Principles are applied in the Company, the reason if not applied, conflicts of interest caused by not fully complying with such principles and made recommendations to the Board to improve corporate governance and observed the work of the department of shareholder relations.

The Early Risk Detection committee gathered six times: February 19, 2016, April 22, 2016, May 24, 2016, July 22, 2016, October 20, 2016 and December 16, 2016 and they presented their reports including the results of the meetings held during the year as well as information regarding their work to the Board of Directors. In this respect;

The "Early Risk Detection Committee", which works identify early any risks that may endanger the presence, development and continuation of the Company and the application of necessary measures regarding those risks and risk management, also reviewed the risk management systems in line with Corporate Governance Principles and the Early Risk Detection Regulation.

**ANADOLU ISUZU OTOMOTİV SAN. VE TİC. A.Ş. WAGE POLICY FOR BOARD OF DIRECTORS AND TOP MANAGEMENT**

Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. wage policy for the Board of Directors and top management is prepared to define the wage system and application as well as other rights of Board members and top managers.

A fixed monthly wage/attendance fee may be paid to the Chairman of the Board of Directors and to the Board members for the services they perform in their capacities supporting our Company. The amount payable is identified in the General Assembly Meeting. In any case, an amount is paid to independent Board members to preserve their independence and payment plans based on Company performance are not used for wages of independent Board members.

Payment is made to Board members who execute within the policy identified for top managers, details of which are described below.

Rights granted to top managers in our Company are defined below.

**Monthly Wage:** Identified depending on market and/or sector conditions, inflation, position, level and qualifications of the manager and individual performance and paid during the term of the labour contract. The monthly wage is reviewed once a year considering the criteria constituting the basis for identifying the wage if there is no change in the market conditions.

Information regarding the market and/or sector conditions is collected through generally accepted consultancy firms and also identified using the data obtained from other sources and considering the Company's future and position related to achieving the targets.

Factors which refer to manager's approach, business manner and behaviours as well as the annual objectives that the manager defined with his/her own manager are considered at rates defined for the identification of individual performance level.

**Premium:** In the event that a lower limit, defined according to certain weight depending on Critical Performance Criteria (CPC), approved by the executive board and identified within the related calendar year, is exceeded, a certain percentage of the yearly amount of the monthly wage and bonus payments made to the manager, varying according to the manager's position, is calculated, depending on the individual performance rates with company CPC and may be paid to the manager as a premium.

**Bonus:** Identified in relation to the monthly wage and the amount of four monthly wages divided into identified periods and paid during the term of the labour contract by the Company.

**Other Rights:** Side benefits and other social allowances such as health insurance, personal retirement, etc. are provided to people in line with the defined policy and regulations of the organization generally and/or depending on conditions such as qualification, position, etc.

### INDEPENDENCE STATEMENT

I declare that I did not function as a Board member for more than six years within the last decade for Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (the "Company"), that,

between the Company, the partnerships which the Company has management control of or has significant influence upon, the partners who have control of the management of or who have significant influence upon the Company and legal entities of which these partners have control of management of himself/herself, or which their wife/husband or blood relatives and relatives by marriage up to the second degree, there is not an employment relationship in the capacity of manager that would allow someone to take on significant assignments and responsibilities and that I have not owned myself or with any other person more than 5% of the capital or voting rights, or of privileged shares and there was not a significant trade relation for the last five years; that,

I have not worked as a partner (of 5% or more), in an employee or Board member capacity that would allow me to assume significant assignments and responsibilities in the companies from/to which our Company purchases and sells services or products to a great extent, particularly in the auditing (including tax audit, legal audit, internal audit), rating and consultancy of the Company within the scope of agreements made, during the periods in which services or products were purchased or sold for the last five years; that,

I have the professional training, information and experience to duly fulfill the duties that I will undertake as an independent Board member, that,

I am not working full time in public organizations and institutions as of the date of nomination and during the term of my duty if I am elected, that,

I am considered a resident in Turkey according to Income Tax Law, that,

I have the strong ethical standards, professional reputation and experience to make positive contributions to Company activities, keep objective in conflicts of interest between Company partners and make free decisions considering the rights of beneficiaries; that,

I can spare time for Company affairs to a great enough extent to follow the processes of Company activities and fulfill the requirements of the roles that I undertake, that,

I have not served as an independent board member in more than three of the companies in which the Company or the partners who have control of the management of the Company have the control of management or in more than five companies listed on a stock exchange; that,

I have not been registered and announced as part of any legal entity selected as a Board member and accordingly, that

I will fulfill my company Board membership as an independent member.

AHMET CEMAL DÖRDÜNCÜ



**INDEPENDENCE STATEMENT**

I declare that I did not function as a Board member for more than six years within the last decade for Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (the "Company"), that,

between the Company, the partnerships which the Company has management control of or has significant influence upon, the partners who have control of the management of or who have significant influence upon the Company and legal entities of which these partners have control of management of himself/herself, or which their wife/husband or blood relatives and relatives by marriage up to the second degree, there is not an employment relationship in the capacity of manager that would allow someone to take on significant assignments and responsibilities and that I have not owned myself or with any other person more than 5% of the capital or voting rights, or of privileged shares and there was not a significant trade relation for the last five years; that,

I have not worked as a partner (of 5% or more), in an employee or Board member capacity that would allow me to assume significant assignments and responsibilities in the companies from/to which our Company purchases and sells services or products to a great extent, particularly in the auditing (including tax audit, legal audit, internal audit), rating and consultancy of the Company within the scope of agreements made, during the periods in which services or products were purchased or sold for the last five years; that,

I have the professional training, information and experience to duly fulfill the duties that I will undertake as an independent Board member, that,

I am not working full time in public organizations and institutions as of the date of nomination and during the term of my duty if I am elected, that,

I am considered a resident in Turkey according to Income Tax Law, that,

I have the strong ethical standards, professional reputation and experience to make positive contributions to Company activities, keep objective in conflicts of interest between Company partners and make free decisions considering the rights of beneficiaries; that,

I can spare time for Company affairs to a great enough extent to follow the processes of Company activities and fulfill the requirements of the roles that I undertake, that,

I have not served as an independent board member in more than three of the companies in which the Company or the partners who have control of the management of the Company have the control of management or in more than five companies listed on a stock exchange; that,

I have not been registered and announced as part of any legal entity selected as a Board member and accordingly, that

I will fulfill my company Board membership as an independent member.

KAMİL ÖMER BOZER

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**  
**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS**  
**TOGETHER WITH REPORT OF INDEPENDENT AUDITORS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**  
(Originally Issued in Turkish)



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

**Report on the Consolidated Financial Statements**

1. We have audited the accompanying consolidated financial statements of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Consolidated Financial Statements*

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Independent Auditor's Responsibility*

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. and its Subsidiary as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

## INDEPENDENT AUDITOR'S REPORT

**Other Responsibilities Arising From Regulatory Requirements**

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 28 February 2017.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Adnan Akan, SMMM  
Partner  
İstanbul, 28 February 2017

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**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****CONSOLIDATED BALANCE SHEETS****AT 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>Current Assets</b>		<b>718,133,022</b>	<b>733,733,852</b>
Cash and cash equivalents	4	119,878,595	78,558,102
Trade receivables			
Due from related parties	27	254,444	6,551,727
Due from other parties	7	288,858,763	279,220,471
Other receivables			
Due from other parties	8	1,023,019	1,297,639
Inventories	9	275,115,719	320,664,375
Prepaid expenses	16	5,646,604	12,892,651
Current income tax assets	25	983,913	2,132,279
Other current assets	16	26,371,965	32,416,608
<b>Non-current Assets</b>		<b>166,933,775</b>	<b>147,469,619</b>
Financial assets	5	-	-
Other receivables			
Due from other parties	8	186	186
Property, plant and equipment	10	99,664,077	103,340,205
Intangible assets			
Goodwill	12	2,340,995	2,340,995
Prepaid expenses	11	50,689,447	41,766,163
Deferred tax assets	16	75,376	22,070
Financial assets	25	14,163,694	-
<b>TOTAL ASSETS</b>		<b>885,066,797</b>	<b>881,203,471</b>

These consolidated financial statements for the period 1 January - 31 December 2016 have been approved for issue by the Board of Directors ("BOD") on 28 February 2017 and signed by Independent Audit Committee Director Ahmet Cemal DÖRDÜNCÜ, Independent Audit Committee Member Kamil Ömer BOZER, General Manager Yusuf Tuğrul ARIKAN and Finance Director Bora ÖNER.

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****CONSOLIDATED BALANCE SHEETS****AT 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	31 December 2016	31 December 2015
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>387,476,997</b>	<b>406,815,587</b>
Financial liabilities	6	149,750,358	138,476,959
Trade payable			
Due to related parties	27	151,329,317	143,548,358
Due to other parties	7	60,636,971	101,391,422
Other payable			
Due to related parties	27	9,109	9,109
Due to other parties	8	10,341,116	7,566,045
Payables for employee benefits	8	694,823	1,357,045
Deferred income	16	666,640	874,641
Current income tax liabilities	25	-	-
Provisions			
Provision for employee benefits	14	-	-
Other provisions	14	14,048,663	13,592,008
<b>Non-current liabilities</b>		<b>235,125,229</b>	<b>151,026,150</b>
Financial liabilities	6	220,495,000	134,019,200
Deferred income	16	698,920	1,207,583
Provisions			
Provision for employment termination benefits	15	13,931,309	13,546,911
Deferred tax liabilities	25	-	2,252,456
<b>EQUITY</b>	17	<b>262,464,571</b>	<b>323,361,734</b>
<b>Shareholders' equity</b>		<b>262,464,571</b>	<b>323,361,734</b>
Paid-in capital		25,419,707	25,419,707
Adjustment to share capital		86,901,880	86,901,880
Other comprehensive income/expense items that will not be reclassified to profit or loss Remeasurements of provision for employment termination benefits		(1,963,156)	(115,217)
Restricted reserves		163,579,754	162,363,654
Retained earnings		34,863,033	31,047,813
Net income for the period		(46,336,647)	17,743,897
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>885,066,797</b>	<b>881,203,471</b>

