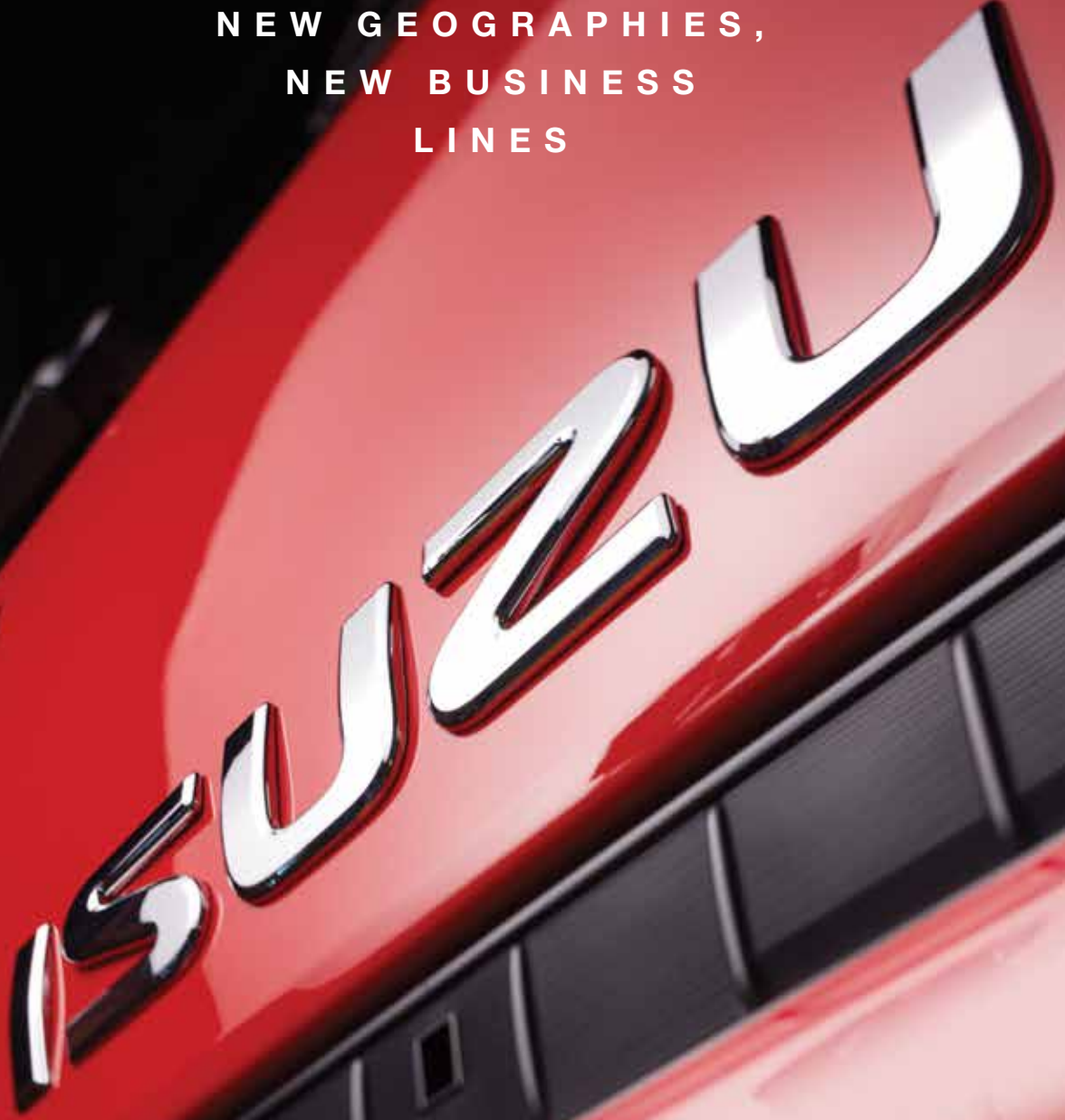


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# Corporate Profile

## Anadolu Isuzu in brief

Anadolu Isuzu's sustainable growth path began in 1965.

The foundations of Anadolu Isuzu were laid in 1965 where the production of trucks and motorcycles were carried out in the first stage of activities, which started under the title of the Steel Assembly. Production of the Skoda branded light truck continued until 1986.

Anadolu Isuzu assumed its current title with the license agreement reached with Isuzu Motors Ltd. in 1983. Production of Isuzu vehicles started at the Istanbul Kartal Plant in 1984.

Anadolu Isuzu today continues its activities as a joint venture consisting of leading groups in Turkey and the world:

- » Anadolu Group (55.40%)
- » Isuzu Motors Ltd. (16.99%)
- » Itochu Corporation (12.74%)
- » Other (14.87%)

Anadolu Isuzu, which operates in the commercial vehicle segment of the automotive sector, has a wide product range, high added value after-sales services and an extensive dealer and technical service structure. Carrying out vehicle production in the truck, light truck, midi bus, bus and pick-up segments, Anadolu Isuzu commands an ambitious position in export markets.

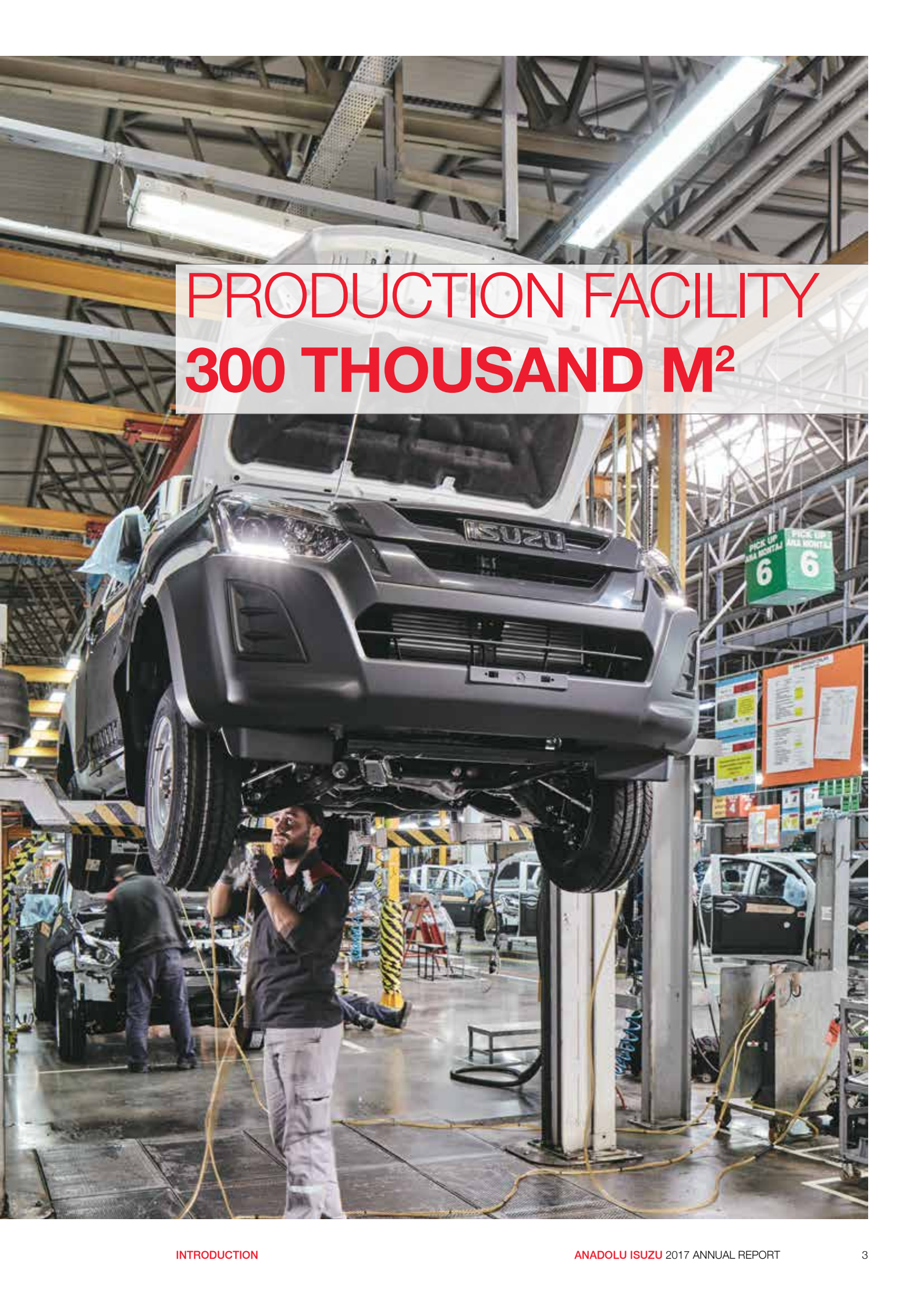
Carrying out the production and marketing of commercial vehicles, the Company's production campus is located in Şekerpinar, Çayırova. The annual production capacity of Anadolu Isuzu's production facilities, which are located on 300,000 m<sup>2</sup> of land, stands at 19,000 vehicles in single shift production.

Serving its customers in Turkey through 29 sales and 103 service points, Anadolu Isuzu has distributors in more than 30 countries abroad. As of the end of 2017, Anadolu Isuzu employed a total workforce of 875 people. Anadolu Isuzu shares have been trading on the BIST under the "ASUZU" ticker since 1997.

For more information, please visit: [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr)

**Serving its customers in Turkey through 29 sales and 103 service points, Anadolu Isuzu has distributors in more than 30 countries abroad.**



A large industrial production facility with a white SUV on a lift. The SUV is a white Isuzu, with its hood open, and is being worked on by a technician. The facility has a high ceiling with exposed steel beams and fluorescent lighting. In the background, there are other vehicles and workers. A green sign with the number '6' is visible on the right side of the image.

# PRODUCTION FACILITY 300 THOUSAND M<sup>2</sup>

# 2017 Financial and Operational Highlights

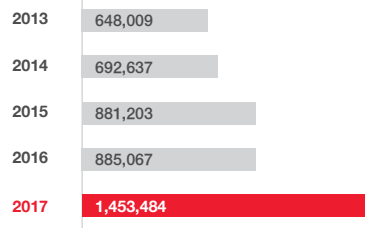
<b>Financial Metrics (TL)</b>	<b>2016</b>	<b>2017</b>
Sales	829,811,333	963,126,462
Gross Profit	108,101,277	124,964,542
Operating Profit	(6,301,509)	2,108,003
EBITDA	16,378,994	28,818,636
Profit Before Tax	(60,901,230)	(68,292,697)
Net Profit (Controlling shares)	(46,336,647)	(48,388,364)
Equity (Controlling shares)	262,464,571	628,126,018
<b>Profitability</b>	<b>2016 (%)</b>	<b>2017 (%)</b>
Gross Profit Margin	13.00	13.00
Operating Margin	(0.80)	0.20
Net Profit Margin	(5.60)	(5.00)
Return on Equity	(17.70)	(7.70)
Operational Expenses/Net Sales	13.80	12.80
Financial Expenses/Net Sales	(6.60)	(7.30)
EBITDA Margin	2.00	3.00
<b>Current Ratios</b>	<b>2016 (%)</b>	<b>2017</b>
Current Ratio	1.85	1.38
Cash Ratio	0.31	0.17
Liquidity Ratio	1.14	0.81
<b>Solvency Ratios</b>	<b>2016 (%)</b>	<b>2017 (%)</b>
Trade Payables/Equity	80.80	47.30
Total Financial Liabilities/Equity	141.10	68.90
(Trade Payables+Total Financial Liabilities)/ Equity	221.80	116.20
Total Liabilities/Total Assets	70.30	56.80
Equity/Total Assets	29.70	43.20
<b>Market Value (TL)</b>	<b>2016</b>	<b>2017</b>
ASUZU	493,142,316	764,400,000

## Shareholding Structure

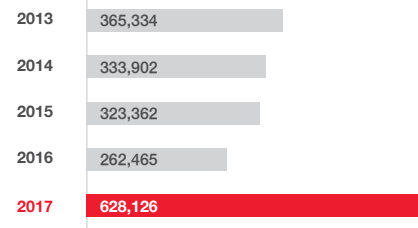
The shareholding structure of Anadolu Isuzu as of 2017 year-end is as follows:

<b>Shareholder's Name</b>	<b>Amount (TL)</b>	<b>Share (%)</b>
Anadolu Group	46,535,401,00	55.40
Isuzu Motors Ltd	14,275,509,00	16.99
Itochu Corporation	10,706,534,00	12.74
Other	12,482,556,00	14.87
Total	84,000,000,00	100.00

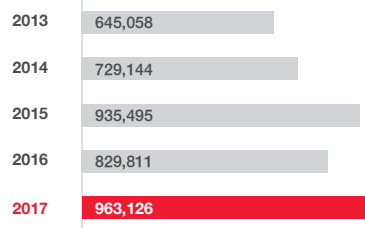
### Total Assets (Thousand TL)



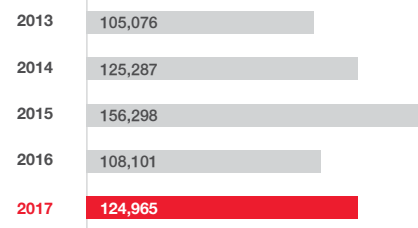
### Equity Capital (Thousand TL)



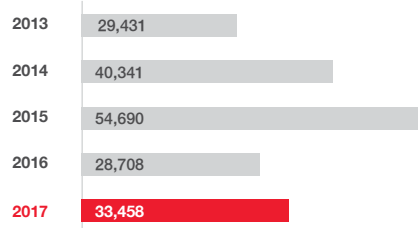
### Net Sales (Thousand TL)



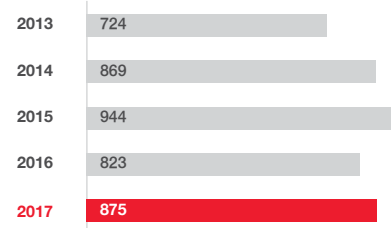
### Gross Profit (Thousand TL)



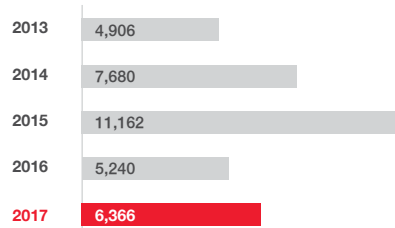
### Investment Expenditures (Thousand TL)



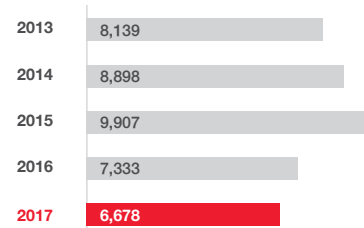
### Number Of Employees (People)



### Number Of Products



### Number Of Sales



# Highlights of 2017

**Anadolu Isuzu's products, services and R&D activities won the acclaim of its stakeholders again in 2017, commanding high positions in independent rankings and winning a clutch of awards.**



**Anadolu Isuzu became the leader from Turkey's automotive sector in terms of patents in the first half of 2017.**

Anadolu Isuzu, which gained the accolade of being the company making the most patent applications in the automotive sector, with 35 applications in the Türkpatent League in the first half of 2017, rose to the 3<sup>rd</sup> rank in all sectors.

## **Anadolu Isuzu's domestic vehicle production quality registered at Japanese standards with IMM (Isuzu Manufacturing Management) Certification**

In 2017, 450 procedures were meticulously scrutinized within the scope of auditing and evaluation activities carried out by the Isuzu Japan team at the Anadolu Isuzu plants. The IMM Certificate existing for the Anadolu Isuzu Truck Plant and D-Max lines has been renewed and the IMM Certificate was received for the bus plant for the first time.

With Anadolu Isuzu's achievement, it became the only plant to hold the IMM certificate outside the Asian continent. The IMM certification also served to confirm the quality of domestic production, beyond confirming that Anadolu Isuzu managed production and quality processes in accordance with determined quality standards.

## **The Pick-up of 2017: The new Isuzu D-Max**

The BBC TopGear Magazine, an indispensable publication for motoring enthusiasts and published in 22 countries all over the world, chose the best cars of 2017. The new Isuzu D-Max was awarded the 2017 Pick-Up Prize as the vehicle to have developed the most in its class.

Considered as the vehicle to have developed the most in its class and started to be sold in Turkey in 2017, the most important development in the new Isuzu D-Max was the engine that provides the same power as its predecessor in a 1.9 liter format. The quieter engine architecture, combined with lower carbon emissions and fuel consumption, were among the key features that helped Isuzu come top of the pick-up segment in the awards.



## **New Isuzu D-Max launched in Trabzon.**

With 19 dealers from 17 cities and around 70 members from the press present, the biggest automotive press launch in recent years took place in Trabzon in November. While the new Isuzu D-Max produces just as much power as its predecessor with its new 1.9 liter diesel engine, 6-gear advanced manual and automatic transmission, it offers lower fuel consumption, a quiet ride and comfortable driving.

In 2017, the D-Max, which was offered for sale with the top V-Cross hardware package, as well as its 4x2 and 4x4 versions with the chassis and equipped features will be produced and sold by Anadolu Isuzu in Turkey in 2018.





**Introducing the public transport vehicles of the future with smart mobility systems**

Anadolu Isuzu introduced its electric public transportation vehicle project with smart mobility systems, which will be developed entirely by Turkish designers and engineers, in its meeting held on 30<sup>th</sup> July, 2017 at the R&D Centre.

The Minister for Forestry and Water Works, Mr. Veysel Eroğlu and mayors from around Turkey participated in the introduction meeting.

**Anadolu Isuzu’s international distributors gathered in Turkey.**

Anadolu Isuzu’s international distributors gathered for the meeting held in Dalaman between 26-28 September 2017. The launch of the Novociti Life took place during the event, which brought together 53 participants from 29 countries. The 2018 strategies were set out with the presentations and meetings held, which served to further raise awareness of the common goals.

**Anadolu Isuzu Authorized Services gathered under the theme of Development for Change.**

Anadolu Isuzu held the 2017 Authorized Services Meeting in Cyprus between 5-7 April 2017.

The main message of the meeting, which attracted a high level of participation, was Development for Change. The meeting included an evaluation of the year 2016, and an examination of the realizations under the 2017 targets.



## Highlights of 2017



### Anadolu Isuzu dealers undertook important vehicle deliveries in 2017.

Anadolu Isuzu, which has the highest number of dealers and widest service network of any brand in Turkey among bus and truck manufacturers, pressed ahead with vehicle deliveries across Turkey throughout 2017.

Anadolu Isuzu delivered different versions of the Novo model (Isuzu Novo Citi and Isuzu Novo Lux), which is the representative of comfortable transportation and produced in Turkey, to their

new owners at ceremonies held in Ankara, Bayburt, Bodrum, Eskişehir, Manisa and Niğde.

#### **9 Novo Lux vehicles, all meeting Euro 6 emission standards, delivered in Eskişehir**

In 2017, Karseç - Anadolu Isuzu's Eskişehir dealer - delivered 9 Novo Lux buses, which represent comfort in transportation and are produced in Turkey, to its customers. The buses meet Euro 6 emissions standards.



# BORN TO WIN

## AWARDED AS THE PICK-UP OF THE YEAR

New Isuzu D-Max V-Cross was chosen  
Pick-Up of the year by BBC Top Gear  
2017's car awards.



  
ANADOLU GROUP

ISUZU  
**D-MAX**

# Message from the President of the Automotive Group

**Despite the geopolitical risks that arose in various regions of the world, the global economy grew thanks to the contribution of the recovery in developed markets.**

Esteemed shareholders, business partners and employees,

Despite the geopolitical risks that arose in various regions of the world, the global economy grew thanks to the contribution of the recovery in developed markets.

The global trade volumes and recovery in industrial production were certainly among the factors contributing to global economic growth, while at the same time consumer and real sector confidence continued to improve.

Developing countries contributed significantly to global economic activity with their growth performances in 2017.

## **Strong growth in Turkey's economy in 2017**

Turkey's economy displayed strong growth in 2017 with a growth rate of 11.1% in the third quarter on a YoY basis, in what was the strongest performance for six years. Private consumption expenditures offered the biggest contribution to growth in the third quarter, at 7 percentage points. In the same process, public consumption expenditures also rose.

In our opinion, Turkey's economy will continue to grow in the coming period; however, its structure which leaves it dependent on foreign investment and financing will continue to form the soft belly of the macroeconomic position.

## **A year of fluctuations in the commercial vehicle business line...**

We have left behind a challenging year all over the world. The political and economic uncertainties that we experienced in the first half of the year began to spread throughout the world in the second half of the year. Our focus for almost the entire year was to manage the volatility in exchange rates and interest rates.

Demand and sales conditions in Turkey's commercial vehicle market also followed a rather stagnant course in 2017. It would appear that the contraction in the tow truck market was offset by growth in market for construction trucks, while the truck and tow truck market, which declined significantly in 2016, also closed the year 2017 at the



## Sales

**6,678** Number of vehicles sold in 2017

## Production

**6,366** Number of vehicles produced in 2017

same levels. On the other hand, there has been a slow recovery in the 6-16 ton truck segment, in which Anadolu Isuzu is by far the market leader. The light truck segment achieved some progress with the support of the regulatory transition and early purchases have caused the segment to perform better than last year. Demand in the midibus and bus market, which was hit hard by the woes facing the tourism sector and declined significantly in 2016, could not bounce back to its earlier strength.

### Dear stakeholders,

I would like to point out here that Anadolu Isuzu has continued its determined progress towards its global vision in the volatile and somewhat surprising market conditions of 2017.

While our strategic moves to strengthen shareholder value continued, exports constituted an important anchor in our healthy growth.

As a result of the international sales and marketing activities we have carried out effectively, we rounded off 2017 by exporting 599 vehicles. With an export volume of EUR 57 million in 2017, Anadolu Isuzu achieved its best international sales figure it has achieved in the last 23 years, breaking its own record. One of the most important factors ensuring this success sustainable and lasting is the power of our after-sales services structure in foreign markets.

**Our market share in the Turkish market stood at 21% in the midi bus segment, followed by 9.7% for the truck segment, 8.8% for pickups, 6% for buses and 4.9% for light trucks.**

Our market share, on the basis of segments in the market in Turkey, stood at 21% for the midi bus segment. This was followed by 9.7% for trucks, 8.8% for pickups, 6% for buses and 4.9% for light trucks.

At the end of 2017, we had produced a total of 6,366 vehicles with total sales of 6,678 units.

Lastly, in 2017, Anadolu Isuzu has successfully balanced its domestic and foreign market activities in parallel with its long-term strategy and achieved a successful performance from an operational standpoint.

### We will continue to post healthy and sustainable growth in 2018 and beyond.

Our company, which won new international tenders in the European and Central Asian markets in 2017, has also appointed distributors in many countries. One of our biggest goals for 2018 and beyond is to carry this success to the future and to improve the operational geographical area of Anadolu Isuzu and become a global player, especially in the bus segment.

The defence industry will be another area we will focus on. The region, which has been the flashpoint of so many geopolitical developments in recent years, has demonstrated that being in possession of our own technology in the defence industry will be our greatest source of power. With this great vision and awareness, we entered cooperation with the Czech Tatra group in the development and production of special logistics trucks for the defence industry by Turkish engineers in Turkey.

I am proud to declare that we are ready for our different and new product projects in every aspect. We are determined to put the name of Anadolu Isuzu under new successes with all our material and non-material capital elements, ranging from our R&D to our production infrastructure and our competent human resources.

# Message from the President of the Automotive Group

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**We are ready for our different and new product projects in every aspect. We are determined to stamp the name of Anadolu Isuzu on new successes with all our material and non-material capital elements extending from R&D to our production infrastructure and to our competent human resources.**

---

Anadolu Isuzu's main goal is to make innovative moves in new regions, enter new business lines and segments and to restructure our after sales services in the segments we traditionally lead in. We also aim to carry our commercial vehicle business to the future with a healthy financial structure by correctly managing our domestic market risks.

### **The place of our industry in Turkey's future**

The automotive sector in Turkey has become one of the star sectors in the recent period with the jobs it has created, the turnover that it has reached and its export volumes.

In the next process in which a new vision of Turkey is on the agenda in terms of economic success, it is not considered that the automotive industry is excluded from this scenario.

In this respect, Anadolu Isuzu is determined to deploy its significant power and competence in generating lasting value for its stakeholders, and to demonstrate its support for the sustainable development of Turkey's economy. The year 2018 will be a year of further strengthening for our company with new breakthroughs and determined operational practices.

Hereby, I would like to thank our employees for their hard work that brought us such success in 2017, and all of our shareholders, our customers and our business partners for the trust they have placed in us, and I present my respects to them all.

I would like to express my wish that 2018 brings the best for our country, our group and our company,

### **Bora Koçak**

The President of the Automotive Group





# Message from the CEO

Dear stakeholders,

**Anadolu Isuzu rounded off the year 2017 with a strong operational performance, and we took decisive and important steps forward in our strategic journey towards new business lines and new regions**

As a respected member of the industry and established manufacturer in Turkey's commercial vehicle sector, Anadolu Isuzu rounded off the year 2017 with a strong operational performance. In the same process, our company resolutely implemented the critical strategic moves that will serve as the basis for its future growth roadmap. Throughout the year, it succeeded in managing the volatile and sometimes challenging conditions in the markets with its strong competence in foresight.

Anadolu Isuzu has reached its targets both in foreign markets and in the domestic market, in spite of all the challenges facing it and the stagnant conditions, and it achieved its sales projections thanks to its effective production marketing approach.

**We monitor fluctuating economic conjuncture and sectoral developments and take them into account in our strategies.**

The year 2017 was a time when global markets, including the Turkish market, were affected significantly by geopolitical risks.

Exchange rate volatility and sticky interest rates have become one of the most important items on the agenda for participants of the business world, especially our industrialists. Risk management has become more important than ever.

Turkey's economy achieved 11.1% growth in the third quarter of the year, its fastest growth rate for six years, once again the tremendous potential that our country offers. This only serves to underpin our positive projections for the future and our expectations for strong growth.

One of the founding pillars of our economy, the automotive sector and the commercial vehicle segment, which is a sub-branch of the automotive sector, achieved an impressive export performance and raised its contribution to the country's economy in 2017, when domestic market conditions followed a more stagnant course.

The economic recovery experienced in European countries, as has been observed in the global economy, enabled demand conditions to develop in favor of the automotive sector. Turkey's exports of vehicles increased by 17% YoY in 2017, with exports of commercial vehicles – which we produce – rising by 4% and exports in the bus sub-segment, where our company is also highly active, rising by 10% YoY.





### **Exports reach EUR 57 million from 599 vehicles – a new record**

I am delighted to note that Anadolu Isuzu broke a new record its exports in its 23 year history in 2017, as we rounded off the year by exporting 599 vehicles, reaching export income of EUR 57 million. By successfully entering markets in new countries in 2017, our company further expanded its geographical reach with the number of countries it exports to exceeding 30.

Another milestone in 2017 was the sale of 88 Isuzu Citiport model buses to Romania's IASI Municipality. The financing of approximately EUR 15 million worth of sales was covered by the European Bank for Reconstruction and Development (EBRD). This sales transaction represents the single biggest export transaction that Anadolu Isuzu has ever undertaken in a single contract in its history.

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**Having broken a 23-year sales record in 2017, Anadolu Isuzu in on course to achieve its ambitious export targets it set for 2018 and beyond with the advanced features of its R&D operation and its production lines, its international distributor collaboration and its effective marketing activities.**

---

Our after-sales services and spare parts structure in international markets has been one of the most important sources of leverage behind our growth, placing sustainability and customer satisfaction at its focus.

Having commanded the leading position in Turkey's midi bus exports for the last 14 years, with the exception of 2015, Anadolu Isuzu will continue to improve its export performance rapidly in the coming period. We will unwaveringly continue our expansion and investments in this area, and strategic international markets will be one of the most important contributors to our targeted growth. The advanced competence of our R&D and production lines, the collaborations with international distributors, which we are focused on developing, and our effective marketing activities will enable us to easily reach our ambitious export targets that we have set for 2018 and beyond.

### **Strong gains, ambitious targets in R&D**

One of Turkey's first registered centers to receive accreditation from the Ministry of Science, Industry and Technology, the Anadolu Isuzu R&D unit continues to achieve new successes with its high-tech equipment and competent team. It also continues to work with a proactive approach on the road that takes us to future goals.

Also in 2017, the steps taken by our R&D unit and the studies that they have carried out have played a significant role in our successes that have brought us great satisfaction as a team.

In the first half of 2017, our company became the leading force from the automotive sector in the Turkish Patent League, with 35 applications submitted to The Turkish Patent and Trademark Office, while managing to achieve 3<sup>rd</sup> position in the General League in Turkey. At the same time, our new bus – the Isuzu Novociti Life - which we will begin mass production of in 2018 and whose design was completely realized at our R&D unit, won the Good Design Award in the Design Turkey competition.

Another move in the field of R&D during 2017 was the establishment of Isuzu Garaj, our in-house entrepreneurship and innovation team. We believe this step marks a highly valuable step in helping us convert the spirit of entrepreneurship and innovation into a culture by spreading it throughout the country.

### **Electric public transportation vehicles show the world of the future.**

In a world of rapid population growth, public transportation has gained tremendous importance and electric vehicles represent an important area of expansion at a time when climate change is extensively under debate and solutions are being sought.

Anadolu Isuzu recognizes the environmental dimension of sustainability as a basic goal in its own production cycle and in the vehicles that it offers its customers, and as such our goal is to develop electric public transportation vehicles with alternative passenger carrying capacity in Turkey with our own engineers and offer them to both domestic and international markets. Our work in this area continues apace.

# Message from the CEO

---

**Our goal of expanding to new geographical regions with our steps that will ensure that we enter new business fields in accordance with our strategic goals requires us to work more closely as a team.**

---

**Our launches point to our future successes.**

The new 1.9-liter D-Max diesel, which we launched in 2017 and which will take our presence in the pick-up segment to a whole new level, was offered for sale with the top hardware package V-Cross in the first stage. Its 4x2 and 4x4 versions with the base and host of features will be produced and sold by Anadolu Isuzu in Turkey in 2018.

With its enhanced hardware and comfort, the new Isuzu D-Max offers retail customers and SMEs a very attractive alternative. It is poised to stand out in the market, especially with its tax advantage.

Our New Isuzu NovoCiti Life bus, which we will offer to the Turkish market in 2018, made its European debut at the Busworld Fair held in Belgium in October 2017. Our vehicle received considerable attention from the European press following its unveiling. The high level of interest from potential customers showed us that the new bus was the right product and would meet market expectations.

**The defence industry - a new business line offering great potential**

One of the most important steps we at Anadolu Isuzu took for the future in 2017 was to set out our initiatives in the defence industry, enabling us to demonstrate our vision of producing original vehicles with high level of domestically produced components and which are targeted at the defence industry. This would be done with our competence, engineering capabilities and production capacities, in line with geopolitical requirements and Turkey's growth vision.

In parallel with this vision, we took a decision to enter collaboration with the Czech Tatra Group for the development and production of special logistics trucks for the defence industry, ranging from 8x8 to 20x20, by our engineers in Turkey.

Anadolu Isuzu will offer superior quality and widespread services for the vehicles it will produce through this collaboration, through after-sales network across Turkey.

On the other hand, within the scope of our work for the defence industry, our first armored D-Max vehicles, produced in our Special Projects Workshop, were delivered to great acclaim. This result has encouraged Anadolu Isuzu to throw its hat in the ring for larger projects.

**IMM (Isuzu Manufacturing Management) certification – “Global leading company” in the Isuzu universe**

In 2017, Anadolu Isuzu completed the IMM certification process, which aims to provide global quality assurance and vehicle production based on quality control and a uniform workmanship at a global scale with the Isuzu brand

We continued the IMM quality certification for the truck and pick-up sections of our facility. We are proud to be the only Isuzu facility that has this standard outside the Asian continent, also obtaining this certificate for the bus production line.

**Investing in people stands as one of our key priorities**

Our human resource is our most important asset. We owe the righteous reputation and stable position we have built in our sector to our employees, who work with such heartfelt devotion to Anatolia Isuzu.

While focusing on the future, we are determined to develop our human resources and continuously improve our competence. We redouble our efforts and investments in this vein with each passing day and we move forward with the projects which we believe will be included in the literature as the best practices in our sector.

## IFR ratio

---

**80%** In 2017, our IFR ratio was 80% lower than in 2015.

---

Another issue we attach great importance to in human resource management is occupational health and safety. We aim to achieve a working environment where human value and safety are kept at the highest level in all production lines and facilities at Anadolu Isuzu.

Our company, which aims to create safe working areas, attained a significant improvement in its IFR-Injury Frequency Rate this year. In 2017, our IFR ratio was 80% lower than in 2015, and remained below the sector average.

A zero rate of work accidents and total eradication of occupational illness stand as the most important targets for Anadolu Isuzu. We believe we will turn this goal into reality by working hand in hand with our human resources, who we know to have a high level of awareness in this area.

### **We carry Anadolu Isuzu with solid steps to new business lines and new geographical areas.**

We are ready to undertake new successes with the strength we have gained from the right steps we have taken within the scope of our strategic roadmap, our tradition of investing in future and business development, our employees, our customers and business partners, and by developing the brand value of Anadolu Isuzu.

In addition to our actions taken to ensure that we enter new business fields in accordance with our strategic goals, our goal of reaching new geographical areas abroad also requires us to work more closely as a team.

The devotion of our human resources, which we believe lies at the heart of our success, furnishes with strength in our growth story. It gives us the support to implement our superstructure and infrastructure investments, which we believe will further develop our customer satisfaction-oriented service approach.

I would like to extend my gratitude to our customers, who have accompanied us on this journey, our employees, who are the most important contributing force behind our successful results, our investors, who always trust us, and our shareholders, whose support is unwavering.

Yours respectfully

**Tuğrul Arıkan**  
CEO



# Anadolu Isuzu from Past to Present

## Foundation

# 1965

**Anadolu Isuzu's foundation was laid.**

### » 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 the 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.).

### » 1989

Municipality type vehicle production has started

### » 1991

NKR-WIDE light truck production has started

### » 1994

Export operations have started.

## Agreement

# 1983

**Signature of technical assistance agreement with Isuzu**

### » 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.



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**Anadolu Isuzu adds value to the Turkish economy and creates strong added value for its stakeholders since 1965.**

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**Export**

**1994**

**Anadolu Isuzu began export operations.**

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**EU**

**2003**

**Bus export to European Union began.**

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**Export**

**2002**

**NQR 3 axle truck production has started.**

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**» 2005**

2,000<sup>th</sup> TURKUAZ 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

**» 2000**

TURKUAZ bus production has started.

**» 2006**

The production of new-looking TURKUAZ has started. NPR, NQR, NQR 3D's new face and engines were renewed. ROYBUS, CLASSIC and URBAN's face and engines were renewed.

**» 2002**

NQR 3 axle truck production has started.

**» 2007**

Euro 4 engine started to be used on TURKUAZ 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.

**» 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.



## 25<sup>th</sup> anniversary

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### 2009

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

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#### » 2008

The Memorandum, which confirms the intention to develop the cooperation between Isuzu Motors and Anadolu Isuzu, was signed in Japan. The production of first 9 meter bus model Citimark was initiated. IMM (Isuzu Manufacturing Management), globally shared manufacturing system of Isuzu, started to be implemented in AIOS truck factory.

#### » 2009

25<sup>th</sup> anniversary of vehicle production in Turkey with Isuzu was celebrated. NOVO, NOVO LUX and NOVO ULTRA, our new buses in the Euro 4 emission class, were introduced. NLR, NLR LONG, NNR, NNR LONG, NPR, NPR LONG and NPR HP, our N-Series vehicles in the Euro 4 class, were introduced. Anadolu Isuzu has gained the right to be the R&D Center.

## Local production pick-up

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### 2014

**The first domestic D-Max model pick-up was manufactured.**

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#### » 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.

#### » 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 CITIPOINT was launched.

#### » 2015

Passing to upper segment in truck class by launching new model TORA with the capacity of 15.7 tons. The CITIPOINT was chosen as Europe's most ergonomic and comfortable vehicle.

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

To New Regions, to New Business Lines...