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 1 JANUARY - 31 DECEMBER 2016 AND 2015**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	1 January- 31 December 2016	1 January- 31 December 2015
<b>CONTINUING OPERATIONS</b>			
Revenue	18	829,811,333	935,494,541
Cost of sales (-)	18	(721,710,056)	(779,196,290)
<b>GROSS PROFIT/LOSS</b>		<b>108,101,277</b>	<b>156,298,251</b>
General administrative expenses (-)	19	(37,734,296)	(36,101,430)
Marketing and selling expenses (-)	19	(59,092,606)	(70,123,244)
Research and development expenses (-)	19	(3,025,702)	(3,664,820)
Other operating income	21	16,183,595	9,654,889
Other operating expenses (-)	21	(30,733,777)	(29,173,423)
<b>OPERATING PROFIT/LOSS</b>		<b>(6,301,509)</b>	<b>26,890,223</b>
Income from investing activities	22	271,640	685,149
Expenses on investing activities (-)	22	(54,518)	(93,660)
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES</b>		<b>(6,084,387)</b>	<b>27,481,712</b>
Financial expenses (-)	23	22,684,204	26,960,965
Financial income	24	(77,501,047)	(36,437,210)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(60,901,230)</b>	<b>18,005,467</b>
<b>Income tax (expense)/income from continuing operations</b>		<b>14,564,583</b>	<b>(261,570)</b>
Taxes on current income (-)	25	(1,389,582)	(251,375)
Deferred tax expense	25	15,954,165	(10,195)
<b>INCOME/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>(46,336,647)</b>	<b>17,743,897</b>
<b>INCOME/(LOSS) FOR THE YEAR</b>		<b>(46,336,647)</b>	<b>17,743,897</b>
<b>Attributable to:</b>	17	<b>(46,336,647)</b>	<b>17,743,897</b>
Non-controlling interests	17	-	-
Owners of the parent	17	(46,336,647)	17,743,897
<b>Income/(Loss) per hundred shares</b>	26	<b>(1,8229)</b>	<b>0,6980</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of provision for employment termination benefits	15	(2,309,924)	(285,269)
Tax effect related with other comprehensive income items	25	461,985	57,054
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX</b>		<b>(1,847,939)</b>	<b>(228,215)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(48,184,586)</b>	<b>17,515,682</b>
Non-controlling interests		-	-
Owners of the parent		(48,184,586)	17,515,682

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 1 JANUARY - 31 DECEMBER 2016 AND 31 DECEMBER 2015**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
<b>Operating activities:</b>		<b>37,878,472</b>	<b>(111,213,169)</b>
<b>Net income/(loss)</b>	<b>17</b>	<b>(46,336,647)</b>	<b>17,743,897</b>
<b>Adjustments to reconcile net cash generated:</b>		<b>65,462,180</b>	<b>38,712,779</b>
Depreciation and amortisation	10-11	22,942,790	20,379,557
Provision for employee benefits	15	2,360,312	2,341,759
Income on taxes	25	(14,564,583)	261,570
Interest income	23	(7,700,235)	(9,856,118)
Interest expenses	24	23,491,576	10,438,820
Foreign exchange differences on borrowings		37,833,160	8,600,725
Other non-cash generating expenses, net		1,316,282	7,137,955
Gain on sales of property, plant and equipment	22	(217,122)	(591,489)
<b>Changes in Assets and Liabilities:</b>		<b>25,412,272</b>	<b>(163,712,495)</b>
Net Decrease in Trade Receivables		(6,520,621)	(58,790,639)
Net (Increase)/Decrease in Inventories	9	45,548,656	(113,576,058)
Net Decrease (Increase) in Other Receivables	8-16	14,713,676	(19,676,898)
Net Decrease/(Increase) in Other Non-current Assets		(14,217,000)	(2,348)
Net Increase/(Decrease) in Trade Payables		(32,404,282)	29,698,811
Net (Decrease)/Increase in Other Liabilities		18,291,843	(1,365,363)
<b>Cash Flows Generated from Operating Activities:</b>		<b>44,537,805</b>	<b>(107,255,819)</b>
Taxes Paid		(2,373,495)	(2,383,654)
Employment Termination Benefits Paid	15	(4,285,838)	(1,573,696)
<b>Investing Activities:</b>		<b>(27,972,824)</b>	<b>(52,591,902)</b>
Proceeds from Sales of Property, Plant and Equipment		735,214	2,098,424
Purchase of Property, Plant and Equipment	10	(9,192,182)	(37,912,373)
Purchase of Intangible Assets	11	(19,515,856)	(16,777,953)
<b>Net Cash Used in Financing Activities:</b>		<b>31,641,395</b>	<b>131,500,815</b>
<b>Financing Activities:</b>			
Dividend Payments		(12,709,853)	(28,056,351)
Interests Received		7,926,785	10,112,218
Interests Paid		(22,682,477)	(9,163,527)
Proceeds from Borrowings		205,887,500	234,764,475
Repayments of Borrowings		(146,780,560)	(76,156,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents Prior to Foreign Currency Translation Differences</b>		<b>41,547,043</b>	<b>(32,304,256)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>41,547,043</b>	<b>(32,304,256)</b>
<b>Cash and Cash Equivalents At The Beginning of Period</b>	<b>4</b>	<b>78,095,135</b>	<b>110,399,391</b>
<b>Cash and Cash Equivalents At The End of Period</b>	<b>4</b>	<b>119,642,178</b>	<b>78,095,135</b>

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 1 JANUARY - 31 DECEMBER 2016 AND 2015**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

					Other Comprehensive Income And Expense that will not be reclassified to profit or loss
Prior period	Notes	Paid in Capital	Adjustment to share capital	Total paid in capital	Gain/loss on revaluation and remeasurement
<b>1 January 2015</b>	<b>17</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	<b>112,998</b>
<b>Total comprehensive income</b>		-	-	-	<b>(228,215)</b>
Net profit for the year		-	-	-	-
Other comprehensive income		-	-	-	(228,215)
<b>Transfers</b>		-	-	-	-
<b>Dividends paid</b>		-	-	-	-
<b>31 December 2015</b>	<b>17</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	<b>(115,217)</b>
<b>Current period</b>					
<b>1 January 2016</b>	<b>17</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	<b>(115,217)</b>
<b>Total comprehensive income</b>		-	-	-	<b>(1,847,939)</b>
Net profit for the year		-	-	-	-
Other comprehensive income		-	-	-	(1,847,939)
<b>Transfers</b>		-	-	-	-
<b>Other adjustments</b>		-	-	-	-
<b>Dividends paid</b>		-	-	-	-
<b>31 December 2016</b>	<b>17</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	<b>(1,963,156)</b>

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

		Accumulated Profit/Loss				
	Restricted reserves	Retained earnings	Net profit/loss for the year	Owners of the parent	Non-controlling interests	Total equity
	159,657,537	27,468,021	34,342,260	333,902,403	-	333,902,403
	-	-	17,743,897	17,515,682	-	17,515,682
	-	-	17,743,897	17,743,897	-	17,743,897
	-	-	-	(228,215)	-	(228,215)
	2,706,117	31,636,143	(34,342,260)	-	-	-
	-	(28,056,351)	-	(28,056,351)	-	(28,056,351)
	162,363,654	31,047,813	17,743,897	323,361,734	-	323,361,734
	162,363,654	31,047,813	17,743,897	323,361,734	-	323,361,734
	-	-	(46,336,647)	(48,184,586)	-	(48,184,586)
	-	-	(46,336,647)	(46,336,647)	-	(46,336,647)
	-	-	-	(1,847,939)	-	(1,847,939)
	1,218,824	16,525,073	(17,743,897)	-	-	-
	(2,724)	-	-	(2,724)	-	(2,724)
	-	(12,709,853)	-	(12,709,853)	-	(12,709,853)
	163,579,754	34,863,033	(46,336,647)	262,464,571	-	262,464,571

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**NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS**

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the "Company") was established in 1980. Activities of the Company are comprised mainly of manufacturing, assembling, marketing, importing and exporting of commercial vehicles, including sale of relevant automotive spare parts of the commercial vehicles. The Company is registered to Capital Markets Board of Turkey and 15% of the Company's shares have been traded on Borsa Istanbul 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 established in Çayırova/Kocaeli. The average number of employees as of 31 December 2016 is 823 (31 December 2015: 944).

The Company's official address registered in the Trade Registry is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No: 58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

As of 31 December 2016 and 31 December 2015, details regarding the Company's subsidiary, which is subject to consolidation, is as follows:

<b>Subsidiaries</b>	<b>Nature of business</b>	<b>Capital</b>	<b>31 December 2016 Ownership interest (%)</b>	<b>31 December 2015 Ownership interest (%)</b>
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716,000	100.00	100.00

Hereafter, 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 CONSOLIDATED FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

**2.1.1 Financial reporting standards**

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/TFRS") enforced by Public Oversight Accounting and Auditing Standards Authority ("POAASA"), and their relevant appendices and interpretations ("TAS/TFRS") 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 with 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/TFRS.

**2.1.2 Consolidation principles**

**Subsidiaries**

Subsidiaries, including structured entities, are companies in the Group's control. The Group's control is provides 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.

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

**2.1 Basis of presentation (Continued)**

**2.1.2 Consolidation principles (Continued)**

**Subsidiaries (Continued)**

The table below sets out the subsidiaries and their ownership interests as of 31 December 2016 and 31 December 2015.

Subsidiaries	Proportion of effective interest (%)		Direct and indirect ownership interest held by Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Ant Sınai ve Ticari 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 financial statements.

**2.1.5 Amendments in International Financial Reporting Standards**

**a. Standards, amendments and interpretations applicable as at 31 December 2016**

- **Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture'**, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- **Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'**, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- **Annual improvements 2014**, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 3 standards:
  - IFRS 7, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - IAS 19, 'Employee benefits' regarding discount rates.
  - IAS 34, 'Interim financial reporting' regarding disclosure of information.
- **Amendment to IAS 1, 'Presentation of financial statements'** on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

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

**2.1 Basis of presentation (Continued)**

**2.1.5 Amendments in International Financial Reporting Standards (Continued)**

**a. Standards, amendments and interpretations applicable as at 31 December 2016 (Continued)**

- **Amendment to IFRS 10 'Consolidated financial statements' and IAS 28**, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

**b. Standards, amendments and interpretations effective after 1 January 2017**

- **Amendments to IAS 7 'Statement of cash flows'** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- **Amendments IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax asset.
- **IFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **IFRS 15 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **IFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **Annual improvements 2014-2016**, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
  - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
  - IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

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

**2.1 Basis of presentation (Continued)**

**2.1.5 Amendments in International Financial Reporting Standards (Continued)**

**b. Standards, amendments and interpretations effective after 1 January 2017 (Continued)**

- **IFRIC 22, 'Foreign currency transactions and advance consideration'**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

**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 valuation 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.

A credit risk provision for 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 valued at the lower of cost or net realisable 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 moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads 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.

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**2.2.4 Property, plant and equipment (Continued)**

For assets acquired after 2005, the tangible basis assets are reflected to the consolidated financial statements by deducting their accumulated depreciation from their cost. 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	10-20

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. Repair and maintenance expenses are charged to the statement of income as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective asset.

**2.2.5 Intangible assets**

Intangible assets acquired before 1 January 2005 are carried at indexed historical cost for inflation effects as at 31 December 2004; however, purchases after 1 January 2005 are carried at their historical cost less accumulated amortization and impairment. Intangible assets are depreciated on a straight-line basis over their expected useful lives. The estimated useful life and amortization method are reviewed at the end of each annual 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.



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

**2.2 Summary of Significant Accounting Policies (Continued)**

**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.

**2.2.8 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**

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or the death of employees calculated in accordance with the Turkish Labour Law.

**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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

**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 TRY at the 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 ("bonus 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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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

**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. The differences between the fair value and the nominal value are recorded as interest income according to the accrual basis.

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**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.

**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.

These derivative financial instruments, even though providing effective economic hedges under the Company risk management position, do not qualify for hedge accounting under the requirements of TAS 39, "Financial Instruments: Recognition and Measurement", and therefore are accounted for as derivatives held-for-trading in the consolidated financial statement.

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

**2.2 Summary of Significant Accounting Policies (Continued)**

**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 - 31 December 2015, 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 31 December 2016, the Group recognised deferred tax assets of TRY13,087,094 based on total deductible financial losses of TRY65,435,471, 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.

**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.

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**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:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash	146,013	123,528
Banks - Demand deposits	2,016,799	3,049,199
Banks - Time deposits (up to 3 months)	113,246,533	75,274,455
Other cash and cash equivalents <sup>(1)</sup>	4,469,250	110,920
<b>Total</b>	<b>119,878,595</b>	<b>78,558,102</b>

<sup>(1)</sup> As of 31 December 2016 and 31 December 2015, the balance in other cash and cash equivalents is form of directly debt system assets in bank of group.

There are no blocked deposits as of 31 December 2016 and 31 December 2015.

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2016 and 31 December 2015 are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash and banks	119,878,595	78,558,102
Less: Interest Accruals (-)	(236,417)	(462,967)
<b>Total (Excluding interest accruals)</b>	<b>119,642,178</b>	<b>78,095,135</b>

The details of time deposits are as follows:

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	<b>Amount in TRY</b>	<b>Annual Interest Rate (%)</b>	<b>Amount in TRY</b>	<b>Annual Interest Rate (%)</b>
TRY	88,775,255	6.00-11.55	66,122,939	5.50-13.30
USD	7,108,864	0.25	-	-
EUR	17,362,414	0.10	9,151,516	0.10-0.25
<b>Total</b>	<b>113,246,533</b>		<b>75,274,455</b>	

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 ASSETS**

The Group did not have any financial assets as of 31 December 2016 and 31 December 2015.

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**NOTE 6 - FINANCIAL LIABILITIES**

The details of bank loans as of 31 December 2016 and 31 December 2015 are as follows:

**Short-term Bank Loans**

	<u>Annual</u>		<u>Original Currency</u>		<u>Amount in TRY</u>	
	<u>Effective Interest Rate (%)</u>					
	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
<b>Short-term Bank Loans</b>						
EUR	2.64	2.17	17,495,360	40,341,686	64,906,035	128,189,743
TRY	13.04	10.28	84,844,323	10,287,216	84,844,323	10,287,216
<b>Total</b>					<b>149,750,358</b>	<b>138,476,959</b>

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

<u>Period</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Up to 1 month	20,485,833	6,002,075
<b>Total</b>	<b>20,485,833</b>	<b>6,002,075</b>

**Long-term Bank Loans**

	<u>Annual</u>		<u>Original Currency</u>		<u>Amount in TRY</u>	
	<u>Effective Interest Rate (%)</u>					
	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
<b>Long-term Bank Loans</b>						
EUR	2.62	2.66	50,000,000	17,000,000	185,495,000	54,019,200
TRY	12.60	13.36	35,000,000	80,000,000	35,000,000	80,000,000
<b>Total</b>					<b>220,495,000</b>	<b>134,019,200</b>

All long-term borrowings have due dates in 2019 only Long-term Euro borrowings have due dates in 2018. The fair value of borrowings was TRY384,280,342 as of 31 December 2016 (31 December 2015: TRY280,218,096).

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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

Trade receivables at period ends are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Short-term trade receivables</b>		
Customer current accounts	292,038,375	282,858,402
Cheques received	-	70,744
Rediscount on trade receivables (-)	(3,179,612)	(3,708,675)
Uncollectible receivables	333,324	333,324
Less: Provision for uncollectible receivables (-)	(333,324)	(333,324)
<b>Total</b>	<b>288,858,763</b>	<b>279,220,471</b>

Movements of provision for uncollectible receivables are as follows:

	<u>2016</u>	<u>2015</u>
<b>1 January</b>	<b>333,324</b>	<b>333,324</b>
Provisions for the period	-	-
Collections during the period	-	-
<b>31 December</b>	<b>333,324</b>	<b>333,324</b>

Trade payables as of period ends are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Trade Payables</b>		
Trade payables, net	61,207,482	102,339,018
Rediscount on trade payables (-)	(570,511)	(947,596)
<b>Total</b>	<b>60,636,971</b>	<b>101,391,422</b>

**NOTE 8 - OTHER RECEIVABLES AND PAYABLES**

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Other Short-term Receivables</b>		
<b>Other Receivables</b>		
Receivables from government authorities <sup>(*)</sup>	500,277	748,195
Receivables from personnel	522,718	548,709
Deposits and guarantees given	24	735
<b>Total</b>	<b>1,023,019</b>	<b>1,297,639</b>

<sup>(\*)</sup> As of 31 December 2016, the amount of Group's receivables was TRY370,939 which consists of the receivables related to the VAT refund request (31 December 2015 TRY589,254).

	<u>31 December 2016</u>	<u>31 December 2015</u>
<b>Other Long-term Receivables</b>		
<b>Other Receivables</b>		
Deposits and guarantees given	186	186
<b>Total</b>	<b>186</b>	<b>186</b>



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**NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)**

**Other Short-term Payables**

<b>Other Payables</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Due to personnel	694,823	1,357,045
Order advances received	6,326,846	1,556,439
Taxes and funds payable	2,380,290	3,957,203
Social security premiums payable	1,621,579	2,043,428
Other miscellaneous payable	12,401	8,975
<b>Total</b>	<b>11,035,939</b>	<b>8,923,090</b>

**NOTE 9 - INVENTORIES**

Inventory balances as of period ends are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Raw materials	96,940,388	89,051,493
Semi-finished goods	1,255,460	1,692,332
Finished goods	112,915,680	192,831,728
Trade goods	21,018,732	19,013,301
Other inventories	1,088,263	1,065,568
Goods in transit	43,111,266	17,716,585
	276,329,789	321,371,007
Less: Provisions for impairment of finished goods and trade goods	(1,214,070)	(706,632)
<b>Total Inventories</b>	<b>275,115,719</b>	<b>320,664,375</b>

**Movements of Provision for Impairment on Inventories**

	<b>2016</b>	<b>2015</b>
Opening balance - 1 January	706,632	1,435,553
Provision released due to sales (-)	(15,772)	(728,921)
Current period charge (+)	523,210	-
<b>Closing balance - 31 December</b>	<b>1,214,070</b>	<b>706,632</b>

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**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>
<b>As of 1 January 2016</b>	<b>1,292,239</b>	<b>12,011,653</b>	<b>80,144,791</b>	<b>178,035,058</b>
Additions	-	95,889	104,882	5,317,292
Transfers from constructions in progress ("CIP")	-	104,486	1,818,974	2,332,426
Disposals	-	-	-	(755,860)
<b>As of 31 December 2016</b>	<b>1,292,239</b>	<b>12,212,028</b>	<b>82,068,647</b>	<b>184,928,916</b>

**Accumulated depreciation**

<b>As of 1 January 2016</b>	-	<b>(7,130,209)</b>	<b>(37,965,821)</b>	<b>(129,909,645)</b>
Current period depreciation	-	(434,323)	(2,655,596)	(7,946,294)
Disposals	-	-	-	731,233
<b>As of 31 December 2016</b>	-	<b>(7,564,532)</b>	<b>(40,621,417)</b>	<b>(137,124,706)</b>

**Net Book Value**

<b>1 January 2016</b>	<b>1,292,239</b>	<b>4,881,444</b>	<b>42,178,970</b>	<b>48,125,413</b>
<b>31 December 2016</b>	<b>1,292,239</b>	<b>4,647,496</b>	<b>41,447,230</b>	<b>47,804,210</b>

<b>Cost</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>
<b>As of 1 January 2015</b>	<b>1,292,239</b>	<b>9,088,625</b>	<b>63,323,403</b>	<b>169,750,455</b>
Additions	-	515,782	987,139	11,071,014
Transfers from constructions in progress ("CIP")	-	2,407,246	15,834,249 <sup>(1)</sup>	4,206,268 <sup>(1)</sup>
Disposals	-	-	-	(6,992,679)
<b>As of 31 December 2015</b>	<b>1,292,239</b>	<b>12,011,653</b>	<b>80,144,791</b>	<b>178,035,058</b>

**Accumulated depreciation**

<b>As of 1 January 2015</b>	-	<b>(6,883,826)</b>	<b>(35,657,007)</b>	<b>(129,538,539)</b>
Current period depreciation	-	(246,383)	(2,308,814)	(7,103,308)
Disposals	-	-	-	6,732,202
<b>As of 31 December 2015</b>	-	<b>(7,130,209)</b>	<b>(37,965,821)</b>	<b>(129,909,645)</b>

**Net Book Value**

<b>1 January 2015</b>	<b>1,292,239</b>	<b>2,204,799</b>	<b>27,666,396</b>	<b>40,211,916</b>
<b>31 December 2015</b>	<b>1,292,239</b>	<b>4,881,444</b>	<b>42,178,970</b>	<b>48,125,413</b>

<sup>(1)</sup> The amount includes the capitalised interest and foreign exchange difference of TRY1,521,033, calculated in the context of TAS 23, for R&D centre investment construction which was completed in Çayırova Şekepinar.