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## 2017

- » Anadolu Isuzu lodged the highest number of patent applications of any company in Turkey in the first half of the year.
- » Numerous launches were completed during the year including the introduction of a public transportation vehicle and smart mobility system, as well as the New Isuzu D-Max.
- » The IMM Certification has been updated to cover all production at Anadolu Isuzu.
- » BBC Top Gear awarded D-Max with the Pick Up of the Year award.



# Our Shareholders/Global Union of Forces

The Anadolu Group, the shining bridge that connects Anatolia to the world and the world to Anatolia

**The main objective of the Anadolu Group is to carry its reputation to future generations by providing the best services and products to the countries it operates in, as well as all of the people in the world.**

The foundations of the Anadolu Group were laid in 1950 by the Honorary Presidents, Mr. Kamil Yazıcı and Mr. İzzet Özilhan. The Anadolu Group carries out operations in both the national and international arena with its vision of becoming a shining bridge that connects Anatolia with the world and the world with Anatolia.

As of the end of 2017, the Anadolu Group included 80 companies in 19 countries, 59 production facilities and more than 50,000 employees. Six of the Group's companies are traded on the BIST. The Group holds the title of having the highest number of women executives in Turkey working at the same time.

Anadolu Group, which has opened itself to the world in line with its mission of being a multinational, entrepreneurial group, has established partnerships with some of the world's leading brands. The Group produces surplus value in the areas it operates in through synergistic cooperation that it has developed with multinational companies.





**The Anadolu Group operates in a wide range of business lines with its brands that command a high reputation on a global scale.**

- » Beverage Sector - Anadolu Efes (Anadolu Efes and Coca Cola Beverage)
- » Retail Sector - Migros and Anadolu Restaurant Operations
- » Automotive Sector - Anadolu Isuzu, Çelik Motor and Anadolu Motor
- » Stationery Sector - Adel Kalemcilik
- » Agriculture Sector - Anadolu Etap
- » Energy Sector - Anadolu Caucasus Energy Investments, Aslancık Electricity Generation, AES Electric Energy Wholesale
- » Real Estate Sector - AND Real Estate
- » Other Operation Areas - AEH Insurance Agency and Efestur

**Common social responsibility work**

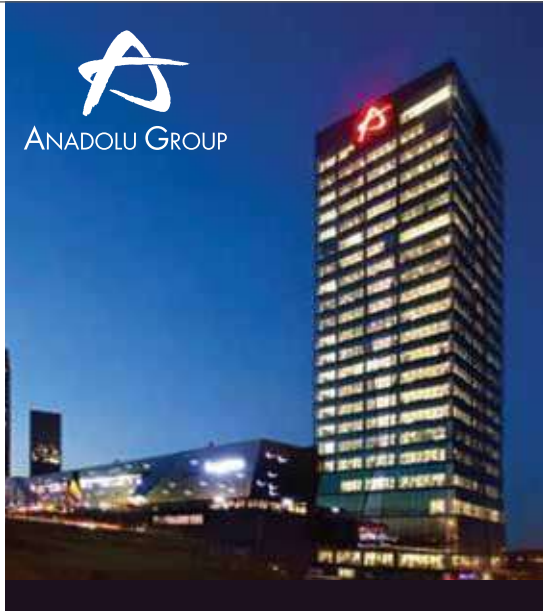
The Anadolu Group continues its social responsibility activities through the Anadolu Foundation, the Anadolu Health Centre and the Anadolu Efes Sports Club in order to contribute to the society in the fields of education, health and sport.

The Anadolu Group has adopted the principle values of trust, transparency, loyalty, sensitivity to society and the environment, adopting a people-centric approach and placing priority on knowledge in all its units.

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

**The Anadolu Group operates in cooperation with the world's biggest brands**

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



**The Anadolu Group carries out activities focused on the fields of energy, agriculture, real estate and health care in addition to the beverages, automotive and retail sectors with its brands which command a global reputation.**



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## Isuzu Motors Limited: A Global Leader in the field of Commercial Vehicles and Diesel Engines

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### **Isuzu Motors Ltd. began operations in 1916**

Isuzu Motors Ltd, a proud representative of Japanese culture carrying forth important virtues such as discipline, harmony, loyalty and business ethics, takes its name from the Isuzu River near the Ise Shrine of Mie, which is Japan's oldest temple.

Isuzu Motors Ltd. is one of the leading commercial manufacturers of vehicles and diesel engines in Japan and the world. Isuzu products, which are sold to more than 130 countries worldwide, are market leaders in at least one product category in 23 different countries.

### **Isuzu Motors Ltd is an R&D and customer focused company.**

Isuzu Motors Ltd., whose main philosophy 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, produced Japan's first air-cooled diesel engine 100 years ago. It has always set itself apart with its pioneering, innovative structure that is highly pro-active.

The company, which places R&D at the heart of its growth strategy, has concentrated its efforts on diesel engines for more than 70 years. During its history, Isuzu Motors Ltd. has offered many technological innovations in the field of diesel engines to the global sector and for the service of its customers.

Having produced more than 26 million diesel engines to date, Isuzu Motors has a worldwide production capacity of more than 1 million diesel engines per year.

Boasting a wide range of products, the company produces various products ranging from the 1,000 cc power unit to the 24 liter heavy duty machines and marine engines.

Isuzu Motors, which is one of the world's largest producers of diesel engines with 3 European producers, is also making a name for itself as a pioneer in environmentally friendly diesel technology research.

For detailed information about Isuzu Motors Ltd., please visit [www.isuzu.co.jp/world](http://www.isuzu.co.jp/world).



## The Itochu Corporation: A Global Giant whose roots go back to 1858

### Good for the seller, the buyer and the community

In 1858, it was founded by Chubei Itoh, the famous merchant who traded linen. Adopting the sampo yoshi management philosophy that aims to be good for the seller, the buyer and the society, Mr. Itoh's business culture has evolved over 150 years and today stands as the ITOCHU-style sustainability.

The Itochu Corporation is a global group that now employs more than 100,000 people in over 120 different locations in 63 countries. The company has investments in a variety of sectors such as textiles, metals, machinery, energy, chemicals, mining, forest products, information technologies and finance.



The Itochu Corporation, which has more than 200 subsidiaries and over 100 associates, serves with its branch in Istanbul in addition to its Ankara office, which entered operation in 1963.

### A solution partner undertaking duties in major projects in Turkey

Providing support as a solution partner to mega projects around the world, the Itochu Corporation is specialized in creating financial resources. Contributing to the progress of developing countries, the Company has played a role in implementation of mega projects in Turkey such as the Golden Horn (Haliç) Bridge, the Fatih Sultan Mehmet Bridge and the Bursa Thermal Power Plant.

The Itochu Corporation reinforces its presence with experience going back a century and a half, its international perspective and strength. The company undertakes infrastructure projects in developing countries under its mission of respecting the individual, the society and the future with the commitment of global benefit. It undertakes important tasks in the continuous development of societies and individuals through social responsibility projects.

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

# Anadolu Isuzu's Product Portfolio

Anadolu Isuzu offers its customers comfort and driving pleasure through its product range, which combines strength and a high value proposition.

## Versatile D-Max

### D-MAX

#### Pick-up

The D-Max, which is offered with the motto of "its self-confidence is in its DNA", is a vehicle that distinguishes itself with its high acceleration capability and a pulling capacity of 3.5 tons in the 4x4 models. The D-Max, a versatile vehicle, is a strong business partner that offers added value to SMEs and tradesmen. The D-Max is also a superior vehicle offering comfort and driving pleasure, and is also popular with individual users.

The D-Max sets itself apart with its powerful engine, robustness, aesthetic appearance, the D-VISION technology package, comfort and array of functions, while being widely liked with its design.



## A Wide Product Range

### THE TRUCK

#### Group

The Anadolu Isuzu truck group offers a wide range of products which are shaped by the needs and expectations of its customers and composed of different features. Anadolu Isuzu's trucks, which stand out with the extensive after-sales network and the affordable cost of their spare parts, have gained wide acclaim and popularity from customers thanks to these advantages.

- » **NPR**
- » **NPR Long**
- » **NPR10**
- » **NPR10 Long**
- » **NPR10 XLong**
- » **NPR3D**
- » **Tora**
- » **Tora Long**





# THE LIGHT TRUCK

## Group

The Anadolu Isuzu light truck group, which provides efficiency in transportation and comfort in use for customers from all segments, is composed of four models, attracting wide customer acclaim.

- » **N-Wide**
- » **N-Wide Long**
- » **NLR**
- » **NLR Long**

## Efficiency and Profitability

# THE MIDIBUS-BUS

## Group

Anadolu Isuzu buses provide solutions for the needs of public transportation services and tourism and personnel transportation sectors.

Isuzu buses are designed to provide an efficient and profitable business model for bus operators, and comfortable and safe travel for vehicle personnel and their passengers.

- » **Citiport**
- » **Citibus**
- » **Visigo**
- » **Visigo Interurban**



Anadolu Isuzu's midi buses, which are developed for personnel carriage, school transport, tourism transportation and mass transportation, aim to provide economical solutions for their users with technical and hardware features that respond to different sectoral needs.

- » **Turkuaz**
- » **Novo Lux**
- » **Novo S**
- » **NovoCiti**
- » **Novociti Life**

# The Truck Group

**The Anadolu Isuzu truck group offers an array of important features, from comfort, capacity and efficiency in transportation to durability and safety.**

Anadolu Isuzu has a wide product range that is shaped by customer demands and expectations, and consists of a number of different features. Anadolu Isuzu's trucks, which stand out with their particularly extensive after-sales network and the affordable cost of its spare parts, have gained wide acclaim from customers.

The Anadolu Isuzu truck group is made up of the TORA, TORA LONG, NPR, NPR LONG, NPR10, NPR10 LONG, NPR10 XLONG and NPR3D models which offer a great number of important features including comfort, capacity and efficiency in transportation, along with durability and safety. At least one of three trucks in the segment (6-16 ton) is an Isuzu.



85% of the vehicles sold by Anadolu Isuzu are still on the road (according to figures published by the Turkish Statistical Institute at the end of 2016). ISUZU continues to be the leading brand in the highest number of provinces in its segment.

The Anadolu Isuzu trucks and their features, which provide added value to the companies at an increasing rate in terms of transportation expenditures, are summarized below.

## **TORA**

Equipped with the Isuzu engine, which is the most produced and longest-lasting diesel engine in the world, the TORA is supported by an engine that boosts power and torque, a turbocharger and an intercooler. The 210 PS engine is extremely quiet and fuel efficient. The TORA comes with an environmentally friendly self-cleaning filter.

The TORA with sleeping accommodation, eagerly awaited by customers, will be rolled out in the second half of the year.

## **The Features of the Tora Trucks**

- » It has a maximum load of 15,700 kg, thus able to take 15 Europalets with a net carrying capacity of 11,187 kg.
- » It is equipped with important safety systems such as ABS (Anti-Lock Braking System), ASR (Traction Control System), ESC (Electronic Stability Control), EBL (Electronic Brakeforce Limitation System) and LDWS (Lane Departure Warning System) against accident risk.
- » There is also an air parking brake system with an effective emergency spring on the rear brakes of the vehicle.

## **The NPR Truck Models**

### **NPR**

With a useful chassis length of 4.2 m and maximum load of 7.5 tons, the NPR responds to the needs of its drivers with a new generation Isuzu engine with high fuel economy despite its high performance. With 150 PS of power and a torque of 375 Nm, the Isuzu engine stands out with its low fuel consumption.

### **NPR LONG**

The model, previously known as the NPR8 LONG, was replaced with the NPR LONG in 2016. With a useful chassis length of 4.9 m, the NPR LONG is an ideal vehicle for those seeking volume and performance in the city with high maneuvering ability. With a simple and renewed external design that is modern and has been renewed, the vehicle provides a combination of driving comfort and a comfortable range of motion with a wide viewing angle and interior volume.



**TORA**  
THE TIGER OF  
COMMERCE

The Anadolu Isuzu truck group offers many important features from comfort, capacity and efficiency in transportation to durability and safety.

# ISUZU THE EURO 6 TRUCK OFFERS ALL THE FEATURES THAT WORK FOR YOU





# The Truck Group

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**The Isuzu trucks provide companies with a significant gain with optimal transportation costs.**

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## **NPR10**

The NPR 10 truck leaves the user in no doubt of its performance with its 190 PS engine and torque of 510 Nm. The NPR 10 is popular for those seeking the best in city transportation with a maximum load weight of 9,800 kg and air braking system. The vehicle has won the acclaim of its users with its high-end features, such as the fully air front back disc braking system, high carrying capacity and superior maneuvering ability.

## **NPR10 LONG**

Attracting experienced drivers and customers, the NPR 10 LONG is a preferred vehicle for intra-city and near intercity distances. It brings gains to the customer with full air braking system, low operating cost advantage, lower fuel consumption, reduced maintenance requirement, greater carrying capacity and transferring of load area, in addition to its dynamic and flexible structure, and it is much sought after by the public and private sectors.

## **NPR10 XLONG**

The NPR 10 XLONG is used in a wide range of sectors including food, construction and transportation, as well as in municipal services. The vehicle provides significant gains in terms of income and time with the ergonomic cabin that breathes Isuzu quality and safety, its strong chassis that can accommodate a frame of up to 6.3 m, full air disc braking system and superior maneuvering ability.

## **NPR3D**

The NPR3D provides its worth with the load that it carries based on its class and its economical operation and stands out with its characteristics. Providing the user with flexibility thanks to its cups and dimensions, which allow it to pass through narrow streets, the key features of the NPR3D are listed below.

High carrying capacity thanks to its third axle, maximum loaded weight of 12,500 kg, 190 PS power engine and 510 Nm torque, fully aired, dual circuit disc brake system, Electronic Brakeforce Limitation System that brake system adjusting pressure according to load, automatic brake lining adjustment and safety systems such as ABS, ASR, ESC and fuel saving and high carrying capacity.



**The NPR3D provides its worth with the load that it carries based on its class and its economical operation and stands out with its characteristics.**

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# The Light Truck Group

**Anadolu Isuzu's light trucks offer convenience to customers from all segments, with efficiency in transportation and comfort in use.**

Anadolu Isuzu's light trucks offer convenience to customers from all segments, especially SMEs, with efficiency in transportation and comfort in use.

The light trucks produced by Anadolu Isuzu respond to the volume requirements of individual and fleet users, as well as offering agile construction.

With a market share of over 30% in the 3.5 ton rear double-wheel chassis light truck segment, Anadolu Isuzu is one of Turkey's major producers.



With the transition to Euro 6b emission standards for light trucks in Turkey in 2018, Isuzu light trucks offer a number of novelties including the Isuzu engine, with its higher torque and power, the increased carriage capacity, low fuel consumption, automatic clutch setting and an exhaust system that does not require additional fuel (AdBlue).

## **N-WIDE**

The N-WIDE, which provides ease of use thanks to its wider and deeper interior and the special importance given to driver comfort with its advanced suspension system, stands out with a number of features including its 3.5 m useful chassis length, the new generation Isuzu engine with 120 PS and 300 Nm of torque and is able to pass over the Fatih Sultan Mehmet Bridge.

## **N-WIDE LONG**

In addition to requiring less maintenance, the N-WIDE LONG offers the user the advantage of affordable spare parts and fuel economy. The N-WIDE LONG offers a solution for those requiring large volumes with its useful chassis length of 4.3 m.

## **NLR**

As well as a special design enabling parking in narrow streets and small spaces, the NLR also offers the user convenience during loading and unloading. Thanks to its short wheelbase, it is able to pass over the Fatih Sultan Mehmet Bridge, providing a great financial advantage to the user, as well as a significant time advantage.

In addition, the vehicle provides unique maneuverability in its class thanks to its 3 meter useful chassis length and durable chassis construction, performance and flexibility.

With its superior climbing capability reaching 49%, the NLR reduces the ramp effect to a minimum thanks to the advantage provided with the 120 PS power and 300 Nm of torque.

## **NLR LONG**

The NLR LONG commands a lofty position with its world class technology. The vehicle is equipped with a Commonrail 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, meeting the volume requirements of both individual and fleet users.

# N-WIDE STRONG AND BOLD



# D-MAX

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## The D-Max advantage in the pick-up segment Comfortable driving for all needs with maximum safety

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### #its self-confidence is in its DNA

The new D-Max V-Cross 4x4 A/T offers the MTV advantage and low fuel consumption with a 1.9-liter engine.

The Turkey R&D team was involved in the development process of the sporty New D-Max. It distinguishes itself with new design and superior hardware features. The vehicle offers extra added value with its durable, robust and dynamic structure, superior safety systems and land performance, low maintenance costs and extensive service network.

Offered to the Turkish market in 2004, domestic production of the D-Max got underway in 2014 and a total of 32,115 vehicles were sold by the end of 2017.

The majority of new D-Max models are produced in Turkey and only the latest high-end models are imported. Anadolu Isuzu has a production capacity of 3,450 D-Max vehicles per year in single shift production.

### Carriage and Traction Capacities of the D-Max

The Isuzu D-Max has a carriage capacity ranging from 981 to 1,371 kg depending on the model of the vehicle. Traction capacities reach 2,500 kg in the 4x2 models and 3,500 kg in the 4x4 models.

### Versatile D-Max

The D-Max, a versatile vehicle, is a powerful business partner that offers tremendous convenience for both SMEs and tradesmen. It also addresses individual customers and is a good choice for personal users.

The sporty D-Max design was designed by bringing aesthetics, comfort and functionality together with the LED daytime running lights, standard accessories and the 18" alloy wheel rims.

### With its equipment and technical features, the D-Max offers comfortable driving for all conditions with maximum safety

Providing 164 ps/360 Nm/2000-2500 rpm straight torque, the 1.9-liter D-Max's engine is not only powerful, but also long-lasting and economical. With all controls on the steering wheel, the vehicle is also attractive with its new LED daytime running lights, heated front seats, electric driver's seat, keyless entry and operation, hill holder, hill descent control, cruise control, climate controlled air conditioning and foldable electric side mirrors, as well as its 18" alloy wheel rims.

In the advanced models of the D-Max, the 8" D-VISION Multimedia System with Navigation has a "D-VISION" Android operating system which can be used with all smart phones, while a reverse view camera comes as standard.

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

### Superior engineering features

Anadolu Isuzu has introduced the "shift-on-the-fly" system to the market with the D-Max, which allows the driver to switch to 4x4 driving at the push of a button during driving, instead of an off-road gear, a feature that sets the car apart. Constantly improving on its engineering superiority, the D-Max produces as much power as its predecessor with its new 1.9-liter diesel engine and 6-speed forward manual and automatic transmission, while offering lower fuel consumption, a quiet interior and comfortable driving.



**The new D-Max V-Cross 4x4 A/T offers the MTV advantage and low fuel consumption with a 1.9-liter engine.**

**#ITS SELF-CONFIDENCE  
IS IN ITS DNA**



# NOVO S ECONOMICAL AND VERSATILE



# Midibuses and Buses

**With more economical comfort, the VISIGO offers solutions to meet the needs of personnel transportation rather than tourism.**

## **NOVO S**

Designed with seat capacities of 27 or 29, with particular consideration of the needs of personnel and school transportation, the NOVO S is a midibus with low fuel consumption and low operating costs. Thanks to its durable engine and high level of passenger comfort when compared to minibuses, it has become one of the most popular transportation solutions in the personnel sector.

## **NOVO LUX**

The NOVO LUX, which shares the same platform as NOVO S, but offers a higher level of comfort than the NOVO S with its interior design and equipment that it offers as standard, addresses personnel and tourism transportation needs with a more comfortable travel experience. Thanks to the level of hardware, it is suitable for versatile usage and can be used in both the personnel and tourism sectors

## **TURKUAZ**

With a passenger capacity of 31 and 33 passengers, the TURKUAZ - which is one class bigger than the NOVO class midibuses - has been accepted as the ideal midibus for the tourism sector. With its external appearance, interior design, luggage capacity and standard equipment, the TURKUAZ offers a high level of comfort for both its users and its passengers, and it is known as the flagship of the midibuses used in the tourism transportation segment.



## **VISIGO**

With a length of 9.5 meters, Anatolia Isuzu's only touristic bus, the VISIGO, has gained great popularity both at home and abroad with its aesthetic interior/exterior design and a level of comfort which is above its class. With a passenger capacity of 35 or 39 seats, it offers an ideal solution for small tour groups looking for luxury travel.

## **VISIGO INTERURBAN**

The VISIGO INTERURBAN, which shares the same platform as the VISIGO, offers solutions to meet the needs of the personnel sector rather than tourism, with its different interior design and more economical level of comfort. The VISIGO INTERURBAN, which is in a Class 2 bus, also offers the possibility of carrying standing passengers. The VISIGO INTERURBAN provides access to disabled passengers through its unique middle door design and wheelchair lift option.



**Able to carry standing passengers, the VISIGO INTERURBAN offers disabled access through its unique middle door design and wheelchair lift option.**

The CITIBUS, Anadolu Isuzu's alternative solution for the public transportation sector, enjoys high popularity in more sparsely populated areas where larger coach investments are not needed, and on intermediate lines.



### **CITIPORT**

The 12-meter coach, the CITIPORT is the largest bus produced by Anadolu Isuzu. It offers unique solutions for the needs of municipal and private public bus carriers serving the public transportation sector.

The CITIPORT, which won the “most ergonomic and comfortable vehicle in Europe” award in the Busworld Kortrijk 2015 International bus trade fair in Belgium, stands apart from its peers with its aesthetic exterior design and spacious interior layout.

### **CITIBUS**

Another solution that Anadolu Isuzu offers the public transportation sector is the 9.5 meter CITIBUS coach. With its attractive price, economical fuel consumption and low operating costs with a durable top and bottom structure, it is popular in more sparsely populated areas where a 12 meter bus investment is not needed, and on intermediate lines.

### **NOVOCITI**

With a length of 7.5 m, the NOVOCITI addresses the needs of low-population towns and historical metropolises with narrow streets through its superior maneuverability, low investment and operating costs and economic fuel consumption in urban transportation. The NOVOCITI is also the first example in its class to offer a disabled ramp. The NOVOCITI, the best-selling model in its segment, has also enjoyed similar success in international markets.

### **NOVOCITI LIFE**

The NOVOCITI LIFE was created as a new look for the current NOVOCITI model to respond to changing living conditions in the city and the emerging new needs. While keeping the features of the previous model such as maneuverability, a low operating cost and fuel economy, it now removes all obstacles in city driving with the low-floor it offers thanks to its rear-engine monocoque body. Thanks to its design, that surmounts all of the steps that need to be overcome, the new car has brought new ease to city transportation for the walking disabled and elderly passengers.



# ERGONOMIC AND COMFORTABLE



# The Economy in Turkey and the World

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**Following the slowdown in 2016, global economic growth gained pace in 2017.**

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Political developments in the United States, elections in European countries, the process of Britain's break-up from the European Union (Brexit), the independence referendum in the Catalonian Region of Spain were the issues which took center-stage on the global economy's agenda in 2017.

In a conjuncture marked by the continuation of the low-interest rate environment, it was increased investment spending on a global scale, trade volume and industrial production, as well as an improvement in consumer and real sector confidence that contributed to the recovery in the world economy.

While there was a clear gaining of growth momentum in developed countries in 2017, the growth performance of developing countries also supported global economic activity. As a result of these developments, the world economy at last demonstrated a broad-based recovery.

The US Federal Reserve (Fed) raised interest rates by a quarter of a percentage point on three separate occasions in 2017, and moved ahead with its balance sheet downsizing process.

The European Central Bank (ECB), a relative latecomer to implementing a loose monetary policy, reached the decision to scale back its asset purchasing program in the January and October 2017 meetings. The steady development of economic activity has increased the ECB's room for maneuver.

The increase in oil prices continued in 2017. The positive growth performance in global economic activity played a significant part in driving oil prices to over USD 60/barrel, while other commodity prices also continued their recovery tendency.

## **Expectations for the future**

The recovery in global economic activity and growth is expected to continue in 2018. The normalization steps in monetary policy to be taken by the Fed and the ECB are anticipated to continue gradually, not exerting pressure on economic activity.

International investors, seeking high returns, are expected to maintain their interest in developing countries. On the other hand, the threat of a resurgence in geopolitical tensions, especially in the Middle East, stands out as a risk factor that should not be ignored.

## **Growth**

# 11.1%

**The rate of growth in the Turkish economy in the third quarter in 2017.**

## **A strong growth performance in Turkey**

A combination of the loans disbursed through banks under the Credit Guarantee Fund (CGF), tax cuts in sectors such as white goods and furniture, a relaxation in the macro-prudential measures taken for the banking sector and the employment package all played their part in helping Turkey achieve a strong growth performance.

The 11.1% YoY rate of growth achieved in the third quarter of the year exceeded expectations, reflecting the positive contribution of the base effect and a strengthening in domestic demand as well as the increasing contribution from investments. Turkey's economy is estimated to have rounded off 2017 with a growth rate of over 6%.

Imports recorded rapid growth in 2017 on the back of the rise in energy prices, the course of gold trade and strong domestic demand. The recovery in economic activity seen in Europe, on the other hand, supported Turkey's export performance. Exports increased by 10.2% YoY and imports increased by 17.7% YoY in 2017.

Inflation remained an area of weakness in 2017. Higher energy costs, volatility in food prices, a revival in domestic demand and the fall in the value of the Turkish Lira against the foreign currency basket all played an important role in the high levels of inflation. The Consumer Price Index (CPI) reached its highest level since February 2004, to come in at 11.92% YoY, ending the year in double digits. The deterioration in core inflation indicators, which are closely monitored by the Central Bank of the Republic of Turkey (CBRT), also continued.

In Syria and the Middle East, a calming of the environment of chaos and the easing in geopolitical and political risks will be priority agenda items for Turkey in the coming period. To achieve sustainable growth, it is imperative that there is no loss of momentum in private sector investment or the growth in industrial production, such that the growth composition evolves into a more investment and export-oriented structure.

# Overview of the Sector

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**A total of 1,333,000 vehicles, constituting 80% of total production, were exported in 2017, including 921,000 cars.\***

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## Increase

**3%** In 2017, the production of commercial vehicles (cargo and passengers) increased by 3%.

The year 2017, when markets were affected by exchange rate volatility and fluctuations in interest rates, was an activity period that had to be managed carefully, and that was full of motivations for the commercial vehicle sector.

### **Demand treads water in the domestic market in 2017.**

In 2017, unlike the motor vehicle segment, there was no increase in demand in the commercial vehicles segment.

The truck and towing vehicle markets, which declined by 44% in 2016, ended 2017 with quantities similar to those seen in the previous year. The contraction in the towing vehicle market was offset by the growth in demand for construction trucks. Although the recovery in the 6t-16t truck segment has been slow, it has been started to be apparent.

We expect the truck segment to close at a level above its previous year's standing, due to early purchases precipitated by the transition to the Euro-6 regulation.

Demand in the Midibus and Bus market, which has been affected by the negative look in the tourism sector that contracted in 2016, could not return to its previous higher levels.

### **Total production in the automotive sector rises by 13% YoY in 2017**

Total production in the automotive sector increased by 13% YoY, while production of motor vehicles increased by 18% YoY.

In this period, total vehicle production in the sector stood at 1,674,000 vehicles and production of motor vehicles reached 1,121,000 cars.

The total automotive market contracted by 3% YoY in 2017 to 980,000 vehicles.

## Increase

**13%** Total production of the automotive sector increased by 13% in 2017.

### **3% YoY increase in production in commercial vehicle segment**

The light commercial vehicle group recorded a 2% YoY increase while the heavy commercial vehicle group recorded a 23% increase in production - this high growth in the heavy commercial vehicles segment being driven by base effects, with production still 32% down on its 2015 level.

The commercial vehicles and light commercial vehicles market expanded by 3% compared to its 2016 level, whereas the heavy commercial vehicles market remained largely unchanged.

The heavy commercial vehicle group extended its contraction to as much as 44% over the last 2 years.

### **3% increase in the commercial vehicle production**

In 2017, the production of commercial vehicles carrying cargo and passengers increased by 3%, while production by product group recorded the following increases.

- » K. 62% in trucks
- » B. 31% in trucks
- » 24% in minibuses
- » 12% in Midibuses and
- » 1% in Buses
- » Production of light trucks remained at the same level.

### **Automotive sector remains Turkey's biggest exporter**

According to data released by the Turkey Exporters Assembly, the automotive industry maintained its position as Turkey's largest exporter among all sectors in the export ranking, with a share of 18.2% in total exports.

A total of 1,333,000 vehicles - 80% of all the vehicles produced in Turkey - including 921,000 cars, were exported in 2017. Exports of commercial vehicles increased by 4% YoY in 2017.

\*Source: The Automotive Manufacturers Association, 2017 December



**Anadolu Isuzu continued its progress towards its global vision in 2017.**



# Evaluation of Activities in 2017

**Anadolu Isuzu's total turnover reached TL 963.1 million in 2017.**

Despite the volatility in global and national economic conditions and the relatively sluggish situation in the automotive sector in 2017, Anadolu Isuzu maintained strong financial stability and achieved a healthy operational performance.

At the same time, the company followed financial strategies aimed at stabilizing the impact of volatility in exchange rates and interest rates throughout the year, and continued to take measures to strengthen shareholder value with a risk-focused approach.

Anadolu Isuzu's total turnover rose to TL 963.1 million in 2017. As of the end of 2017, Anadolu Isuzu once again maintained its leading position in the 6t-16t truck segment in 2017 by a clear margin, while achieving progress during the year with the support of the regulatory transition; early purchases paved the way for a better performance in the segment, when compared to the previous year.

## Market share

midibus	truck	pick-up	bus	light truck
<b>21%</b>	<b>9.7%</b>	<b>8.8%</b>	<b>6%</b>	<b>4.9%</b>

Demand in the midibus and bus market, which was directly affected by the contraction in the tourism sector in 2016 and had recorded a steep decline, did not return to its earlier strong levels in 2017. Total production stood at 6,366 vehicles in 2017, while its total sales in this segment reached 6,678 vehicles.



**The Company produced a total of 6,366 vehicles in the midibus and bus segment, with total sales of 6,678 vehicles.**



# Export Activities in 2017

**As part of its recently adopted strategy of penetrating new regions, Anadolu Isuzu increased its activity in the Eastern European and Asian markets in 2017 while Anadolu Isuzu also entered new markets in Africa.**

Anadolu Isuzu broke a 23-year export record in 2017 as a result of its international sales and marketing activities that it carries out effectively, participating in Euro Tour and numerous fairs. Anadolu Isuzu closed the year 2017 with exports of 599 vehicles and export income of EUR 57 million.

### **Penetrating new geographical regions**

As part of its recently adopted strategy of penetrating new geographical regions, Anadolu Isuzu stepped up its activity in the Eastern European and Asian markets in 2017. Anadolu Isuzu has also entered into new markets in Africa in the same period.

### **88 vehicles sold to the IASI Municipality.**

In 2017, Anadolu Isuzu successfully completed the biggest foreign tender in its history.

Anadolu Isuzu carried out the first delivery of Isuzu Citiport vehicles, which won the award for being Europe's Most Comfortable and Ergonomic Bus at the Busworld 2015, in a ceremony held at the IASI city municipality in Romania.

Anadolu Isuzu has also submitted a bid for the tender for 90 vehicles, for which finance will be provided by the EBRD, of the Constanta Municipality in Romania. The tender process is expected to be completed in 2018.

### **New distributor collaborations play an important role in exports.**

The Company, whose primary goal is to develop customer-focused, innovative products and services, also aims to have a strong sales and service network that provides fast and proactive solutions to customer needs.

## **Romania**

# 88

**88 vehicles sold to the IASI Municipality in Romania.**





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**53 participants from 29 countries were gathered at the distributor meeting held in Dalaman between 26-28 September 2017.**

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As of the end of 2017, the Company, which has 25 distributors in more than 30 countries, aims to expand even further in the medium and long term. Anadolu Isuzu attaches great importance to synergetic cooperation with its international distributors who are a driving force of export activities. The Company ensures that its products become well-known and are rolled out in international markets through distributors, and the products are also sold through these channels.

In 2017, new distributor collaborations were established in markets such as Albania, Macedonia and Ukraine. The positive effect of this on the marketing and sales front has started to be observed.

**Anadolu Isuzu brought its international distributors together in Turkey in 2017.**

53 participants from 29 countries gathered at the distributor meeting held in Dalaman between 26-28 September 2017. During the event, which marked the launch of the Novociti Life, the 2018 strategies were shaped by the presentations carried out and the meetings held, and awareness of the common target was increased.

**Continued upward trend in bus exports in 2017.**

Anadolu Isuzu enjoyed an increasing sales trend in the bus product group. This can be observed clearly in the Citiport and Citibus models.

In 2017, Anadolu Isuzu once again received the title of the leading exporter in the midibus category. The Company has been the leader in midibus exports for 14 years, with the exception of 2015. Anadolu Isuzu has a 43.3% market share in the midibus export market.

**Isuzu Euro Tour 2017**

Isuzu vehicles produced in Turkey traveled around Europe within the scope of the Isuzu Euro Tour 2017. Anadolu Isuzu, which set off with the target of covering 20,000 km in 8 countries over 100 days, ended up visiting 15 countries in response to popular demand. It visited Greece, Bulgaria, Romania, Hungary, Slovakia, Poland, Lithuania, Latvia, Estonia, Ukraine, Germany, France, Spain, Slovenia and Serbia.

Within the scope of Anadolu Isuzu's tour, which mainly targeting the local administrations in different countries throughout Europe, thousands of miles were covered with Citiport and Citibus vehicles, thus introducing the most exported buses to potential customers.

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**Anadolu Isuzu aims to achieve its sustainable growth goal by diversifying its export markets with its rich product range.**

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**Warsaw Bus**

22-24 March 2017,  
Warsaw, Poland

**AUTOTECH**

25-30 September 2017,  
Plovdiv, Bulgaria

**BUSEXPO**

20 April 2017, Zsambek,  
Hungary

**BUSWORLD**

20-25 October 2017  
Kortrijk, Belgium

**FIAA MADRID**

23-26 May 2017,  
Madrid, Spain

**CZECHBUS**

21-23 November 2017  
Prague, Czech Republic

**SALON AGIR**

5-6 July 2017, Douai,  
France

# Marketing and Corporate Communication

**Treating customer satisfaction as one of its highest and unwavering priorities, Anadolu Isuzu realizes its marketing activities with the goal of unconditional customer satisfaction at all times and in all cases.**



Anadolu Isuzu believes that customer management and segmentation are of key importance within the scope of its goals, as well as producing sound and high quality products and providing flawless after-sales services to promote the highest levels of customer satisfaction.

## **Anadolu Isuzu introduced public transportation vehicle of the future and smart mobility activities.**

Anadolu Isuzu introduced the electric public transport project and smart mobility systems, which will be fully developed by Turkish designers and engineers, at the meeting held on 30 July 2017 at the R&D Center. The Minister of Forestry and Water Works, Mr. Veysel Eroğlu, was joined by mayors from around Turkey during the introductory meeting.

## **The Isuzu D-Max – with power in its DNA – is now on the Road**

The Isuzu D-Max, the Pick-up which Isuzu produces by blending more than 80 years of experience in the manufacture of trucks, buses and heavy-duty motor vehicles, is back on the road again with a facelift. In addition to its rock-solid position, it has thrilled users in the growing pick-up sector with its comfort, fuel economy, engine technology, performance on the land and technological innovations. The biggest automotive press launch of recent years was held in Trabzon in November, with the participation of 19 dealers from 17 cities and nearly 70 members of the press. The press launch of the Isuzu D-Max attracted a great deal of coverage in motoring TV programs, national newspapers, motoring magazines, sectoral publications and social media. Anadolu Isuzu worked with Ozan Güven as the face of the launch of this new vehicle in Turkey, who expects the vehicle to especially appeal to retail clients. The effect of the launch campaign, which was carried out with the motto of “its self-confidence is in its DNA” has proven to be very powerful in written and social media, and it attracted extensive coverage.

## **Award for Pick-up of the year 2017 goes to the New Isuzu D-Max**

The BBC Top Gear Magazine, which is circulated in 22 countries throughout the world and is the indispensable publication of motoring enthusiasts, selected the best motor vehicles for 2017. Its prize for the 2017 Pick-Up Prize went to the new Isuzu D-Max as the most progressive vehicle in its class.