Vehicles	Furniture and Fixtures	Other Tangible Assets	Constructions in progress and Advances given	Total
<b>7,601,890</b>	<b>4,011,516</b>	<b>774,199</b>	<b>2,041,608</b>	<b>285,912,954</b>
415,466	90,708	-	3,167,945	9,192,182
-	375,460	-	(4,631,346)	-
(927,902)	(1,450)	-	-	(1,685,212)
<b>7,089,454</b>	<b>4,476,234</b>	<b>774,199</b>	<b>578,207</b>	<b>293,419,924</b>
<b>(4,121,417)</b>	<b>(2,687,324)</b>	<b>(758,333)</b>	-	<b>(182,572,749)</b>
(1,070,503)	(240,577)	(2,925)	-	(12,350,218)
434,437	1,450	-	-	1,167,120
<b>(4,757,483)</b>	<b>(2,926,451)</b>	<b>(761,258)</b>	-	<b>(193,755,847)</b>
<b>3,480,473</b>	<b>1,324,192</b>	<b>15,866</b>	<b>2,041,608</b>	<b>103,340,205</b>
<b>2,331,971</b>	<b>1,549,783</b>	<b>12,941</b>	<b>578,207</b>	<b>99,664,077</b>
Vehicles	Furniture and fixtures	Other Tangible Assets	Constructions in progress and Advances given	Total
<b>7,056,837</b>	<b>3,659,751</b>	<b>766,199</b>	<b>2,215,376</b>	<b>257,152,885</b>
2,704,293	351,765	8,385	22,273,995	37,912,373
-	-	-	(22,447,763)	-
(2,159,240)	-	(385)	-	(9,152,304)
<b>7,601,890</b>	<b>4,011,516</b>	<b>774,199</b>	<b>2,041,608</b>	<b>285,912,954</b>
<b>(3,811,335)</b>	<b>(2,495,599)</b>	<b>(754,965)</b>	-	<b>(179,141,271)</b>
(1,222,864)	(191,725)	(3,753)	-	(11,076,847)
912,782	-	385	-	7,645,369
<b>(4,121,417)</b>	<b>(2,687,324)</b>	<b>(758,333)</b>	-	<b>(182,572,749)</b>
<b>3,245,502</b>	<b>1,164,152</b>	<b>11,234</b>	<b>2,215,376</b>	<b>78,011,614</b>
<b>3,480,473</b>	<b>1,324,192</b>	<b>15,866</b>	<b>2,041,608</b>	<b>103,340,205</b>

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**NOTE 11 - INTANGIBLE ASSETS**

**1 January - 31 December 2016**

<b>Cost</b>	<b>Rights</b>	<b>Development costs</b>	<b>Other intangible assets</b>	<b>Constructions in progress and advances given <sup>(1)</sup></b>	<b>Total</b>
<b>As of 1 January 2016</b>	<b>158,662</b>	<b>52,395,724</b>	<b>11,459,438</b>	<b>9,378,004</b>	<b>73,391,828</b>
Additions	208,649	-	113,240	19,193,967	19,515,856
Transfers	-	9,008,409	526,463	(9,534,872)	-
<b>As of 31 December 2016</b>	<b>367,311</b>	<b>61,404,133</b>	<b>12,099,141</b>	<b>19,037,099</b>	<b>92,907,684</b>
<b>Accumulated amortisation</b>					
<b>As of 1 January 2016</b>	<b>(48,541)</b>	<b>(25,020,923)</b>	<b>(6,556,201)</b>	<b>-</b>	<b>(31,625,665)</b>
Current year amortisation	(19,057)	(8,307,614)	(2,265,901)	-	(10,592,572)
<b>As of 31 December 2016</b>	<b>(67,598)</b>	<b>(33,328,537)</b>	<b>(8,822,102)</b>	<b>-</b>	<b>(42,218,237)</b>
<b>Net Book Value</b>					
<b>1 January 2016</b>	<b>110,121</b>	<b>27,374,801</b>	<b>4,903,237</b>	<b>9,378,004</b>	<b>41,766,163</b>
<b>31 December 2016</b>	<b>299,713</b>	<b>28,075,596</b>	<b>3,277,039</b>	<b>19,037,099</b>	<b>50,689,447</b>

<sup>(1)</sup> As of 31 December 2016, TRY16,332,978 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

**1 January - 31 December 2015**

<b>Cost</b>	<b>Rights</b>	<b>Development costs</b>	<b>Other intangible assets</b>	<b>Constructions in progress and advances given</b>	<b>Total</b>
<b>As of 1 January 2015</b>	<b>158,662</b>	<b>40,914,102</b>	<b>9,467,291</b>	<b>6,073,820</b>	<b>56,613,875</b>
Additions	-	-	1,158,312	15,619,641	16,777,953
Transfers	-	11,481,622	833,835	(12,315,457)	-
<b>As of 31 December 2015</b>	<b>158,662</b>	<b>52,395,724</b>	<b>11,459,438</b>	<b>9,378,004</b>	<b>73,391,828</b>
<b>Accumulated amortisation</b>					
<b>As of 1 January 2015</b>	<b>(34,696)</b>	<b>(18,082,614)</b>	<b>(4,205,645)</b>	<b>-</b>	<b>(22,322,955)</b>
Current year amortisation	(13,845)	(6,938,309)	(2,350,556)	-	(9,302,710)
<b>As of 31 December 2015</b>	<b>(48,541)</b>	<b>(25,020,923)</b>	<b>(6,556,201)</b>	<b>-</b>	<b>(31,625,665)</b>
<b>Net Book Value</b>					
<b>1 January 2015</b>	<b>123,966</b>	<b>22,831,488</b>	<b>5,261,646</b>	<b>6,073,820</b>	<b>34,290,920</b>
<b>31 December 2015</b>	<b>110,121</b>	<b>27,374,801</b>	<b>4,903,237</b>	<b>9,378,004</b>	<b>41,766,163</b>

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**NOTE 12 - GOODWILL**

<u>31 December 2016</u>	<u>Net Book Value</u>
<b>As of 1 January 2016</b>	<b>2,340,995</b>
Additions	-
Provision for impairment	-
<b>As of 31 December 2016</b>	<b>2,340,995</b>
<hr/>	
<u>31 December 2015</u>	<u>Net Book Value</u>
<b>As of 1 January 2015</b>	<b>2,340,995</b>
Additions	-
Provision for impairment	-
<b>As of 31 December 2015</b>	<b>2,340,995</b>

**NOTE 13 - GOVERNMENT GRANTS**

In 2016, TRY145,032 was collected as cash in relation to R&D activities provided by TUBITAK (2014: TRY498,788).

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 TRY15,762,887.

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 TRY51,670,512 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.

**NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<b>Other short term provisions</b>	<u>31 December 2016</u>	<u>31 December 2015</u>
Warranty provisions	12,338,519	12,679,176
Provision for lawsuits	1,710,144	912,832
<b>Total</b>	<b>14,048,663</b>	<b>13,592,008</b>

Movements of provisions during the period are as follows:

	<u>Warranty Provisions</u>	<u>Provision for lawsuits</u>	<u>Total</u>
<b>As of 1 January 2016</b>	12,679,176	912,832	<b>13,592,008</b>
Additions during the period	9,331,095	1,162,032	<b>10,493,127</b>
Less: Paid during the period	(9,671,752)	(31,825)	<b>(9,703,577)</b>
Reversal of provision (-)	-	(332,895)	<b>(332,895)</b>
<b>As of 31 December 2016</b>	<b>12,338,519</b>	<b>1,710,144</b>	<b>14,048,663</b>

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**NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

	<u>Warranty</u> <u>Provisions</u>	<u>Provision</u> <u>for lawsuits</u>	<u>Provision for</u> <u>employee</u> <u>benefits</u>	<u>Provision for</u> <u>commission and</u> <u>premium</u>	<u>Total</u>
<b>As of 1 January 2016</b>	8,390,952	687,176	427,623	926,681	<b>10,432,432</b>
Additions during the period	14,716,123	269,700	-	-	<b>14,985,823</b>
Less: Paid during the period	(10,427,899)	(25,894)	(427,623)	(926,681)	<b>(11,808,097)</b>
Reversal of provision (-)	-	(18,150)	-	-	<b>(18,150)</b>
<b>As of 31 December 2016</b>	<b>12,679,176</b>	<b>912,832</b>	<b>-</b>	<b>-</b>	<b>13,592,008</b>

**Lawsuits against the Group:**

Amount of provisions allocated for the lawsuits which were filed against the Group as of 31 December 2016 and have not ended as of the balance sheet date equals TRY1,710,144 (31 December 2015: TRY912,832).