### **Carrying out CRM (Customer Relationship Management) activities under the theme of knowing customers the best**

Thanks to the singularization of our customers' records, transactions are carried out through the common customer card at every sales dealer and authorized service point. All customers' movements can be monitored and analyzed through a single record. This structure allows us to keep track of all customers' details and to analyze their expectations more accurately. In addition, thanks to the improvements we undertook in information recording and storage infrastructure in all business processes, we increased the daily performance of our employees and started providing a faster service to our customers.

### **Anadolu Isuzu carries out CRM activities under the theme of knowing the customer best.**

#### **A new system configured, where Anadolu Isuzu can track customers' vehicle sales demands at a single point**

Through this new system, customer movements can be monitored from a mobile or tablet interface by the authorized dealer working in the field. Features that can be tracked from a single screen include the status information of vehicle requests (opportunities), customer requests, conversation frequencies and applied discounts. The follow-up of warranty services that we offer is also included in this program and these services are delivered to customers through effective call center management.

With the addition of extra warranty applications, it is thought that the income generated by Anadolu Isuzu's authorized service providers will increase going forward, contributing to the growth in the number of customers served. Thanks to this sophisticated infrastructure, sales and marketing efforts can be carried out by selecting the target audience and segmenting. We can now visit our customers more frequently and at the right time and are now able to assess our customer potential with customer interview details, thanks to our newly designed customer registration and follow-up screen. We can meet the needs of our customers at the right time and monitor our market coverage ratio in a healthier way. Following all these improvements, Anadolu Isuzu will implement a segmentation based customer loyalty infrastructure in 2018.

#### **One of the three most talked about companies of 2017.**

Anadolu Isuzu was one of the three most talked about companies of 2017 thanks to the big steps taken in corporate brand management and corporate communication. The success of the Anadolu Isuzu corporate brand and trademarks has found extensive coverage in written and digital media.



#### **Meeting with the vehicle body builders**

Anadolu Isuzu introduced its new applications at the meeting of vehicle body builders, where it came together with 75 companies. The Isuzu Body Builder Portal, which has just been implemented, was introduced at the meeting which was held with the participation of the sector's leading vehicle body builders from all regions of Turkey. Anadolu Isuzu brought the recommended vehicle body builders system into practice in November in order to strengthen its relations with business partners and undertake new achievements together.



#### **The LACP Awards**

Anadolu Isuzu won 5 awards in the League of American Communications Professionals (LACP), where the annual reports of more than 1,000 companies are evaluated globally, with its 2016 Annual Report

- » The World's Best Annual Report, in the ranking of printed annual reports in the automotive category - Platinum Award
- » Ranked 69<sup>th</sup> in the ranking of the Top 100 Annual Reports worldwide,
- » Ranked 23<sup>rd</sup> in the ranking of the Best 80 Annual Report in Europe, the Middle East and Africa,
- » One of Turkey's top 20 Annual Reports in the country category
- » The most progressive report in the EMEA Region

# After-Sales Services

**The goal of Anadolu Isuzu's after-sales services is to resolve all customer issues and expectations in the best and fastest way possible in all segments of the automotive industry where it offers service, through its nationwide service network.**

## **Developing customer satisfaction**

Anadolu Isuzu's goal is to resolve all customer issues and expectations in the best and fastest way possible in all segments of the automotive industry where it offers service, through its nationwide service network.

Anadolu Isuzu, which believes the main service starts with after-sales, continued to develop its after-sales services structure in 2017.

Its high level of customer satisfaction was further improved in 2017. In light of the results obtained from the 13,042 satisfaction surveys conducted with customers, Anadolu Isuzu's customer satisfaction rate reached 89% in 2017.

The success of Anadolu Isuzu, which has achieved sustainable customer satisfaction, can largely be attributed to its extensive service

network and after-sales service team, which sets itself apart with its dedicated time and effort.

As of the end of 2017, Anadolu Isuzu's domestic service network was comprised of 103 authorized service centers operating in 63 provinces. The vehicles produced by Anadolu Isuzu receive services through the 172 authorized service centers in 29 countries abroad.

## **Service**

**172** 172 authorized service centers in 29 countries abroad

## **Service**

**103** In 63 provinces throughout the country  
103 authorized service centers



# The Supply Chain at Anadolu Isuzu

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**Within the scope of supplier development activities, a total of 205 companies supplying the production lines at Anadolu Isuzu were subject to audits in 2017, and obtained sufficient marks to pass by addressing any issues at the necessary points.**

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## **Supply Chain Directorate established at Anadolu Isuzu**

As a result of the organizational restructuring realized at Anadolu Isuzu, the Supply Chain Directorate was established by gathering the Purchasing, Production Planning and Logistics functions and activities under a single roof.

The organization of domestic and foreign finished goods and spare parts distribution is also included within the area of responsibility of the newly created Directorate. From this point on, the Supply Chain Directorate aims to contribute to the company's competitive clout by meeting customer expectations and demands at the most reasonable cost and in the shortest time, and by leading innovations that will make a difference in the eyes of its customers.

## **Cooperation with nearly 300 suppliers**

There are a total of 279 domestic authorized suppliers supplying parts to Anadolu Isuzu's production lines.

Of these, 53 have supplied Anadolu Isuzu for thirty years or more, and 123 of these suppliers are within the scope of large-scale companies.

The company carries out the supply of 15,000 parts to meet the needs of the production lines. Around 6,500 spare parts are supplied. Additionally, Anadolu Isuzu also indirectly purchases from 145 companies.

The international procurement functions, which focus on all global supply markets, were improved in 2017. As part of the new municipal bus project that was commissioned, new solutions were introduced that could offer an alternative to existing engine and transmission group organs. In addition to the parts imported from Japan, parts are also supplied from other global markets.

Anadolu Isuzu supplies parts from 62 suppliers in 14 countries for a total of more than 600 products. 80% of the imports arrive by sea, 15% by land and 5% by air.

## **A system that closely monitors the suppliers**

Anadolu Isuzu constantly audits its suppliers regarding their systems and processes. The audits are carried out on the supplier's premises.

Within the scope of supplier development activities, 205 companies supplying the production lines of Anadolu Isuzu were subject to auditing in 2017 and obtained sufficient marks to pass the audit by addressing any issues at necessary points. The developmental processes of other companies are carried out through continuous audits.

## **Efforts to reduce logistics costs**

Anadolu Isuzu continues work on investments that will increase efficiency and reduce costs in its logistics operations.

Industry 4.0 applications are followed up closely in order to optimize logistics operations and reduce inventory costs. Traditional methods used for stocking, procuring and supply of materials are transformed in a manner most suitable for today's technological conditions through methods such as smart shelf and collection systems, online shipment tracking and the milkrun.

## **Developing CKD (Complete Knock Down)/SKD (Semi Knocked Down) competence in order to increase export volume**

Anadolu Isuzu, which has broken records in the field of exports, manages the 2,000 pieces of finished product parking area established on a 55,000 m<sup>2</sup> with the smart parking system.

The company also takes measures against natural disasters such as hailstorms, while commissioning systemic developments that will increase the rate of delivery of products to the customers. In this vein, with the project completed in 2017, a 32,000 m<sup>2</sup> parking area has been protected against hailstorms.

## **Supplier**

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**279**

**Anadolu Isuzu has a total of 279 domestic suppliers.**

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# R&D at Anadolu Isuzu



The modern building of the R&D Centre, with 6,220 m<sup>2</sup> of enclosed area, houses one of the largest new test centers in Turkey and Europe, a prototype workshop, office and meeting areas.



## **R&D is one of the cornerstones of Anadolu Isuzu's strategy.**

### **A strong contribution in numerous areas**

Due to intensifying competition and changing demand conditions in the global and national arenas, R&D and innovation is gaining importance each year.

R&D activities not only increase the competitive clout of companies in domestic and international markets, but also strongly contribute to the improvement of overall performance in many fields such as cost management, efficiency and customer satisfaction and especially sustainability. R&D centers, which offer companies the opportunity to improve their competitive thresholds, also bear key importance in adapting to technologies in the world in product and production quality.

As in the world, companies operating in Turkey's automotive sector which are intertwined with technology closely monitor both the rapidly developing and changing trends in the sector and the customer expectations in the sector, and they carry out activities in this direction.

By reducing companies' dependence on foreign resources, R&D activity allows for the development of innovative technologies and, in the end, contributes to the performance of the macroeconomy.

### **The only R&D Centre with a Japanese partner**

Anadolu Isuzu attaches special importance to its R&D activities within the scope of its corporate strategy, and is continuously stepping up its investments in this area.

The history of the Anadolu Isuzu R&D Centre, which was one of first R&D Centers to be registered by the Ministry of Science, Industry and Technology, dates back to 2009. It had been carrying out its activities as the engineering departments in previous years.

With the investment implemented in 2015, the Anadolu Isuzu R&D Centre is now housed in a modern building with all kinds of technological equipment, and it has become a fully equipped R&D center.

**For Anadolu Isuzu, R&D is a function that contributes to the Company's profitability and its sustainable future**

One of the largest new test centers in Turkey and Europe, the R&D Centre, with an enclosed area of 6,220 m<sup>2</sup>, houses one of the largest new test centers in Turkey and Europe, a prototype workshop, office and meeting areas.

The R&D Centre, which operates under the General Manager within the company, consists of 20 groups, in which the following activities are carried out.

- » New vehicle development,
- » Special Projects,
- » Test Centre and Validation services,
- » Design Centre,
- » Production Engineering,
- » Project management,

The R&D Centre, which employs approximately 100 people, continues to offer innovative products and services in the international arena by respecting the environment with its dynamic and expert human resources, and adds value to the lives of its customers.

**The year 2017 in R&D – Gains and Objectives**

The Anadolu Isuzu R&D Center rounded off 2017 by exceeding its targets.

**Design Turkey hands Anadolu Isuzu the Good Design Award**

The Isuzu Novociti Life, which Anadolu Isuzu will start mass production of in 2018, won the “Good Design” award in the category of “Transportation Vehicles and Accessories” at the Design Turkey Awards.

The Novociti Life, which will be launched in early 2018, will bring ease to the lives of mobility impaired and elderly individuals with its low-floor design, while paving the way to quieter and more comfortable transportation with its renewed infrastructure platform and by moving the engine to the rear section of the vehicle.

The entire design of the vehicle was developed by the Turkish design team at Anadolu Isuzu's R&D center. The Good Design Award, hosted by the Minister of Economy, Mr. Nihat Zeybekci, was handed to Anadolu Isuzu with the decision of five jury members, including two foreign members. The Novociti Life then received its first award in Turkey's most prestigious design competition.

**With 35 applications submitted to the Turkish Patent and Trademark Office in the first half of 2017, Anadolu Isuzu became the leading force of the automotive sector in the Turkish Patent League, and ranked 3<sup>rd</sup> in the Turkey General League.**



### Anadolu Isuzu carried out a presentation of “In-house Entrepreneurship and Innovation Team Establishment” at the R&D Centers Good Practice Examples Summit held in Kahramanmaraş on 16-17 May 2017.

#### **Novociti Life: A public transportation vehicle that adopts the principle of equality, considering people of all ages**

With the Novociti Life model, Anadolu Isuzu's designers and engineers aim to spread the principle of equality starting from Turkey all over the world through design, demonstrating that each individual has the right to use public transportation.

Anadolu Isuzu, which has broken the midibus export record 12 times in the last 13 years, is taking an important step towards global growth objectives, and this is especially evident with its Novociti Life model. The Isuzu Novociti Life, whose global launch took place at the 2017 Busworld 2017 fair held in Kortrijk, will bring a whole new dimension to city transportation.

#### **The leading force of the automotive industry in the Turkish Patent League in the first half of 2017**

With 35 applications made to the Turkish Patent and Trademark Office in the first half of 2017, Anadolu Isuzu became the leading force of the automotive sector in the Turkish Patent League, ranking 3<sup>rd</sup> in the Turkey General League.

The company's patent applications continued at full steam ahead in the second half of the year. In December alone, Anadolu Isuzu tabled 24 patents and 7 design registration applications. Throughout the year, a total of 79 patent applications were made along with 27 design registration applications.

#### **In-House Entrepreneurship and Innovation Team Establishment**

Anadolu Isuzu provided a presentation that won the acclaim and appreciation of its stakeholders at the R&D Centers Good Practice Examples Summit hosted by the Ministry of Science, Industry and Technology in Kahramanmaraş on 16-17 May, 2017.

During the Summit, which aims to share successful management practices implemented in R&D centers with all R&D centers, Anadolu Isuzu made a presentation on the topic of in-house Entrepreneurship and Innovation Team Establishment.



The main themes of this application are to spread the perspective of in-house entrepreneurship and innovation, which started to take shape with the establishment of the Isuzu Garage team, throughout the company and to roll it out as part of the Company culture, generating high value added solutions to customer problems from an entrepreneurial point of view.

As a result of the workshops held with the Isuzu Garage, 208 ideas were generated, of which ten were selected and five projects were created to work on. The projects were presented to the upper management for evaluation in many stages, from the business models to the 5-year financial analysis.

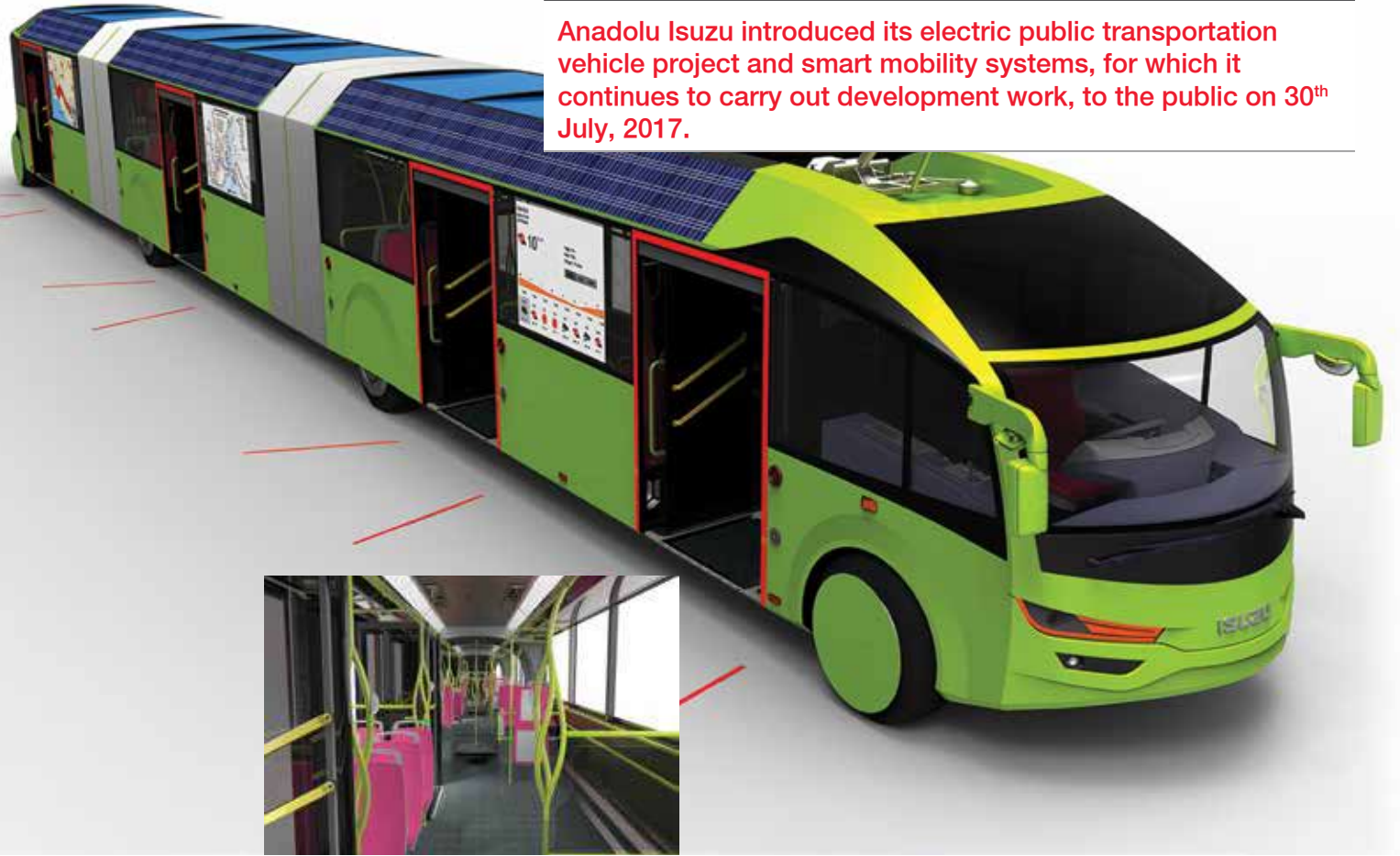
#### **Introduction of electric public transportation vehicle project and smart mobility systems**

Anadolu Isuzu's R&D teams continue to carry out research and development work on the electric public transportation vehicle project and smart mobility systems. The project was introduced to the public on 30<sup>th</sup> July, 2017.





Anadolu Isuzu introduced its electric public transportation vehicle project and smart mobility systems, for which it continues to carry out development work, to the public on 30<sup>th</sup> July, 2017.



#### Goal

**300** To develop an electric public transportation vehicle with passenger capacity

At the meeting held at the Prototype Workshop, participants were informed about the project that was developed entirely by Turkish designers and engineers.

The meeting was attended by the Minister for Forestry and Water Works, Mr. Veysel Eroğlu, as well as members of parliament, the governor, district governors, mayors and members of the senior management of Anadolu Isuzu and employees responsible for the project.

The Minister, Veysel Eroğlu emphasized that air pollution had been a major problem in the past for big cities such as Istanbul, and mentioned that Anadolu Isuzu's work was important for a clean environment. Speaking at the meeting, the General Manager of Anadolu Isuzu, Mr. Tuğrul Arkan, emphasized that "Today's ideal transportation systems are defined as having the features of low operation, investment and maintenance costs, being long-lasting, having a high capacity, being safe, comfort, being green and quiet, and most importantly, being smart. At this point, Mr. Arkan added, "We've been striving to give municipalities a new solution that includes all of these features. We believe our electric public transportation vehicles, with a smart mobility system, will serve as a remedy for the problems facing transportation in our cities."