**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 TRY782,599,168 as of 31 December 2016 (31 December 2015: TRY580,141,130).

**Contingent liabilities as of 31 December 2016 and 31 December 2015 are as follows:**

<b>Type</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Letters of Guarantee	46,172,346	56,354,506
<b>Total</b>	<b>46,172,346</b>	<b>56,354,506</b>

Collaterals, pledges and mortgages "CPM" given by the Company as of 31 December 2016 and 31 December 2015 are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>A. CPM's given in the name of its own legal personality</b>	<b>46,172,346</b>	<b>56,354,506</b>
i. Guarantee letter	46,172,346	56,354,506
ii. Mortgage	-	-
<b>B. CPM's given on behalf of the fully consolidated companies</b>	-	-
<b>C. CPM's given on behalf of third parties for ordinary course of business</b>	-	-
<b>D. Total amount of other CPM's given</b>	-	-
i. Total amount of CPM's given on behalf of the majority shareholder	-	-
ii. Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>46,172,346</b>	<b>56,354,506</b>

The ratio of CPM's given by the Company to the Company's equity is 0.00% as of 31 December 2016 (0.00% as of 31 December 2015).

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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**NOTE 15 - PROVISION FOR EMPLOYEE BENEFITS**

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Provision for employment termination benefit</b>	<b>13,931,309</b>	<b>13,546,911</b>

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 TRY4,426.16 (31 December 2015: TRY4,092.53) 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:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Net Discount Rate (%)	3.77	3.77
Turnover rate to estimate the probability of retirement (%)	2.81	3.03

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:

	<b>2016</b>	<b>2015</b>
<b>Opening balance 1 - January</b>	<b>13,546,911</b>	<b>12,493,579</b>
Interest cost	1,333,580	1,354,691
Remeasurements	2,309,924	285,269
Less: Paid during the period	(4,285,838)	(1,573,696)
Current period service cost	1,026,732	987,068
<b>Ending balance 31 - December</b>	<b>13,931,309</b>	<b>13,546,911</b>

**NOTE 16 - OTHER ASSETS AND LIABILITIES**

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Prepaid Expenses</b>		
Advanced given	5,113,121	12,474,277
Prepaid insurance expenses	211,800	195,117
Prepaid subscription expenses	20,896	38,188
Prepaid advertisement expenses	27,819	12,749
Prepaid other expenses	272,968	172,320
<b>Total</b>	<b>5,646,604</b>	<b>12,892,651</b>

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Other Current Assets</b>		
Deferred VAT	25,682,834	31,583,989
Other current assets	689,131	832,619
<b>Total</b>	<b>26,371,965</b>	<b>32,416,608</b>

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**NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)**

<b>Prepaid expenses</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Long-term prepaid expenses, other	75,376	22,070
<b>Total</b>	<b>75,376</b>	<b>22,070</b>

<b>Deferred income (short term)</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Short term deferred income <sup>(1)</sup>	666,640	874,641
<b>Total</b>	<b>666,640</b>	<b>874,641</b>

<sup>(1)</sup> 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 31 December 2016, is TRY482,727 (31 December 2015: TRY703,292).

<b>Deferred income (long term)</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Long term deferred income <sup>(1)</sup>	698,920	1,207,583
<b>Total</b>	<b>698,920</b>	<b>1,207,583</b>

<sup>(1)</sup> 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 31 December 2015 is TRY441,758 (31 December 2015: TRY1,804,459).

**NOTE 17 - EQUITY**

**Capital/Elimination Adjustments**

As of 31 December 2016 and 2015, the share capital of the Company is TRY25,419,707. This share capital is divided into 2,541,970,654 shares in total, including 1,366,404,402 A Group registered shares, 755,995,500 B Group registered shares, 419,570,752 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:

**31 December 2016**

<b>NAME</b>	<b>GROUP A</b>	<b>GROUP B</b>	<b>GROUP C</b>	<b>SHARE AMOUNT</b>	<b>SHARE (%)</b>
YAZICILAR HOLDİNG A.Ş.	9,073,187	-	4,478	9,077,665	35.71
ÖZİLHAN SİNAİ 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 ARZ	-	-	3,811,860	3,811,860	15.00
HAMİLİNE DİĞER	93,318	-	337,121	430,439	1.70
<b>TOTAL</b>	<b>13,664,044</b>	<b>7,559,955</b>	<b>4,195,708</b>	<b>25,419,707</b>	<b>100.00</b>

**31 December 2015**

<b>NAME</b>	<b>GROUP A</b>	<b>GROUP B</b>	<b>GROUP C</b>	<b>SHARE AMOUNT</b>	<b>SHARE (%)</b>
YAZICILAR HOLDİNG A.Ş.	9,073,187	-	4,478	9,077,665	35.71
ÖZİLHAN SİNAİ YATIRIM A.Ş.	4,269,734	-	2,108	4,271,842	16.81
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	227,805	-	38,835	266,640	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 ARZ	-	-	3,811,860	3,811,860	15.00
HAMİLİNE DİĞER	93,318	-	338,427	431,745	1.70
<b>TOTAL</b>	<b>13,664,044</b>	<b>7,559,955</b>	<b>4,195,708</b>	<b>25,419,707</b>	<b>100.00</b>

The amount TRY25,419,707 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.



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**NOTE 17 - EQUITY (Continued)**

**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.

**31 December 2016**

Paid-in share capital	25,419,707
Adjustment to share capital	86,901,880
Restricted reserves	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)
<b>Shareholders' equity attributable to equity holders of the Group</b>	<b>262,464,571</b>
<b>Non-controlling shares</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>262,464,571</b>

**31 December 2015**

Paid-in share capital	25,419,707
Adjustment to share capital	86,901,880
Restricted reserves	162,363,654
Retained earnings	31,047,813
Gain/(loss) on revaluation and remeasurement	(115,217)
Net profit for the year	17,743,897
<b>Shareholders' equity attributable to equity holders of the Group</b>	<b>323,361,734</b>
<b>Non-controlling shares</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>323,361,734</b>

**Restricted reserves**

Restricted reserves are comprised of legal reserves and other reserves.

	<b>31 December 2016</b>	<b>31 December 2015</b>
Legal reserves	23,695,839	22,477,015
Real estate sale profit exemption	138,437,248	138,437,248
Profit reserves from sale of affiliates	1,446,666	1,449,390
Profit on cancelled shares certificates	1	1
<b>Total</b>	<b>163,579,754</b>	<b>162,363,654</b>

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 31 December 2016, the Group's total restricted reserves are TRY163,579,754 (31 December 2015: TRY162,363,654).

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**NOTE 17 - EQUITY (Continued)**

**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>31 December 2016</u>	<u>31 December 2015</u>
Extraordinary reserves	9,781,181	5,965,961
Inflation difference of legal reserves	24,820,414	24,820,414
Subsidiaries Sales Profitability Inflation	260,632	260,632
Inflation difference of cancelled shares certificates	806	806
<b>Total</b>	<b>34,863,033</b>	<b>31,047,813</b>

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 difference in Equity can be utilised in issuing bonus shares and in offsetting accumulated losses; 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 TRY34,863,033 based on the consolidated financial statements prepared in according with TAS/IFRS Financial Reporting Standard for the period ended 31 December 2015.

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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**NOTE 18 - SALES AND COST OF SALES**

	1 January 2016 – 31 December 2016	1 January 2015 – 31 December 2015
<b>Sales</b>		
Domestic sales	704,723,470	933,302,777
Foreign sales	184,384,900	79,235,341
Other sales	5,177,377	5,216,151
<b>Sales Total (Gross)</b>	<b>894,285,747</b>	<b>1,017,754,269</b>
Less: Discounts	(64,474,414)	(82,259,728)
<b>Sales (Net)</b>	<b>829,811,333</b>	<b>935,494,541</b>
<b>Cost of sales</b>	<b>(721,710,056)</b>	<b>(779,196,290)</b>
<b>Gross operating profit/loss</b>	<b>108,101,277</b>	<b>156,298,251</b>

Cost of sales are summarised as follows;

	1 January 2016 – 31 December 2016	1 January 2015 – 31 December 2015
<b>Cost of Sales</b>		
Direct raw material costs	486,112,287	777,024,850
Direct labour costs	34,682,911	45,387,522
Depreciation and amortisation expenses	18,163,823	16,171,839
Manufacturing overhead costs	11,658,868	15,930,359
<b>Total cost of production</b>	<b>550,617,889</b>	<b>854,514,570</b>
Change in semi-finished and finish goods inventory	90,151,258	(140,642,755)
Cost of trade goods sold	79,872,761	62,723,348
Other cost of sales	1,068,148	2,601,127
<b>Total cost of sales</b>	<b>721,710,056</b>	<b>779,196,290</b>

**NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTIONS EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES**

	1 January 2016 – 31 December 2016	1 January 2015 – 31 December 2015
<b>a) Research and development expenses</b>		
Personnel expenses	(531,612)	(782,012)
Trade goods quality enhancement expenses	(1,574,037)	(2,085,416)
Depreciation and amortisation expenses	(601,068)	(487,488)
Other	(318,985)	(309,904)
<b>Total Research and Development Expenses</b>	<b>(3,025,702)</b>	<b>(3,664,820)</b>
<b>b) Marketing, selling and distribution expenses</b>		
Domestic sales expenses	(5,903,670)	(7,628,031)
Export expenses	(9,715,653)	(7,713,272)
Personnel expenses	(10,381,975)	(10,210,609)
Advertising expenses	(8,308,903)	(8,714,878)
Warranty expenses	(9,331,095)	(14,716,123)
Depreciation and amortisation expenses	(1,470,210)	(1,667,428)
Other	(13,981,100)	(19,472,903)
<b>Total Marketing, Selling and Distribution Expenses</b>	<b>(59,092,606)</b>	<b>(70,123,244)</b>
<b>c) General and administrative expenses</b>		
Personnel expenses	(13,711,974)	(13,610,575)
Provisions for employee termination benefits	(1,026,732)	(987,068)
Service and work expenses	(14,107,570)	(11,806,964)
Depreciation and amortisation expenses	(1,418,670)	(1,501,845)
Insurance expenses	(1,729,891)	(1,529,012)
Other	(5,739,459)	(6,665,966)
<b>Total General and Administrative Expenses</b>	<b>(37,734,296)</b>	<b>(36,101,430)</b>