Anadolu Isuzu's goal is to develop the electric public transportation vehicle with a 24-meter-long, double-articulated and 300-passenger capacity and offer it to the market, by undertaking an important milestone in public transportation in the world.

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### The Anadolu Isuzu R&D Center continued its cooperation with METU, ITU, Yıldız Technical University, Bartın University and Gebze Technical University, which are among Turkey's leading universities, in 2017.

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#### **Direct support and contributions to exports**

The R&D team has intensively continued its efforts to support exports. Within this scope, studies have been carried out in existing and/or potential markets in the international market.

Distributors visited corporate customers and leading foreign companies in their sectors, where the demands and expectations of existing and potential customers were assessed. Developments and expectations in the technological field were analyzed in detail.

In addition to the information obtained, the tender specifications of potential markets were also examined. Work was stepped up to ensure that the vehicles being developed in Anadolu Isuzu's product portfolio were in line with current and potential customer requests. Within this scope, the produced vehicles were developed by taking into consideration the tender delivery times, and designed to be safe, fast and high quality.

#### **Collaboration with universities and conferences attended**

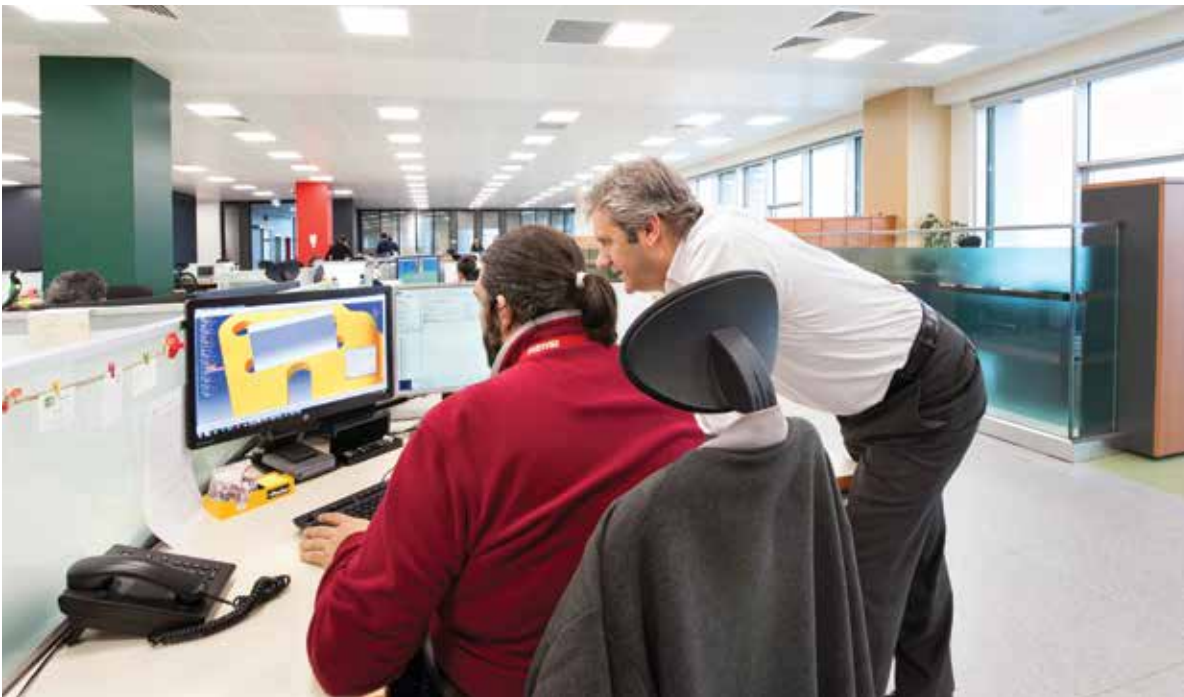
The Anadolu Isuzu R&D Centre continued its cooperation with METU, ITU, Yıldız Technical University, Bartın University and Gebze Technical University, which are among Turkey's leading universities, in 2017.

Within the scope of the projects developed with these institutions, the focus is on collaboration between industry and academia, with the opportunity to work with specialized academics.

Communication with the TTOs (Technology Transfer Offices) was strengthened to support collaboration platforms and to increase close contact with universities.

On the other hand, employees at Anadolu Isuzu who are continuing postgraduate studies were given the necessary support to carry out their academic work through the framework of the collaboration between industry and academia.

Staff from the R&D Centre participated in many conferences in Turkey and abroad in 2017, contributing to the recognition of Anadolu Isuzu on national and international platforms, where they attended or took part in 15 conferences during the year where presentations were given. On the other hand, a total of six articles prepared by Anadolu Isuzu, two of which were included in the prestigious Science Index, were included in various publications in 2017.





**Two applications from Anadolu Isuzu for the TEYDEB project were approved, one new application was submitted and one TEYDEB project was completed. Work is currently ongoing on two TEYDEB projects and one SAN-TEZ project.**

**TÜBİTAK (The Scientific and Technological Research Council of Turkey) support for an increasing number of projects...**

The basic functions of TÜBİTAK include developing industrial research and technology, supporting, encouraging and monitoring innovation and developing relations between universities and industry.

The programs and planned activities to realize these functions are carried out by the Technology and Innovation Funding Programs Directorate (TEYDEB).

In 2017, two of Anadolu Isuzu's TEYDEB project applications were approved, one new application was submitted and one TEYDEB project was completed. There are currently two TEYDEB projects and one SAN-TEZ project which are ongoing.

Anadolu Isuzu will continue to submit new applications in 2018. One TEYDEB application - for which no decision has been announced - is expected to be finalized.

In addition to these applications, support continued to be extended to postgraduate and Ph.D. students, so they could gain experience in the R&D Centre within the scope of industry-university collaboration.

**Goals for the future**

The medium and long-term goal for the Anadolu Isuzu R&D Center is to further develop its work that it carries out in synergy with other departments, in line with market needs and customer expectations and the added value that it produces.

At the same time, the R&D Centre will continue its efforts to apply the necessary systems to vehicles by complying with the new regulations that will be introduced in areas such as safety and emissions within the framework of current legislation, and to expand and improve its product range by keeping abreast of technological developments.

Anadolu Isuzu is to collaborate with the Czech Tatra Group for the production of special logistic trucks for the defence industry ranging from 8x8 to 20x20 in Turkey. The R&D Center is preparing to undertake its duties in this process.

# Anadolu Isuzu and the Environment



Anadolu Isuzu constantly monitors and checks the release of volatile organic compound (VOC) emissions released into the atmosphere within the scope of its production activities.

## Environmental Policy at Anadolu Isuzu

Anadolu Isuzu is committed to creating a sustainable environmental management system by continuously improving the environmental performance of its production activities, products and services and without compromising the natural balances of the resources, by complying with the required legislative obligations and the expectations of the concerned parties and by preventing environmental pollution at its source. It is also committed to continuous protection of the environment in line with these goals.

## Environmental Gains in 2017

Gain

**23%**

23% reduction in VOC emissions

Gain

**21%**

21% reduction in water consumption per vehicle

Gain

Reduction in consumption of treatment chemicals

Gain

**35%**

35% reduction in waste generation per vehicle

Gain

Anadolu Isuzu, the Şekerpınar Plant: the low emission facility

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**Anadolu Isuzu carries out activities aimed at reducing the environmental impact of its processes and products by focusing on reducing the energy consumption and greenhouse gas emissions at its production campus.**

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**Work continued to update the Anadolu Isuzu Environmental Management System in 2017.**

The transition of the ISO 14001 Environmental Management System to the 2015 version continued at Anadolu Isuzu in 2017.

The ISO 14001: 2015 version, which the Company plans a transition to in 2018, takes internal and external issues into consideration such as climate change and the competitive environment. The new version of the Environmental Management System, which helps organizations manage their own environmental issues while at the same time helping organizations provide solutions for the matters of general interest, also emphasizes leadership, commitment, objectives, risks and opportunities.

**Anadolu Isuzu shares its environmental performance with its employees.**

Anadolu Isuzu continuously improved its environmental performance with its projects and activities.

The company follows up its environmental performance through its Environmental Bulletin, which it prepares with 3-month rolling data, and shares the findings with its employees.

**23% improvement in the VOC emission**

Anadolu Isuzu constantly monitors and controls the release of volatile organic compound (VOC) emissions released into the atmosphere within the scope of its production activities.

The company reports the cumulative VOC values annually to the Ministry of Environment and Urban Planning. Short and medium term measures are carried out with the aim of reducing these values.

In 2017, improvements were made in the products used in cabin cleaning and solvent consumption quantities were brought under control through the monitoring system. Recycling and reuse of the vehicle cleaning thinner were achieved. These measures led to a 23% improvement in the 2017 VOC values when compared to the arithmetic average of the last 4 years.

Anadolu Isuzu aims to lower the VOC limits to much lower values within the scope of the European Union climate change studies. The company has been conducting extensive work to the transition to new legal limits.

**Calculation of greenhouse gas emission values for 2015-2016 completed.**

Anadolu Isuzu carries out work to reduce the environmental impact of its processes and products by focusing on efforts to reduce energy consumption and greenhouse gas emissions at its production campus.

Greenhouse gas emission values for 2015 and 2016 were calculated based on the greenhouse gas monitoring plan, which was submitted to and approved by the Ministry of Environment and Urban Planning in 2014, in accordance with the legislation on greenhouse gasses. The figures approved by the verifying organization were sent to the Ministry.

Anadolu Isuzu's production plant in Şekerpınar was given the status of a low emission plant in light of current process and energy consumption data.

**21% reduction in water consumption per vehicle**

Environmental damage such as climate change and global warming mean access to available water resources is becoming more difficult.

Water resources will gain more importance than all other resources in future periods. In targeting the sustainability of water resources, Anadolu Isuzu carries out work to reduce water consumption in its processes.

Efficiency studies in the garden irrigation system and improvement projects implemented in process bath changes have demonstrated positive results in reducing water consumption. With these studies realized, a 21% improvement in the water consumption per vehicle was achieved when compared to the arithmetic average of the last 4 years. In 2018, Anadolu Isuzu aims to commission the installation of the Modbus Communication Online Water Monitoring System, which will allow water consumption to



**In 2017, as a result of the improvement projects implemented in water consumption, there was a decrease in the volume of water entering our wastewater treatment plant and a reduction in the treatment chemical consumption.**

be monitored based on the department across the plant. It also aims to implement department-based specific projects for water consumption.

#### **Ideal values in wastewater values**

There are two different wastewater treatment systems - industrial and domestic - in the treatment plant, which has been in operation since the establishment of the Anadolu Isuzu Plant.

The treatment of industrial wastewater is carried out in a continuous treatment plant based on chemical treatment. Wastewater is fed from three different sources (the acid-alkaline wastewater line, the industrial oily water line and the paint house wastewater line) to the chemical (continuous) treatment plant.

The wastewater treatment plant discharges water of a quality which complies with the discharge standards determined for industrial wastewater sources under the current Water Pollution Control Regulation in Turkey.

The control of pollution parameters is followed up by daily analysis in the laboratory located in the plant. Thanks to the high-tech and environmentally friendly practices that have been adopted, the pollutant values of the output from the Anadolu Isuzu wastewater treatment plant are well below the limits set out by the applicable legislation in Turkey.

In 2017, as a result of the improvement projects implemented in water consumption, a decrease in the amount of water entering our wastewater treatment plant and a reduction in the treatment chemical consumption was achieved.

#### **35% reduction in waste output per vehicle**

The departmental based waste inventory management system is implemented in order to ensure that departments participate in waste reduction activities at the Anadolu Isuzu plant. Within this scope, the production departments have identified line-based waste responsible persons and projects were realized to reduce waste stemming from each department's own processes.

The rollout of waste reduction projects within the enterprise supported the reduction of the waste amount per vehicle. Along with the optimization of chemical usage in the treatment plant, the treatment sludge formation was also improved. These measures resulted in a 35% reduction in waste generation per vehicle when compared to the arithmetic average of the last 4 years.

#### **Environmental awareness supported through training and informative activities.**

Anadolu Isuzu carries out regular environmental information training programs to increase environmental awareness. Company employees can benefit from these programs through the digital training platform.

Information notes and plasma publications concerning current environmental issues are placed in common areas within the company.

In 2017, the Küçükyalı Vocational and Technical Anatolian High School, students at the Anadolu Isuzu Painting technologies workshop were given Environmental Training. In 2018, activities will be carried out in order to raise the awareness of our stakeholders as well as the plant employees.

## Gain

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**35%** The improvement achieved in waste amounts per vehicle based on data from the last 4 years

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### Highlights from the improvement projects...

- » Multicolored waste bins, in which household and packaging wastes can be separated, were placed in the Anadolu Isuzu offices.
- » The BAPKO (Coordination of Scientific Research Projects) project carried out with the Marmara University, the Treatment of paint shop electro coating process rinsing pool waters by using nanotechnology (nZVI) method and the reintroduction of treated waters into the system project were accepted.
- » Projects have been developed to increase paint shop ultrafiltration production efficiency and to save chemicals and water in the washing process.
- » The cooling tower dosing system was automated, thus achieving an improvement in the bluff amount and savings in the use of water and chemicals.
- » The installation of meters into the cooling tower inlet and outlet water lines, and the water flow monitoring and optimization work resulted in water savings.
- » The problem of odors from the oil trap in the worker's canteen, and its negative effect on biological treatments was reduced.
- » Within the scope of solvent management activities, the consumption of solvents was controlled by using the report/approval form in chemical use.
- » Waste amounts were reduced by switching to larger volume packages instead of the roll and cartridge tubes for chemical product packages.
- » 5S inspections started to be carried out on production lines.
- » By improving the chemical consumption performance of the treatment plant, reductions have been achieved in chemical consumption and the cost of treatment sludge disposal.

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**The Kaizen workshop, established in 2017, ensured that the improvements that will be carried out were turned into projects which are cheaper, faster and fit for purpose with Anadolu Isuzu's internal resources.**

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### Isuzu Kaizen

System improvement activities, which are planned and completed under the main headings of efficiency, quality, ergonomics, cost reduction and process, are implemented through the Kaizen (Continuous Improvement) work, which is one of the important steps of the IMM (Isuzu Manufacturing Management) System. In the Kaizen project activities, obtaining ideas from employees at every level and incorporating employees into the process are important factors for generating effective and lasting solutions and ensuring the sustainability of the application. Within the scope of the Kaizen activities carried out at our enterprise, technological investments that are worker and environmentally friendly are conducted proactively.

### Kaizen Activities

The Technical Directorate has adopted the Japanese Kaizen philosophy since its establishment and employees have provided a significant contribution to the improvement projects.

With the Kaizen workshop established in 2017, it was ensured that the improvements that will be carried out were turned into a project which was cheaper, faster and fit for purpose with Anadolu Isuzu's internal resources.

With the establishment of the Kaizen workshop, each idea has been deemed valuable, and it was ensured that the suggestions, which the employees have submitted for the improvement of their production processes, were implemented.

Automation, sensor applications and internet of things (IOT) activities have been included in the Kaizen applications. Projects defined under various titles such as quality, efficiency, ergonomics and cost reduction have been realized.

# Industry 4.0 and Digitalization Projects

## **For a more efficient production and trade cycle**

Digitalization work is carried out at Anadolu Isuzu within the scope of Industry 4.0.

Industry 4.0 is aimed at rolling out digitalization activities throughout the factory, so data can be collected to produce more efficient business models and to allow data to be better monitored and analyzed, with the aim of establishing a smart factory system. Digital transformation and Industry 4.0 activities will provide faster adaptation to changing requirements and allow more rapid implementation in the production processes. Various projects are being carried out at the plant in this context.


## **Online quality reports**

Process quality reports are prepared online concurrently with the production process. Thus, at Anadolu Isuzu, process quality activities have been made more efficient, standardized, faster, visual and understandable.

The system brings the ability to perform instant analysis and reporting. In order to ensure that any failure in vehicle control is not overlooked, establishing a system in accordance with Industry 4.0, which can communicate with SAP, Vehicle Tracking System, Feedback, is the most important benefit to have been gained.

## **Online feedback system**

The Quality Feedback System, which has been implemented in production activities, plays a role in increasing efficiency and quality by allowing instant feedback. This system increases the traceability of products and ensures that any faults that may occur in the production process can be resolved quickly without affecting the next process.



**The quality goal for 2018 is to roll out the digital transformation work within the plant and to carry out more efficient operations.**



With the part traceability system application, the lot dates of important safety parts, which are mounted onto vehicles, along with part number and supplier codes, are registered and tracked.



The quality goal for 2018 is to roll out digital transformation work within the plant and to carry out more efficient operations.

#### **Development of part traceability system**

The part traceability system application ensures that the lot dates of important safety parts, which are mounted onto vehicles, along with part number and supplier codes can be registered and tracked. It thus ensures that the process can be completed quickly by accessing vehicle information.

#### **Smart parking system**

The inventory of finished goods is followed up online with the smart parking application. Parking planning is carried out in accordance with the sales and production plan. The smart parking system ensures that the vehicles can be found easily in the finished product park and that they are quickly dispatched to the customers.

#### **Tracking system**

# VTS

**Process-based tracking of vehicles on production line**



#### **Vehicle tracking system - VTS**

VTS allows process-based tracking of vehicles on the production line. In addition, staff planning, production reports and the part status are followed up and prepared in a digital environment. With this system, teams on the supply chain and in the stock management, as well as the quality and design team are able to track the production online. At the same time, the system also ensures that any changes and problems that may occur in the production process are resolved.

# IMM Global Leader Company

In order to ensure effective quality management at the plant, in-line control systems, providing quality assurance of supplied parts, torque management and feedback meetings form an integral part of the IMM system.



## **IMM (Isuzu Manufacturing Management) Global Leader Company**

With the goal of becoming a “global leader company” with the Isuzu brand in the commercial vehicle segment, Isuzu Manufacturing Management (IMM) aims to provide global quality assurance by manufacturing vehicles based on a uniform workmanship and quality control at the production plants in different points of the world.

The IMM philosophy stipulates four main important principles. These principles are listed below

- » To manufacture products which meet the required standards,
- » Not to transfer errors,
- » Not to make errors,
- » To create error-proof state (Poka-Yoke)

In-line control systems, providing quality assurance of supplied parts, torque management and feedback meetings are pillars of the IMM system in order to ensure quality management is effective at the plant.