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**NOTE 20 - EXPENSES BY NATURE**

	<b>1 January 2016 - 31 December 2016</b>	<b>1 January 2015 - 31 December 2015</b>
Direct material costs	486,112,287	777,024,850
Cost of trade goods sold	79,872,761	62,723,348
Cost of other goods sold	1,068,148	2,601,127
Change in goods inventory	90,151,258	(140,642,755)
Other operational expenses	70,710,363	80,642,469
Personnel expenses	60,335,204	70,977,786
Depreciation and amortisation expenses	21,653,771	19,828,600
Other production expenses	11,658,868	15,930,359
<b>Total expenses</b>	<b>821,562,660</b>	<b>889,085,784</b>

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

**NOTE 21 - OTHER OPERATING INCOME/EXPENSES**

	<b>1 January 2016 - 31 December 2016</b>	<b>1 January 2015 - 31 December 2015</b>
<b>Other operating income:</b>		
Foreign Exchange Income on Trade Receivable and Payables	6,567,837	1,863,154
Rediscount Income on Trade Payables	4,359,990	3,602,206
Rent income	33,548	57,404
Service income	350,844	259,101
Tubitak R&D incentive	732,298	914,450
MESS support income	397,344	101,442
Stock count surpluses	56,867	49,593
Insurance indemnity income	3,684,867	2,807,539
<b>Total</b>	<b>16,183,595</b>	<b>9,654,889</b>
<b>Other operating expenses:</b>		
Foreign Exchange Expenses on Trade Receivable and Payables	(25,163,113)	(24,312,530)
Rediscount Expenses on Trade Receivables	(4,242,970)	(4,402,625)
Contribution expense	(58,016)	(149,095)
Other	(1,269,678)	(309,173)
<b>Total</b>	<b>(30,733,777)</b>	<b>(29,173,423)</b>

**NOTE 22 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	<b>1 January 2016 - 31 December 2016</b>	<b>1 January 2015 - 31 December 2015</b>
<b>Income from investing activities</b>		
Gain on sale of Machinery and Equipment	271,640	685,149
<b>Total</b>	<b>271,640</b>	<b>685,149</b>
<b>Expenses from investing activities</b>		
Loss on sale of Machinery and Equipment	(54,518)	(93,660)
<b>Total</b>	<b>(54,518)</b>	<b>(93,660)</b>

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**NOTE 23 - FINANCIAL INCOME**

	<b>1 January 2016 - 31 December 2016</b>	<b>1 January 2015 - 31 December 2015</b>
<b>Financial income:</b>		
Interest income	6,684,819	8,730,687
Credit finance income	1,015,416	1,125,431
Foreign exchange gains	14,983,969	17,104,847
<b>Total</b>	<b>22,684,204</b>	<b>26,960,965</b>

**NOTE 24 - FINANCIAL EXPENSES**

	<b>1 January 2016 - 31 December 2016</b>	<b>1 January 2015 - 31 December 2015</b>
Interest Expenses	(22,020,515)	(8,414,691)
Foreign exchange losses	(51,783,307)	(23,855,720)
Credit finance expenses	(1,471,061)	(2,024,129)
Other financial expenses	(2,226,164)	(2,142,670)
<b>Total</b>	<b>(77,501,047)</b>	<b>(36,437,210)</b>

**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).

<b>Account name</b>	<b>1 January 2016 - 31 December 2016</b>	<b>1 January 2015 - 31 December 2015</b>
Current income tax provision	(1,389,582)	(251,375)
Deferred tax (expense)/income		
- Income Statement	15,954,165	(10,195)
<b>Total tax (expense)/income – Income Statement</b>	<b>14,564,583</b>	<b>(261,570)</b>
Tax income/(expense) - Comprehensive Income Statements	461,985	57,054
<b>Total tax (expense)/income</b>	<b>15,026,568</b>	<b>(204,516)</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
Current period corporate tax	1,389,582	251,375
Prepaid taxes	(2,373,495)	(2,383,654)
<b>Taxes payable</b>	<b>(983,913)</b>	<b>(2,132,279)</b>

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

***i) Provision for Current Period Tax***

The Group is subject 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 not subject 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.

**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 withholding tax has been increased from 10% to 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.

Temporary differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Temporary 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 in circumstances, 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.

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

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets/(Liabilities)</u>	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets/(Liabilities)</u>
Inventories	1,487,672	297,534	1,514,942	302,988
Non-current assets	(44,124,022)	(8,824,805)	(42,575,959)	(8,515,191)
Provision for employee termination benefits	13,931,309	2,786,262	13,546,911	2,709,382
Guarantee provisions	12,338,519	2,467,704	12,679,176	2,535,836
R&D discount	17,494,318	3,498,864	-	-
Current year financial loss <sup>(1)</sup>	65,435,471	13,087,094	-	-
Rediscount expenses/income (Net)	2,545,058	509,012	2,659,816	531,963
Law suit provisions	1,710,144	342,029	912,832	182,566
<b>Total</b>		<b>14,163,694</b>		<b>(2,252,456)</b>

<sup>(1)</sup> It is foreseen that the financial loss of the current period will be completely lowered in the next 4 years.

	<u>1 January 2016 - 31 December 2016</u>	<u>1 January 2015 - 31 December 2015</u>
<b>Movements of deferred income tax:</b>		
Opening	(2,252,456)	(2,299,315)
Deferred tax income on income statements	15,954,165	(10,195)
Deferred tax income on comprehensive income statements	461,985	57,054
<b>Total</b>	<b>14,163,694</b>	<b>(2,252,456)</b>

	<u>1 January 2016 - 31 December 2016</u>	<u>1 January 2015 - 31 December 2015</u>
<b>Reconciliation of tax provision:</b>		
<b>Income/(Loss) from continuing operations</b>	<b>(60,901,230)</b>	<b>18,005,647</b>
Corporate tax rate (20%)	12,180,246	(3,601,093)
<b>Taxation effect:</b>		
R&D deductions	3,498,864	3,152,577
- Income on R&D subsidies	146,460	182,890
- Non-deductible expenses for tax purposes	(1,225,518)	-
- Tax-free income	(35,469)	4,056
<b>(Loss)/income tax provision on statements of income</b>	<b>14,564,583</b>	<b>(261,570)</b>

**NOTE 26 - INCOME/(LOSS) PER SHARE**

	<u>1 January 2016 - 31 December 2016</u>	<u>1 January 2015 - 31 December 2015</u>
Net income/(loss) for the period (TRY)	(46,336,647)	17,743,897
Weighted average number of shares with nominal value of Kr1 each	2,541,970,654	2,541,970,654
<b>Income/(loss) per 100 share with nominal value of TRY1 each</b>	<b>(1,8229)</b>	<b>0,6980</b>

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**NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

**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.

**31 December 2016**

<b>1) Related Parties</b>	<b>Receivables</b>		<b>Payables</b>	
	<b>Trade</b>	<b>Other</b>	<b>Trade</b>	<b>Other</b>
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 <sup>(*)</sup>	-	-	-	9,109
<b>Total</b>	<b>254,444</b>	<b>-</b>	<b>151,329,317</b>	<b>9,109</b>

<sup>(\*)</sup> Payables to shareholders balance is classified under other payables in the consolidated balance sheet.

**31 December 2015**

<b>1) Related Parties</b>	<b>Receivables</b>		<b>Payables</b>	
	<b>Trade</b>	<b>Other</b>	<b>Trade</b>	<b>Other</b>
Payables to shareholders <sup>(*)</sup>	-	-	-	9,109
Anadolu Endüstri Holding A.Ş.	-	-	6,042	-
Itochu Corporation Tokyo	-	-	135,144,834	-
Isuzu Motors International Operation Thailand	-	-	4,258,975	-
Isuzu Motors Ltd. Tokyo	1,170,210	-	3,214,906	-
Çelik Motor Ticaret A.Ş.	5,381,517	-	-	-
Efestur Turizm İşletmeleri A.Ş.	-	-	180,315	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	232,497	-
Yazıcılar Holding A.Ş.	-	-	8,074	-
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	5,141	-
AEH Sigorta Acenteliği A.Ş.	-	-	96,588	-
AEH Gayrimenkul Yatırımları A.Ş.	-	-	1,914	-
Migros Ticaret A.Ş.	-	-	399,072	-
<b>Total</b>	<b>6,551,727</b>	<b>-</b>	<b>143,548,358</b>	<b>9,109</b>

<sup>(\*)</sup> Payables to shareholders balance is classified under other payables in the consolidated balance sheet.



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

**b) Related party transactions:**

**1 January -31 December 2016**

<b>Sales to related parties</b>	<b>Goods and Service sales</b>	<b>Sales of fixed assets</b>	<b>Other Income</b>	<b>Total Revenues/Sales</b>
Alternatifbank A.Ş.	-	-	3,841,679	<b>3,841,679</b>
Anadolu Endüstri Holding A.Ş.	49,450	7,900	-	<b>57,350</b>
Anadolu Bilişim Hizmetleri A.Ş.	2,468	-	-	<b>2,468</b>
Anadolu Motor Üretim ve Paz. A.Ş.	363,269	-	-	<b>363,269</b>
Çelik Motor Ticaret A.Ş.	3,420,218	-	-	<b>3,420,218</b>
Isuzu Motors Co. Thailand Ltd.	24,710	-	-	<b>24,710</b>
Isuzu Motors International Operation Thailand	2,799,914	-	-	<b>2,799,914</b>
Isuzu Motors Ltd. Tokyo	5,316,545	-	-	<b>5,316,545</b>
<b>Total</b>	<b>11,976,574</b>	<b>7,900</b>	<b>3,841,679</b>	<b>15,826,153</b>

**1 January - 31 December 2015**

<b>Sales to related parties</b>	<b>Goods and Service Sales</b>	<b>Sales of fixed assets</b>	<b>Other Income</b>	<b>Total Revenues/Sales</b>
Isuzu Motors International Operation Thailand	699,643	-	-	<b>699,643</b>
Isuzu Motors Ltd. Tokyo	2,657,610	-	-	<b>2,657,610</b>
Isuzu Motors Co. Thailand Ltd.	28,615	-	-	<b>28,615</b>
Çelik Motor Ticaret A.Ş.	5,533,255	-	-	<b>5,533,255</b>
Ana Gıda İhtiyaç Maddeleri ve San. ve Tic. A.Ş.	31,085	-	-	<b>31,085</b>
Anadolu Sağlık Merkezi İktisadi İşletmesi	3,338	-	-	<b>3,338</b>
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	12,986	<b>12,986</b>
Anadolu Motor Üretim ve Paz. A.Ş.	433,569	-	-	<b>433,569</b>
Kamil Yazıcı Yönetim ve Danışmanlık A.Ş.	29,181	-	-	<b>29,181</b>
Alternatifbank A.Ş.	-	-	5,169,183	<b>5,169,183</b>
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	2,171	-	-	<b>2,171</b>
<b>Total</b>	<b>9,418,467</b>	<b>-</b>	<b>5,182,169</b>	<b>14,600,636</b>

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

**1 January - 31 December 2016**

	<u>Goods and Services purchases</u>	<u>Fixed asset purchases</u>	<u>Other</u>	<u>Total expense/ Purchases</u>
<b>Purchases from related parties</b>				
Adel Kalemcilik Tic. ve San. A.Ş.	59,587	-	-	59,587
AND Anadolu Gayrimenkul Yatırımları A.Ş.	12,289	-	-	12,289
AES Toptan Elektrik Ticaret A.Ş.	4,000	-	-	4,000
Alternatifbank A.Ş.	-	-	424,321	424,321
Anadolu Bilişim Hizmetleri A.Ş.	3,336,490	1,507,346	-	4,843,836
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	62,156	-	-	62,156
Anadolu Endüstri Holding A.Ş.	5,126,697	-	6,480	5,133,177
Anadolu Motor Üretim ve Paz. A.Ş.	14,000	8,500	-	22,500
Anadolu Sağlık Merkezi İktisadi İşletmesi	17,020	-	-	17,020
Çelik Motor Ticaret A.Ş.	650,582	-	902,876	1,553,458
Efestur Turizm İşletmeleri A.Ş.	2,967,954	-	-	2,967,954
Isuzu Motors Co. Thailand Ltd.	40,959	-	-	40,959
Isuzu Motors International Operation Thailand	103,952,674	-	-	103,952,674
Isuzu Motors Ltd. Europe	2,805	-	-	2,805
Isuzu Motors Ltd. Tokyo	8,737,745	-	-	8,737,745
Isuzu Motors Germany GmbH	68,021	-	-	68,021
Itochu Corporation Tokyo	181,794,936	-	-	181,794,936
Migros Ticaret A.Ş.	73,728	-	-	73,728
Oyex Handels GmbH	57,045	-	-	57,045
Yazıcılar Holding A.Ş.	3,161	-	43,858	47,019
<b>Total</b>	<b>306,981,849</b>	<b>1,515,846</b>	<b>1,377,535</b>	<b>309,875,230</b>

**1 January -31 December 2015**

	<u>Goods and Service purchases</u>	<u>Fixed asset purchases</u>	<u>Other</u>	<u>Total expense/ purchases</u>
<b>Purchases from related parties</b>				
Anadolu Motor Üretim ve Paz. A.Ş.	40	-	-	40
Çelik Motor Ticaret A.Ş.	13,346	-	869,562	882,908
Anadolu Endüstri Holding A.Ş.	4,640,130	1,300	6,000	4,647,430
Itochu Corporation Tokyo	268,960,989	-	-	268,960,989
Isuzu Motors International Operation Thailand	99,577,484	-	-	99,577,484
Isuzu Motors Ltd. Tokyo	10,939,134	-	-	10,939,134
Isuzu Motors Ltd. Europe	3,070	-	-	3,070
Isuzu Motors Co. Thailand Ltd.	21,100	-	-	21,100
Isuzu Techno Co. Ltd.	50,422	-	-	50,422
Efestur Turizm İşletmeleri A.Ş.	3,356,378	-	-	3,356,378
Anadolu Bilişim Hizmetleri A.Ş.	3,200,805	1,473,890	-	4,674,695
Adel Kalemcilik Tic. ve San. A.Ş.	23,065	-	-	23,065
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	6,911	-	-	6,911
Alternatifbank A.Ş.	-	-	293,117	293,117
Anadolu Sağlık Merkezi İktisadi İşletmesi	95,457	-	-	95,457
AEH Gayrimenkul Yatırımları A.Ş.	11,357	-	-	11,357
Migros Ticaret A.Ş.	70,156	-	-	70,156
Oyex Handels GmbH	41,494	-	-	41,494
Yazıcılar Holding A.Ş.	2,844	-	44,151	46,995
<b>Total</b>	<b>391,014,182</b>	<b>1,475,190</b>	<b>1,212,830</b>	<b>393,702,202</b>

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

**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. TRY3,000 donation was made to Anadolu Eğitim ve Sosyal Yardım Vakfı in the current year (31 December 2015: TRY80,000 donation was made).

**d) Key management compensation:**

	<u>1 January 2016</u> <u>31 December 2016</u>	<u>1 January 2015</u> <u>31 December 2015</u>
Salaries and other short-term benefits	5,751,367	5,818,790
<b>Total</b>	<b>5,751,367</b>	<b>5,818,790</b>

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.

**NOTE 28 - FINANCIAL RISK MANAGEMENT**

**(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>31 December 2016</u>	<u>31 December 2015</u>
Financial Liabilities	462,333,051	438,877,837
Total Shareholders' Equity	262,464,571	323,361,734
<b>Debt/Total equity</b>	<b>1.76</b>	<b>1.36</b>

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.

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

**(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 TRY. Foreign exchange risk arises from future trade operations and the differences between assets and liabilities.

	<b>Sensitivity analysis of foreign exchange</b>	
	<b>31 December 2016</b>	
	<b>Profit/Loss</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
If USD\$ appreciated/(depreciated) against TRY by 10%;		
1- USD currency net asset/liability	714,822	(714,822)
2- Hedged items (-)	-	-
<b>3- Net effect of USD (1+2)</b>	<b>714,822</b>	<b>(714,822)</b>
If EUR appreciated/(depreciated) against TRY by 10%;		
4- EUR currency net asset/liability	(20,250,564)	20,250,564
5- Hedged items (-)	-	-
<b>6- Net effect of EUR(4+5)</b>	<b>(20,250,564)</b>	<b>20,250,564</b>
If Other appreciated/(depreciated) against TRY by 10%;		
7- Other currency net asset/liability	(13,959,728)	13,959,728
8- Hedged items (-)	-	-
<b>9- Net effect of Other (7+8)</b>	<b>(13,959,728)</b>	<b>13,959,728</b>
<b>TOTAL (3+6+9)</b>	<b>(33,495,470)</b>	<b>33,495,470</b>

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

	<u>Sensitivity analysis of foreign exchange</u>	
	<u>31 December 2015</u>	
	<u>Profit/Loss</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
If US\$ appreciated/(depreciated) against TRY by 10%;		
1- USD currency net asset/liability	(414,252)	414,252
2- Hedged items (-)	-	-
<b>3- Net effect of USD (1+2)</b>	<b>(414,252)</b>	<b>414,252</b>
If EUR appreciated/(depreciated) against TRY by 10%;;		
4- EUR currency net asset/liability	(16,068,754)	16,068,754
5- Hedged items (-)	-	-
<b>6- Net effect of EUR(4+5)</b>	<b>(16,068,754)</b>	<b>16,068,754</b>
If Other appreciated/(depreciated) against TRY by 10%;		
7- Other currency net asset/liability	(13,615,134)	13,615,134
8- Hedged items (-)	-	-
<b>9- Net effect of Other (7+8)</b>	<b>(13,615,134)</b>	<b>13,615,134</b>
<b>TOTAL (3+6+9)</b>	<b>(30,098,140)</b>	<b>30,098,140</b>

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

**Foreign currency position table**

	31 December 2016				
	TRY Amount	USD	EUR	JPY	Other
1. Trade receivables	48,410,898	1,532	12,986,959	7,500,000	-
2a. Monetary financial assets	25,397,466	2,029,712	4,829,684	10,990,259	1,592
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	1,458,573	-	-	48,578,616	-
<b>4. Total current assets (1+2+3)</b>	<b>75,266,937</b>	<b>2,031,244</b>	<b>17,816,643</b>	<b>67,068,875</b>	<b>1,592</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Total non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets(4+8)</b>	<b>75,266,937</b>	<b>2,031,244</b>	<b>17,816,643</b>	<b>67,068,875</b>	<b>1,592</b>
10. Trade payables	153,536,752	39	3,212,679	4,716,666,020	-
11. Financial liabilities	64,906,036	-	17,495,360	-	-
12a. Other monetary liabilities	6,283,847	-	1,693,805	-	-
12b. Other non-monetary liabilities.	-	-	-	-	-
<b>13. Total current liabilities (10+11+12)</b>	<b>224,726,635</b>	<b>39</b>	<b>22,401,844</b>	<b>4,716,666,020</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	185,495,000	-	50,000,000	-	-
16a. Other monetary liabilities	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-
<b>17. Total non-current liabilities (14+15+16)</b>	<b>185,495,000</b>	<b>-</b>	<b>50,000,000</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>410,221,635</b>	<b>39</b>	<b>72,401,844</b>	<b>4,716,666,020</b>	<b>-</b>
<b>19. Off-balance sheet derivative instruments net position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Total Amount of Hedged Assets	-	-	-	-	-
19b. Total Amount of Hedged Liabilities	-	-	-	-	-
<b>20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)</b>	<b>(334,954,698)</b>	<b>2,031,205</b>	<b>(54,585,201)</b>	<b>(4,649,597,145)</b>	<b>1,592</b>
<b>21. Monetary Items Net Foreign Exchange Asset/(liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(336,413,271)</b>	<b>2,031,205</b>	<b>(54,585,201)</b>	<b>(4,698,175,761)</b>	<b>1,592</b>
<b>22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. The Amount of Hedged part of Foreign Exchange Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. The Amount of Hedged part of Foreign Exchange Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Export</b>	<b>184,384,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Import</b>	<b>351,000,461</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Foreign currency position table**