Within the scope of the IMM, plants that produce with the Isuzu brand are periodically audited by the Isuzu-Japan auditors. Production plants which are found to be successful as a result of the audit are awarded with the IMM certificate and therefore receive certification that they may carry out quality production.

## **IMM training**

Within the scope of IMM trainings, Anadolu Isuzu organizes workshop based training programs in accordance with its needs. It provides technical training programs aimed at developing the competence and hand skills of the employees.

In 2017, about 500 employees received practical training on ergonomic movements, the muscular and skeletal system as well as assembly, painting and welding training.

## **IMM audits**

IMM Audits are carried out throughout the plant. In 2017, the Anadolu Isuzu IMM internal auditors carried out 87 internal audits with the IMM Audit Check Sheet questionnaire with 450 questions. The audits were carried out for all lines at the truck and bus plant on a parallel basis.

## Training

# 667

**Ergonomics and hand skills training for 667 operators**

The in-line improvements obtained through the 5S audits, the scope of which was expanded and implemented in 2017, contributed greatly to the positive results of the ISUZU-J IMM audits. In addition, activities aimed at raising awareness and providing information were conducted through training programs in order to increase the 5S activities of the employees.

### The 2017 IMM Certificate

Isuzu successfully completed the 2017 IMM Audit conducted by the Japanese auditors and Anadolu Isuzu qualified to receive the IMM Certificate for all of its facilities.

The truck plant has held the IMM Certificate since 2008 and the Pick-up production lines have been holding the certificate since 2015. The Bus plant was also given the certificate in 2017. With this result, Anadolu Isuzu achieved the title of being the only bus plant to hold the IMM Certificate outside Japan anywhere in the world.

### Technical training at Anadolu Isuzu - Competence/skill assessment and development activities

Technical training and evaluation workshops were established at Anadolu Isuzu in August 2017 with the aim of meeting the training needs of employees and providing a sustainable solution to meet the needs of qualified personnel.

In the workshops, which were designed by taking sectoral requirements and the expectations of export markets into consideration, workshop-based technical training and activities which meet the needs of Anadolu Isuzu continued to be organized with expert training staff with the support of a consultant company.

### Main headings of the trainings organized

- » To promote general factory rules, the IMM and 5S rules,
- » To improve the skills and knowledge level of operators (ergonomics, assembly, painting, welding)
- » To appoint the right operator for the right job,
- » Operator ergonomics tracking and providing its improvement.

## Training

# 217

**Assembly training for torque and assembly equipment for 217 operators**

The technical training programs carried out at Anadolu Isuzu in 2017 were reported as strong aspects within the scope of the IMM (Isuzu Manufacturing Management) audits.

In 2017,

- » A total of 667 operators were provided with training in ergonomics and hand skills. These training programs will become compulsory for newly recruited personnel.
- » Assembly trainings were given to 217 operators for torque and assembly equipment.
- » The paint application technical training was given to paint operators.

### Professional competence

Workshop-based training was carried out to train qualified personnel in the automotive sector and to rate employees in relation to the work they carry out.

Operators working at Anadolu Isuzu underwent Vocational Qualification Examinations based on their job descriptions at the workshops where they work, and they succeeded in the examinations. As a result of this process, operators were granted vocational qualification certificates approved by the Vocational Qualification Authority.

### İŞKUR (The Turkish Employment Agency) Training Classes

At Anadolu Isuzu, İŞKUR training and vocational training is provided depending on the field of work. Between 2015 and 2017, operators were employed for the paint shop department in accordance with their qualifications among people who were trained within the scope of the İŞKUR project.



# Anadolu Isuzu's Energy Performance

**Anadolu Isuzu's energy policy sets out the objective of increasing its long-term environmental and economic sustainability.**

## **The Anadolu Isuzu Energy Policy**

Anadolu Isuzu has adopted the following objectives

- » to carry out studies aimed at achieving energy savings and improving efficiency in production activities,
- » to support the supply of energy efficiency and environmentally friendly products, equipment and services,
- » to propose that choices are made in accordance with energy efficiency in the design and revision of the plants and processes,
- » to raise the awareness of all employees through the transfer of information and training for the efficient use of energy, and to foster a sense of environmental awareness,
- » to increase the long-term environmental and economic sustainability of the activities by reducing energy consumption and cost

## **Gains in energy performance in 2017**

- » Completion of the plant energy survey and screening
- » A 16.6% reduction in electricity consumption per vehicle produced
- » A 21% reduction in natural gas consumption per vehicle produced
- » A 19.5% reduction in total energy consumption per vehicle produced
- » The establishment of the Energy Efficiency Group
- » Numerous energy efficiency projects

## **Included in the UNIDO (United Nations Industrial Development Organization) project in 2017**

Anadolu Isuzu participated in the UNIDO Energy Management System Project in 2017. Following the successful completion of the necessary processes, the certificate was awarded by the Undersecretary of the Ministry of Energy and Natural Resources, Mr. Fatih Dönmez in September.

## **The goal of continuous improvement of energy performance**

Anadolu Isuzu continuously improves its energy performance with the projects and applications it carries out, and always sets the bar for being better. In 2017, the energy screening of the plant was completed with the energy survey conducted by a specialist company. Measures were taken for the potential improvements mentioned in the survey report and Quick-Win projects were implemented.

## **Gain**

**16.6%** Reduction in electricity consumption per vehicle produced

## **Gain**

**21%** Reduction in natural gas consumption per vehicle produced

## **Gain**

**19.5%** Reduction in total energy consumption per vehicle produced

At Anadolu Isuzu, the energy consumption of the departments is monitored instantaneously through the energy monitoring system. The necessary actions to be taken in the short, medium and long term to address any contraventions encountered or at the potential saving points are determined. As a result of the improvements made, together with energy efficiency, gains are also achieved in the fields of OHS (Occupational Health & Safety), the environment and workmanship.

The energy consumption of the regions of the plant, where the energy consumption is high, is communicated on a daily basis with the departments and they are offered the opportunity to evaluate their energy performance straight away. The monthly energy report is aimed at increasing the awareness of employees by sharing consumption information belonging to all departments.

## **Strong improvement in electric energy consumption per vehicle**

At Anadolu Isuzu, the consumption of electric energy per vehicle is constantly reduced to lower levels thanks to the improvements achieved, despite the increased number of equipment and facilities. As of 2017, the electric consumption targets and saving amounts have been started to be calculated with the help of regression analysis, and the most accurate results have been achieved.

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## The volume of natural gas consumed throughout the Anadolu Isuzu Plant was lower in 2017.

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The most important electricity energy efficiency projects carried out in 2017 were as follows,

- » Optimization in the number of lights,
- » Optimization of compressor working pressure with the elimination of air leaks,
- » Shortening the working times of systems that are operating outside working hours,
- » Shortening of the working times of the bus paint shop and cataphoresis line,
- » Adjusting the number of working engines in the systems working with more than one engine according to the process needs level and
- » Applications with sensors
- »

Electricity consumption per vehicle at Anadolu Isuzu in 2017 was reduced by 16.6% compared to 2016.

### Reduction in natural gas consumption

A lower volume of natural gas was consumed throughout the Anadolu Isuzu Plant in 2017, despite the continuous increase in heating needs both in working environments and in the processes.

As of 2017, natural gas consumption targets and saving amounts started to be calculated with the help of regression analysis independent of external factors.

The most important natural gas efficiency projects carried out at Anadolu Isuzu in 2017 were the shortening of bus paint shop and working times at the cataphoresis line, optimization of the capacities and durations of heating systems, insulation of 70 very hot water valves, periodic thermal camera controls, shortening of the boiler operation duration and drawing the very hot water circulation to the required levels.

In 2017, natural gas consumption per vehicle at Anadolu Isuzu was 21% down on its 2016 level.

### Significant reduction in total energy consumption per vehicle

At Anadolu Isuzu, total energy consumption per vehicle decreased by 19.5% YoY, due to the decrease in electricity consumption and natural gas consumption per vehicle. The company's target for 2018 is to reduce the specific consumption value by 3% compared to 2017.

### Energy Working Group was established at Anadolu Isuzu In 2017

The Energy Working Group was established to ensure the healthy operation of the Energy Management System. The Group carries out activities with the following objectives;

- » To increase awareness of Blue Collar employees,
- » To enable departments to determine their improvement potential by conducting their own risk analysis,
- » To ensure the system self-audits itself

In 2017, users in the departments with high energy consumption were given training to use the systems more efficiently. Any incidences of non-conformity during field surveys were examined immediately

### Energy Efficiency Projects at Anadolu Isuzu

- » As a result of the measures taken in the Truck Production Department, the daily working time at the cataphoresis line was shortened, achieving reduced electricity and natural gas consumption for the same number of vehicles. The painting of the 9-meter models in the Midibus paint shop rather than at the Bus paint shop saved the electricity and natural gas which would have been required for the operation of the extra facility.
- » Optimizing the performance of the heating systems has achieved savings in electricity and natural gas consumption, and improved comfort conditions.
- » By reducing the amount of working time of very hot water boilers and the volume of very hot water circulation, savings in both natural gas and electricity energy have been achieved.
- » The insulation of equipment which was not insulated was completed and studies were periodically carried out to identify and prevent thermal leakages with thermal camera
- » Reducing the number of unnecessary lights, eliminating air leaks and reducing compressor operating pressure all reduced the consumption of electricity.
- » Other projects aimed at saving electricity include shortening the working time of systems operating outside working hours, adjusting the number of working engines in the systems working with more than one engine according to the level of the process needs and applications using sensors.

# Human Resources

Anadolu Isuzu's most precious asset is its human resources. In light of the values and corporate culture of Anadolu Isuzu, it serves "people first" without discriminating on the basis of language, religion, race or gender.



## **Anadolu Isuzu's Human Resources Mission**

To improve the qualifications of its employees by increasing the motivation and loyalty of employees in line with the company's reason d'être and strategies, to contribute to the profitability of the company and to provide added value to the whole organization

## **Anadolu Isuzu's Human Resources Vision**

Anadolu Isuzu's Human Resources Strategy is carried out within the following main policies:

- » To be a strategic business partner that creates a competitive advantage.
- » To attract the right human resources with a global perspective and talents to the Company.
- » To create a working culture which constantly looks for the better, and human resources systems in a work environment based on open communication and trust 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 preferred employer brand that is people-centric.

Anadolu Isuzu attaches importance to its employees being global thinkers, who are open to teamwork and communication, who place importance on development and who can analyze and can take initiative. The company works under a business and customer

oriented working principle while recognizing the qualifications of leadership, strategic thinking and managerial effectiveness as a priority for the executive candidates

## **A non-discriminatory approach based on equal opportunity and encouraging innovation**

In the light of the values and corporate culture at Anadolu Isuzu, the Company serves under a "people first" approach without discrimination on the basis of language, religion, race or gender.

The Company upholds equality of opportunity, which is included in the working principles of the Anadolu Group, and is applied unwaveringly. It ensures that the principle of equal opportunities starts from the recruitment process of the employees and continues in all human resources applications including training, remuneration and in their careers. Diversity is encouraged. In addition, the Company attaches importance to creativity and innovation. The Company is managed under an approach that is dynamic, transparent and which invests in innovation.

## **Anadolu Isuzu aims to be a preferred employer in all conditions with its human resources applications**

A total of 875 employees were working at Anadolu Isuzu in 2017 including 286 white collar employees and 589 blue collar employees,

## Persons

# 99

**R&D Center total number of employees**

marking an increase of 6% when compared to the previous year (on 31 December 2016 there were a total of 823 employees, including 261 white collar and 562 blue collar employees).

A total of 99 employees works in the R&D Centre.

### **An approach that encourages women into the workforce**

The number of women working in Anadolu Isuzu increased by 1.2% (in terms of the total number of employees) in the last 2 years as a result of the employment approach that has been realized in line with the goal of providing equality between men and women.

The Human Resources team at Anadolu Isuzu, which continues to work to promote women's employment, also develops projects aimed at raising the standards and satisfaction of existing women employees in the work environment.

Anadolu Isuzu was awarded a Certificate of Appreciation by the Ministry of Labor and Social Security in 2017 in recognition of the high level of awareness and sensitivity that it has shown within the scope of the work on the development of social gender equality in working life.

### **The contribution of the Performance Management System...**

Decisions taken in the Board of Directors at Anadolu Isuzu are included in the performance targets determined on an annual basis for the employees within the framework of performance criteria.

The Anadolu Isuzu Performance Management System aims to increase the performances of teams and individuals and develop their competencies. Contributing to the success of the company, the Performance Management System focuses on the development of employees as well as business results, and provides feedback on all employees' strengths and areas which are open to improvement.

### **Steps taken for Organizational Development...**

Always attaching importance to organizational development activities, Anadolu Isuzu continued to work on organizational designs that will also

## Persons

# 875

**Total number of employees**

help the company achieve its strategic goals in 2017. In addition, the Company implemented new business models.

### **Contributions from training and development activities**

Anadolu Isuzu aims to develop all employees in its areas of strategic focus through the training and development activities undertaken to ensure continuous improvement and development.

Organizational development programs are held within the Academy Isuzu to support young talent and raise new leaders at the Company.

A total of 8,280 hours of training were given to employees at Anadolu Isuzu in 2017, with an average of 10.2 hours of training per person.

### **Highlights from training activities carried out in 2017...**

- » Within the framework of vocational and competence-based training, ten different training programs were given to 200 company employees on a variety of topics including FMEA Failure Modes and Effects Analysis, Stress and Time Management, Creative Problem Solving Techniques, Project Management, Process Management, Strategic and Innovative Thinking Skills, Contract Management, Customs Legislation.
- » The in-house Mentor-Mentee Program was implemented for managers joining the Towards the Future Program, which is a process that had focused on management skills in past years. This program included 30 Anadolu Isuzu managers.
- » Priority was also given to the learning of foreign languages in 2017. Ten employees received advanced English language lessons.
- » In order to support strength in the field, four supervisors leading the technical teams in production received First Stage Management Development Training organized by the MESS Training Foundation.
- » In order to increase the effectiveness of the performance evaluation process, the "Tricky Points for Effective Performance Negotiations" training program was given to all managers.
- » Within the scope of the blue collar technical certifications, certifications for Working at Height, Overhead Cranes, Platforms and Terminal Towing Operators were completed for 120 employees.



**The Anadolu Isuzu Human Resources publishes all human resources policies and procedures through a portal that is open to all employees.**

### **Understanding the importance of internal communication and employee satisfaction**

Attaching importance to internal communication activities, the Human Resources team at Anadolu Isuzu publishes all human resources policies and procedures through a portal that is open to all employees.

Employee satisfaction and loyalty surveys are carried out at certain intervals within the company. Employees may share their innovative ideas through an e-platform, so that communication between the employees and the management team can be carried out in a healthy manner.

### **Collaboration with İŞKUR**

Ten people participated in the Vocational courses launched in 2014 and organized with the cooperation of İŞKUR (Turkish Employment Agency), in 2017. Eight people who attended a course in the field of painting were employed at the company.

University-industry collaboration projects  
Within the scope of the university-industry collaboration projects, final year university students are employed as long-term project interns in various departments in order to bring a qualified workforce with potential to Anadolu Isuzu.

In 2017, 15 students were employed in the Production, Quality Control, Human Resources, R&D and After Sales Services departments. In addition, 80 students were provided with short-term internship opportunities during the summer term. As a result of the cooperation entered

into with the AIESEC, two foreign interns began employment in the Export Department.

### **Projects for cooperation between vocational schools and industry**

Within the scope of cooperation between vocational high schools and industry, a total of 31 final year students studying in industrial vocational high schools were offered internship opportunities at Anadolu Isuzu.

The Anadolu Isuzu Paint Technologies Workshop project, which was implemented at the Küçükyalı Vocational and Technical High School in 2015, was also supported in 2017, and work continued on raising the competence of the students. This collaboration was made official with the School-Business Cooperation Protocol signed between Anadolu Isuzu and the Küçükyalı Vocational and Technical High School within the scope of the Full Support for Vocational Training for Turkey (METAD) Project organized by the MESS Training Foundation.

### **Publicity activities conducted at universities**

Anadolu Isuzu participates in career days at Turkey's leading universities and sponsors case analysis studies.

Anadolu Isuzu participated in the Istanbul Technical University Career Summit that was held in 2017, which reached nearly 200 students, and applications for posts and internships were received during the event.

Also during the year, a plant tour was held for students in the Faculty of Technology Mechanical Engineering at Sakarya University, the Faculty of Industrial Engineering at Marmara University and students from the Küçükyalı Vocational and Technical High School, who were informed of the activities.

### **Trade union rights and collective bargaining agreement at Anatolia Isuzu**

Relations with blue collar workers at Anadolu Isuzu are organized within the scope of the collective bargaining agreement.

The United Metal Trade Union is the authorized trade union at Anadolu Isuzu.

There is one Chief Representative, and three Trade Union Representatives were elected and appointed within the Company.

These representatives are responsible for the following within the limits prescribed in the Collective Bargaining Agreement that was signed between The United Metal Trade Union and MESS (Metal Industrialists' Union of Turkey), and by the law;

» To follow the demands, complaints and problems of blue collar employees,



- » To represent employees in committees such as the Disciplinary Board and the Occupational Health and Safety Board, and to oversee their legal rights.

### **Vocational Qualification Certification Activities**

In accordance with the communiqué issued by the Ministry of Labor and Social Security, the Vocational Qualification Certification process was initiated at Anadolu Isuzu in 2016.

During the certification process, a total of 358 blue collar workers from 5 vocational groups including automotive assemblers, automotive painters, automotive sheet metal and body welders, automotive mechanics and machine maintenance workers took exams under the collaboration between SIBEM and MESYEB, which has been granted certification authority by the Vocational Qualification Authority. As a result of the examination, 294 workers were qualified to obtain a certificate.

### **BiFikir (an Idea) Application and BiFikir (an Idea) Festival**

The BiFikir Application and the BiFikir Festival offer a platform where employees of the Anadolu Group offer their innovative and creative ideas, develop their creativity as individuals and as teams, and add value to the Group companies.