**31 December 2015**

<u>TRY Amount</u>	<u>USD</u>	<u>EUR</u>	<u>JPY</u>	<u>Other</u>
17,213,460	13,256	5,048,858	47,000,000	-
9,638,540	26,994	2,990,397	2,075,456	1,812
-	-	-	-	-
762,646	-	-	31,673,994	-
<b>27,614,646</b>	<b>40,250</b>	<b>8,039,255</b>	<b>80,749,450</b>	<b>1,812</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>27,614,646</b>	<b>40,250</b>	<b>8,039,255</b>	<b>80,749,450</b>	<b>1,812</b>
144,873,664	1,464,773	790,305	5,735,668,108	-
128,189,741	-	40,341,686	-	-
1,513,441	200	476,101	-	-
-	-	-	-	-
<b>274,576,846</b>	<b>1,464,973</b>	<b>41,608,092</b>	<b>5,735,668,108</b>	<b>-</b>
-	-	-	-	-
54,019,200	-	17,000,000	-	-
-	-	-	-	-
-	-	-	-	-
<b>54,019,200</b>	<b>-</b>	<b>17,000,000</b>	<b>-</b>	<b>-</b>
<b>328,596,046</b>	<b>1,464,973</b>	<b>58,608,092</b>	<b>5,735,668,108</b>	<b>-</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>(300,981,400)</b>	<b>(1,424,723)</b>	<b>(50,568,837)</b>	<b>(5,654,918,658)</b>	<b>1,812</b>
<b>(301,744,046)</b>	<b>(1,424,723)</b>	<b>(50,568,837)</b>	<b>(5,686,592,652)</b>	<b>1,812</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>79,235,341</b>	-	-	-	-
<b>462,308,317</b>	-	-	-	-

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

**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 shows at Note 4 and Note 6.

	<b>Interest rate position table</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Financial assets with fixed rates</b>		
Financial assets	113,246,533	75,274,455
Cash and cash equivalents	(344,026,753)	(116,240,146)
<b>Financial liabilities with variable rates</b>		
Financial assets	-	-
Financial liabilities	(26,218,605)	(156,256,013)

As of 31 December 2016, 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 TRY1,262,186 (31 December 2015: TRY1,562,560).

**(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 costumers as of 31 December 2016 are TRY48,410,898 and there is no geographical concentration (31 December 2015: TRY17,213,460).



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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

<u>31 December 2016</u>	<u>Receivables</u>				<u>Notes</u>	<u>Deposits in</u>	
	<u>Related</u>	<u>Other</u>	<u>Related</u>	<u>Other</u>		<u>Banks</u>	<u>Notes</u>
<b>Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)</b>	<b>254,444</b>	<b>288,858,763</b>	<b>-</b>	<b>1,023,205</b>		<b>115,263,332</b>	
- The part of maximum risk secured by guarantee etc.	-	288,858,763	-	-	<b>7</b>	-	
<b>A. Net book value of financial assets which are undue or which is not impaired</b>	<b>254,444</b>	<b>280,271,392</b>	<b>-</b>	<b>1,023,205</b>	<b>7-8-27</b>	<b>115,263,332</b>	<b>4</b>
<b>B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.</b>	-	-	-	-	-	-	-
<b>C. Net book value of assets, overdue but not impaired</b>	-	<b>8,587,371</b>	-	-	-	-	-
- Secured by guarantee and etc.	-	8,587,371	-	-	-	-	-
<b>D. Net book value of assets decrease in value</b>	-	-	-	-	-	-	-
- Overdue (gross book value)	-	(333,324)	-	-	<b>7</b>	-	-
- Impairment (-)	-	333,324	-	-	<b>7</b>	-	-
- The part of net value secured by guarantee etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value secured by guarantee etc.	-	-	-	-	-	-	-
<b>E. Elements containing credit risk off the balance sheet</b>	-	-	-	-	-	-	-

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

31 December 2015	Receivables				Notes	Deposits in	
	Trade Receivables Related	Other	Other Receivables Related	Other		Banks	Notes
<b>Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)</b>	<b>6,551,727</b>	<b>279,220,471</b>	<b>-</b>	<b>1,297,825</b>		<b>78,323,654</b>	
- The part of maximum risk secured by guarantee etc.	-	279,220,471	-	-	<b>7</b>	-	
<b>A. Net book value of financial assets which are undue or which is not impaired</b>	<b>6,551,727</b>	<b>249,649,698</b>	<b>-</b>	<b>1,297,825</b>	<b>7-8-27</b>	<b>78,323,654</b>	<b>4</b>
<b>B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.</b>	-	-	-	-	-	-	-
<b>C. Net book value of assets, overdue but not impaired</b>	-	<b>29,570,773</b>	-	-	-	-	-
- Secured by guarantee and etc.	-	29,570,773	-	-	-	-	-
<b>D. Net book value of assets decrease in value</b>	-	-	-	-	-	-	-
- Overdue (gross book value)	-	(333,324)	-	-	<b>7</b>	-	-
- Impairment (-)	-	333,324	-	-	<b>7</b>	-	-
- The part of net value secured by guarantee etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value secured by guarantee etc.	-	-	-	-	-	-	-
<b>E. Elements containing credit risk off the balance sheet</b>	-	-	-	-	-	-	-

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

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

	Receivable		Bank Deposit	Derivative Instruments	Other
	Trade Receivable	Other Receivable			
<b>31 December 2016</b>					
1-30 days overdue	7,728,634	-	-	-	-
1-3 months overdue	858,737	-	-	-	-
3-12 months overdue	-	-	-	-	-
1-5 years overdue	-	-	-	-	-
More than 5 years overdue	-	-	-	-	-
<b>Assets covered portion with guarantee letter etc.</b>	<b>8,587,371</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Receivable		Bank Deposit	Derivative Instruments	Other
	Trade Receivable	Other Receivable			
<b>31 December 2015</b>					
1-30 days overdue	26,613,696	-	-	-	-
1-3 months overdue	2,957,077	-	-	-	-
3-12 months overdue	-	-	-	-	-
1-5 years overdue	-	-	-	-	-
More than 5 years overdue	-	-	-	-	-
<b>Assets covered portion with guarantee letter etc.</b>	<b>29,570,773</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**(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.

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**NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)**

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

**31 December 2016**

**Non-derivative financial liabilities**

	<u>Carrying</u>	<u>Total</u>	<u>Up to 3</u>	<u>Between 3</u>	<u>Between 1</u>	<u>Over</u>
<u>Contractual maturities:</u>	<u>value</u>	<u>contractual</u>	<u>months</u>	<u>and</u>	<u>and</u>	<u>5 years</u>
		<u>cash</u>		<u>12 months</u>	<u>5 years</u>	
		<u>outflow</u>				<u>5 years</u>
Bank borrowings	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 Liabilities	11,045,048	11,045,048	11,045,048	-	-	-
<b>Non-derivative</b>						
<b>financial liabilities</b>	<b>593,256,694</b>	<b>616,536,846</b>	<b>191,070,437</b>	<b>195,233,013</b>	<b>230,233,396</b>	<b>-</b>

**Derivative financial liabilities**

The Group had no derivative financial liabilities as of 31 December 2016.

**31 December 2015**

**Non-derivative financial liabilities**

	<u>Carrying</u>	<u>Total</u>	<u>Up to 3</u>	<u>Between 3</u>	<u>Between 1</u>	<u>Over</u>
<u>Contractual maturities:</u>	<u>value</u>	<u>contractual</u>	<u>months</u>	<u>and</u>	<u>and</u>	<u>5 years</u>
		<u>cash</u>		<u>12 months</u>	<u>5 years</u>	
		<u>outflow</u>				<u>5 years</u>
Bank borrowings	272,496,159	291,773,124	7,296,718	144,559,522	139,916,884	-
Trade Payables	244,939,780	246,003,138	153,647,880	92,355,258		-
Other Liabilities	8,932,199	8,932,199	8,932,199	-	-	-
<b>Non-derivative</b>						
<b>financial liabilities</b>	<b>526,368,138</b>	<b>546,708,461</b>	<b>169,876,797</b>	<b>236,914,780</b>	<b>139,916,884</b>	<b>-</b>

**Derivative financial liabilities**

The Group had no derivative financial liabilities as of 31 December 2016.

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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 no forward foreign exchange contracts for derivative financial instruments as of 31 December 2016 and 31 December 2015.

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**NOTE 30 - SUBSEQUENT EVENTS**

With the board of directors' decision dated 3 January 2017, resignation of Tülay Aksoy which took place on 2 January 2017 was accepted; and Talip Altuğ AKSOY was assigned as a member of the board of directors as of 3 January 2017, as per Article 363 of the Turkish Commercial Code, and his assignment will be submitted to the first General Assembly for approval.

On 2 February 2017 the Capital Markets Board approved the board of directors decision dated 22 December 2016 regarding the "capital contribution and amendment of the articles of association", an application to amend the articles of association to increase the main capital of TRY25,419,706.54 by 230.45228% to TRY84,000,000. The said decision about this free-of-charge capital contribution will be discussed and submitted for approval at the Ordinary General Assembly planned for April.

## **CONTACT**

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