The project for the Installation of the Air Duct Ergonomic in Anadolu Isuzu Buses was chosen the 3<sup>rd</sup> Most Successful Project in the BiFikir Festival in 2017. As part of the festival, Anadolu Isuzu was ranked in top place three times in succession, thus proving that innovation and creativity remain well established in the corporate culture.

### **More than TL 2 million in total benefits**

Anadolu Isuzu always supports and encourages creative and innovative ideas which started with the activities of the Quality Circle and Kaizen, and which has become a corporate culture over time. Since 2014, the company has achieved more than TL 2 million in monetary benefit with almost 50 projects implemented

### **Isuzu Ekstraa**

Isuzu Ekstraa is a system of Appreciation and Rewarding which was implemented in 2016 to raise satisfaction levels among Anadolu Isuzu employees, and was actively deployed in 2017 as well. Efforts have been taken to increase the effectiveness of the system.

In Isuzu Ekstraa, employees may earn points on their birthdays, on special days like marriage, when they achieve their goals of accident free work and for absenteeism, when they are involved in corporate volunteering projects,



### **Anadolu Isuzu attaches tremendous importance to supporting employee loyalty through motivational activities and social activities that enhance team spirit.**

when they participate in training programs and when they make a difference with a superior performance.

To date, 832 employees have earned approximately 35,000 points. With their points, they have been able to benefit from a number of gift options such as eating out, travel and hobby workshops.

### **The Stage is Ours**

The Anadolu Isuzu Human Resources team, which attaches great importance to supporting employees' loyalty through motivational activities and social activities that enhance team spirit, implemented the Stage is Ours, a pop chorus comprised of employees, in 2017.

The Stage is Ours team, which included 20 Anadolu Isuzu employees from different departments, took to the stage in the company's New Year's Eve event where it gained great acclaim.

Besides the musical chorus, Anadolu Isuzu included sport in the scope of social activities, and participated in the Dragon Rowing Festival with the Isuzu D-Team.

### **AGAKADEMİ – The Distance learning platform**

The Anadolu Isuzu Human Resources undertakes pioneering work in digitalization so it can create the infrastructure of a qualified workforce and provide an environment of innovation supportive of technological development.

A total of 128 Anadolu Isuzu employees were offered the opportunity to benefit from 10 different training programs and 60 different educational videos in 2017 through AGAKADEMİ, the distance education platform.

# OHS/Employee Safety

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**Anadolu Isuzu is committed to following up and supporting sustainability and the continuous development of a healthy and safe work environment.**

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## **The Anadolu Isuzu Occupational Health and Safety Policy**

The Anadolu Isuzu Occupational Health and Safety Policy is based on the common participation and support of all of its employees.

In addition to fulfilling the obligations set out in Occupational Health and Safety legislation, the utmost efforts are made in order to create a safe working environment, improve the health and safety awareness of employees and to carry out improvements to prevent occupational accidents and occupational diseases.

Anadolu Isuzu is aware that it is responsible for protecting subcontractors, suppliers, interns working at its plant and visitors from a health and safety point of viewpoint.

Anadolu Isuzu is committed to following up and supporting the sustainability and continuous development of a healthy and safe work environment.

## **Anadolu Isuzu's Occupational Health and Safety targets**

Anadolu Isuzu places priority on human health and safety and deals with the issue sensitively and meticulously.

The Company targets a zero work accident rate with the creation of safe work areas and by raising employee awareness.

The Anadolu Isuzu plant, working with this target of a zero accident rate, reduces the IFR (Injury Frequency Rate) each year.

Thanks to its focus on occupational safety and healthy working targets, the 2017 Injury Frequency Rate declined by 80% when compared to 2015, and by 30% when compared to 2016.

Anadolu Isuzu's Injury Frequency Rate in 2017 was lower than the sector average. Zero work accidents and zero occupational disease are the most important targets in this vein.

With the near-miss notification on occupational health and safety, the working environment is

**Within the scope of the 3<sup>rd</sup> Golden Glove/Gold Proposal Competition, the Company received awards for the Ergonomic Improvements in the Bus Production Line Project, which includes the bus and midibus trim line improvement project.**



assessed from an employee viewpoint and areas requiring improvement are identified on-site.

### **Activities and awards**

Anadolu Isuzu implemented numerous activities in the field of occupational health and safety in 2017, leaving behind a year full of awards.

- » The company received an award for its BiFikir platform, where innovative ideas are evaluated within the Anadolu Group, and for the Improvement of Hat Rack Assembly Process in the Bus Production project, which includes the commissioning of the manipulator system developed for the removal of the hat rack that is assembled in midibuses and buses.
- » Within the scope of the 3<sup>rd</sup> Golden Glove/Gold Proposal Competition organized by MESS (the Metal Industrialists' Union of Turkey) in 2017, the Company received an award in the Recommended Practices category for Ergonomic Improvements in the Bus Production Line Project, which includes the improvement project completed following analysis of the bus and midibus trim line ergonomics.
- » The company participated in the 23<sup>rd</sup> Ergonomics Congress held in 2017 with the Ergonomics Activities performed on the Bus Production Line. Occupational health and safety studies were also carried out on an academic platform with an oral presentation.
- » The company participated in the Risk Hunter competition held between 8-10 May 2017. Activities took place with the groups, in which senior managers of Anadolu Isuzu undertook coaching duties, in order to raise awareness of hazards and risks in the field. Those who have contributed to the development of the safety culture and received high rankings in the competition, which received the support of managers, were awarded by the company.
- » At the Anadolu Isuzu plant, a wide array of projects was implemented in the field of ergonomics, helping to improve the physical conditions of employees.

# Social Awareness Projects at Anadolu Isuzu



As one of Turkey's leading manufacturers of commercial vehicles, Anadolu Isuzu touches all segments of society and all aspects of commerce with its vehicles that perform various tasks in the cycle of life and commerce. Acting on this simple premise, Anadolu Isuzu views social responsibility activities as an important means of complementing its corporate identity.

Anadolu Isuzu implements social responsibility activities in order to create sustainable and lasting value for the society and raise the welfare of individuals. It supports social development activities in a determined manner through the collaborations it has realized.

At Anadolu Isuzu, volunteering stands at the core of its social responsibility activities, which are carried out with a systematic and planned approach.

Anadolu Isuzu is a member of the Private Sector Volunteers Association, which works to spread corporate volunteering in the private sector and to carry this out in a sustainable and systematic manner. It actively takes part in the activities.

## **Nearly 400 Anadolu Isuzu employees have voluntarily participated in education, environment and disability projects.**

Since 2014, Anadolu Isuzu's social responsibility activities have been carried out with the contribution of an increasing number of voluntary employees each year.

The activities continuing under the framework of Social Awareness Projects have mainly focused on education, the environment and disability. In this context, Anadolu Isuzu works in cooperation with related NGOs and demonstrates its contribution through the voluntary participation of nearly 400 employees.

Anadolu Isuzu was awarded the 2015 Most Successful Volunteering Project Award with its "Bir Adımda Bambaşka Bir Dünya" (Another World in One Step) project, which is one of the projects carried out under the leadership of the Private Sector Volunteers Association. It was awarded the 2016 Jury Special Award with in recognition of its "Çocuklarla Elele Milli Bayramlar" (National Holidays Hand in Hand with Children) project.



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**Within the scope of the program, students have received support by spending time with role models who have careers, and thus students have received support with their college attendance, finding an occupation and, in short, with their personal and professional development**

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#### **Highlights from the social awareness projects undertaken by Anadolu Isuzu in 2017**

- » Anadolu Isuzu employees volunteered to provide Financial Literacy training to a total of 180 pupils from the Tuzla Cemil Türker Primary School and the Küçükyalı Industrial Vocational High School during Global Money Week.
- » The Atalar Vocational and Technical Anatolian High School Robot Team, which Anadolu Isuzu is the corporate sponsor of, was awarded the Inspiring Team Award in the FRC Robot Competition held in the USA.
- » Within the scope of the Employee Volunteering Week, the Association for the Support of Contemporary Living (Çağdaş Yaşamı Destekleme Derneği) scholarship holders visited Anadolu Isuzu and the production area to get to know the company environment and to have professional knowledge. After the technical trip, the students underwent a career interview with a group of volunteer employees and managers at Anadolu Isuzu.

#### **Vocational High School Coaching Program**

The Vocational High School Coaching Program envisages that private sector employees share their expertise in their specialized field with the vocational high school student groups in groups consisting of 2 tutors, and apply modules that include personal development.

Anadolu Isuzu employees have been supporting the development of the Hatice Bayraktar Industrial Vocational High School students since 2014 through tutoring.

Within the scope of the program, students have been supported by spending time with role models



who have careers, and thus students have received support with their college attendance, finding an occupation and, in short, with their personal and professional development.

In 2018, the scope of the project will be expanded with the inclusion of students from the Küçükyalı Vocational High School in this scope.

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

Within the scope of the collaboration between Vocational High Schools and Industry, vocational education was provided with significant support by establishing the Anadolu Isuzu Paint Technologies Workshop at the Küçükyalı Vocational and Technical Anatolian High School.

In the 2016-2017 Academic year, 9 students in their 11<sup>th</sup> year and 8 students in their 12<sup>th</sup> year of education continued to study at the Paint Technologies Workshop.

With this project, Anadolu Isuzu has supported the training of qualified personnel who can deploy this knowledge in production, by following up technological developments. It has also contributed to the formation of the qualified human resources needed by the industrial sector.

# Board of Directors



## **Tuncay ÖZİLHAN** CHAIRMAN

Tuncay Özilhan was born in Kayseri. Mr. Özilhan studied in Saint-Joseph high school then graduated from the Faculty of Economics of Istanbul University. He has received his MBA degree from Long Island University in the United States. He has undertaken responsibilities such as General Director of Erciyas Brewery, Coordinator of the Beer Group and General Coordinator of the Anadolu Group.

Mr. Özilhan acted as the CEO of the Anadolu Group from 1984 to February 2017. He is the Chairman of the Anadolu Group since May 2007. He has also been serving as Chairman of Anadolu Foundation as well as various Group companies. Mr. Özilhan served as TÜSIAD's (Turkish Industrialists and Businessmen's Association) Chairman from 2001 to 2003 and he is currently Chairman of its High Advisory Council. His other responsibilities include; Member of The Board 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 Ministerial Medal by the Ministry Foreign Affairs of the Republic of Estonia and "The Order of the Rising Sun, Gold and Silver Star", constituting one of the most important orders awarded by Japanese government.

## **Kamilhan Süleyman YAZICI** VICE CHAIRMAN

Kamilhan Yazıcı holds a bachelor's degree in business administration from Emory University in USA, an MBA degree from AIBEC (American Institute of Business and Economics) in Russia and has completed the GMP program at Harvard Business School. Starting his career in Anadolu Group Finance Department in 2000, Mr. Yazıcı later worked in Anadolu Efes Russia Marketing Department between 2003-2005 and was appointed New Product Development Manager in 2005. Continuing his career in Russia as Logistic Systems Manager during 2006-2008, Mr. Yazıcı was appointed as Supply Chain Director in 2008 and as Development Director in 2010. Mr. Yazıcı assumed the role of Anadolu Efes Moldova Managing Director between 2011-2014 and was later appointed as Market Development Director in Anadolu Efes Headquarters, a position held until April 2017. Mr. Yazıcı currently serves as Board Member and Vice-Chairman in 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.



**Efe  
YAZICI**  
MEMBER

Efe Yazıcı received his bachelor's degree in management from the George Washington University in 1999 and his executive MBA degree from Sabancı University in 2003. He worked as an Assistant Fund Manager at Merrill Lynch from 1997 until 1999 when he joined Anadolu Group. After working in various positions at ABank, Anadolu Endüstri Holding, TurkeCom, Anadolu Efes, and Efes Moscow between 1999 and 2002, Efe Yazıcı held the positions of Exports Specialist, Exports Supervisor, Marketing Supervisor, Marketing Manager, Sales Manager and Exports Manager from 2003 through 2014. Serving as the General Manager of Antgıda A.Ş. since 2015, Mr. Yazıcı has been serving as a Board member of Billurtuz A.Ş.

**Salih Metin  
ECEVİT**  
MEMBER

Metin Ecevit graduated from Faculty of Political Sciences in 1967. He also received a master's degree from Syracuse University in Economics in 1976. From 1967 to 1980, he worked as a Government Auditor and served as Deputy General Manager of General Directorate of Revenues at the Ministry of Finance. Mr. Ecevit joined Anadolu Group in 1980 and worked in various roles, serving as General Manager, Board Member, and Chairman in automotive companies of Anadolu Group. He retired in 2006, while he was serving as Automotive Group President, owing to the retirement age limit regulations of the Group. He served as Board Member and Chairman of the Association of Imported Car Distributors in Turkey from 1992 to 2004. He is a board member of Anadolu Group companies.

**Rasih Engin  
AKÇAKOCA**  
MEMBER

Following 27 years of commercial banking experience in Turkey, R. Engin Akçakoca was appointed as the CEO and Chairman of the Banking Regulation and Supervision Agency and the Savings Deposit Insurance Fund (SDIF) in the 2001-2004 financial crisis in Turkey, during when 4 state owned banks were restructured; private banks went through a recapitalization process; 18 banks under the SDIF were resolved and 7 problem banks were intervened. Mr. Akçakoca is now advising some Central Banks and Banking Supervision Agencies on behalf of various International Financial Institutions on banking supervision and bank resolution.

**Recep Yılmaz  
ARGÜDEN**  
MEMBER

Dr. Yılmaz Argüden is a leading strategist, advisor, and board member of major public and private institutions, and NGOs. He is the Founder and Chairman of ARGE Consulting, a leading management consulting firm based in Istanbul. ARGE has been recognized at the European Parliament as one of the best three companies "shaping the future" with its commitment to corporate social responsibility. ARGE is the first Turkish signatory of the UN Global Compact and has served as the B20 Governance & Sustainability Knowledge Partner. He is also the Chairman of Rothschild investment bank in Turkey. He has served on the boards of more than 50 companies in different jurisdictions; as an adjunct Professor of Business Strategy at the Boğaziçi University and the Koç University; an author of numerous books and a columnist focusing on business, strategy, and governance issues. As a social entrepreneur he has founded and led numerous NGOs; initiated the National Quality Movement. As the elected Global Chair of the Local Networks he represented 100+ National Networks on the Board of the UN Global Compact, the world's largest sustainability platform. He is a renowned governance expert and served as a member of the Private Sector Advisors of the IFC's Corporate Governance Group, and as the Vice-Chairman of the Public Governance Committee of the Business at OECD. He is also the founder of the non-profit Argüden Governance Academy operating under the aegis of Boğaziçi University Foundation. He has a PhD in policy analysis from the RAND Graduate Institute. He is an Eisenhower, Fulbright, NATO, and TÜBİTAK fellow; and a recipient of numerous leadership, distinguished citizenship, and career awards. He was selected as a Global Leader for Tomorrow, by the World Economic Forum for his commitment to improve the state of the world.

## Board of Directors



**Ahmet  
BOYACIOĞLU**  
MEMBER

Ahmet Boyacıoğlu holds a bachelor's degree in Business Administration from the Middle East Technical University. Mr. Boyacıoğlu began his professional career with the Efes Beverage Group (Anadolu Efes) in 1973. He served in various positions from 1973 to 2005 including Bursa Region Sales Manager, Ege Biracılık ve Malt San. A.Ş. Sales Manager, Güney Biracılık ve Malt San. A.Ş. General Manager, Ege Biracılık ve Malt San. A.Ş. General Manager, Eastern Europe President, International Beer Operations Group President, and Strategy and Business Development Director. Mr. Boyacıoğlu was appointed as the President of the Efes Beer Group in May 2005 and retired on 1 February 2007. Currently, he is board member of some Anadolu Group companies



**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.



**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 1 April 2014.





**Yasuyuki  
NIJIMA**  
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.



**Kazuo  
GODA**  
MEMBER

Mr. Kazuo Goda was born in 1967 in Osaka, Japan. After receiving his degree from Kyoto Sangyo University, he started his business life at Isuzu Motors Ltd. in Japan in 1990. He served as senior staff in Isuzu International Sales Department between 2003 and 2008, and as Group Leader between 2008 and 2012. Having held the position of Assistant General Manager of Isuzu Russia between 2012 and 2016, Kazuo Goda currently serves as the General Manager of International Sales Department of Isuzu Motors Ltd. Japan.



**Ahmet Cemal  
DÖRDÜNCÜ**  
INDEPENDENT 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. 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 is a member of the executive board at Coca-Cola İçecek A.Ş., Anadolu Efes Biraçılık and Malt Sanayi A.Ş., as well as the International Paper Co except Anadolu Isuzu.



**Kamil Ömer  
BOZER**  
INDEPENDENT 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.

# Senior Management



## **Bora KOÇAK**

President of the Automotive Group

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 Manager

Born in 1963 in Germany, Y. Tuğrul Arıkan graduated from Business Administration Department at Boğaziçi 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 Sabancı 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).



**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.



**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.

## Senior Management



**Tunç  
KARABULUT**

Bus Business Unit 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. In May 2015, Tunç Karabulut assumed duties as Sales Director. Mr. Karabulut has been appointed as Bus Business Unit Director as of May 2017.



**Hasan Yusuf  
TEOMAN**

Truck and Pick-Up Business Unit Director

Born in 1965 in İstanbul, Yusuf Teoman graduated from Moda High School in 1982 and received his degree in mechanical engineering from İstanbul Technical University in 1987. He then completed the Business Management Certificate Program at Marmara University in 1988 and earned his MBA degree from Georgia College in 1990. From 1991 to 2002, he worked at Ram Dış Ticaret A.Ş. as Assistant Sales Coordinator, Regional Coordinator responsible for Iran, Israel, Syria, Jordan and Iraq operations, and Iran Project Coordinator. He was an Industry Manager at DHL Express (2002-2003), Export Manager, Project Coordinator, Sales and Marketing Director at Iveco Otoyon Sanayi A.Ş. (2003-2008) and Business Development Director, After Sales Services Director and Sales Director at Iveco Araç Sanayi ve Ticaret A.Ş. (2008-2017). Mr. Teoman has been serving as Anadolu Isuzu Truck & Pick-Up Business Unit Director since May 2017.



**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.



**Mustafa Kemal  
ÖZER**  
Supply Chain Director

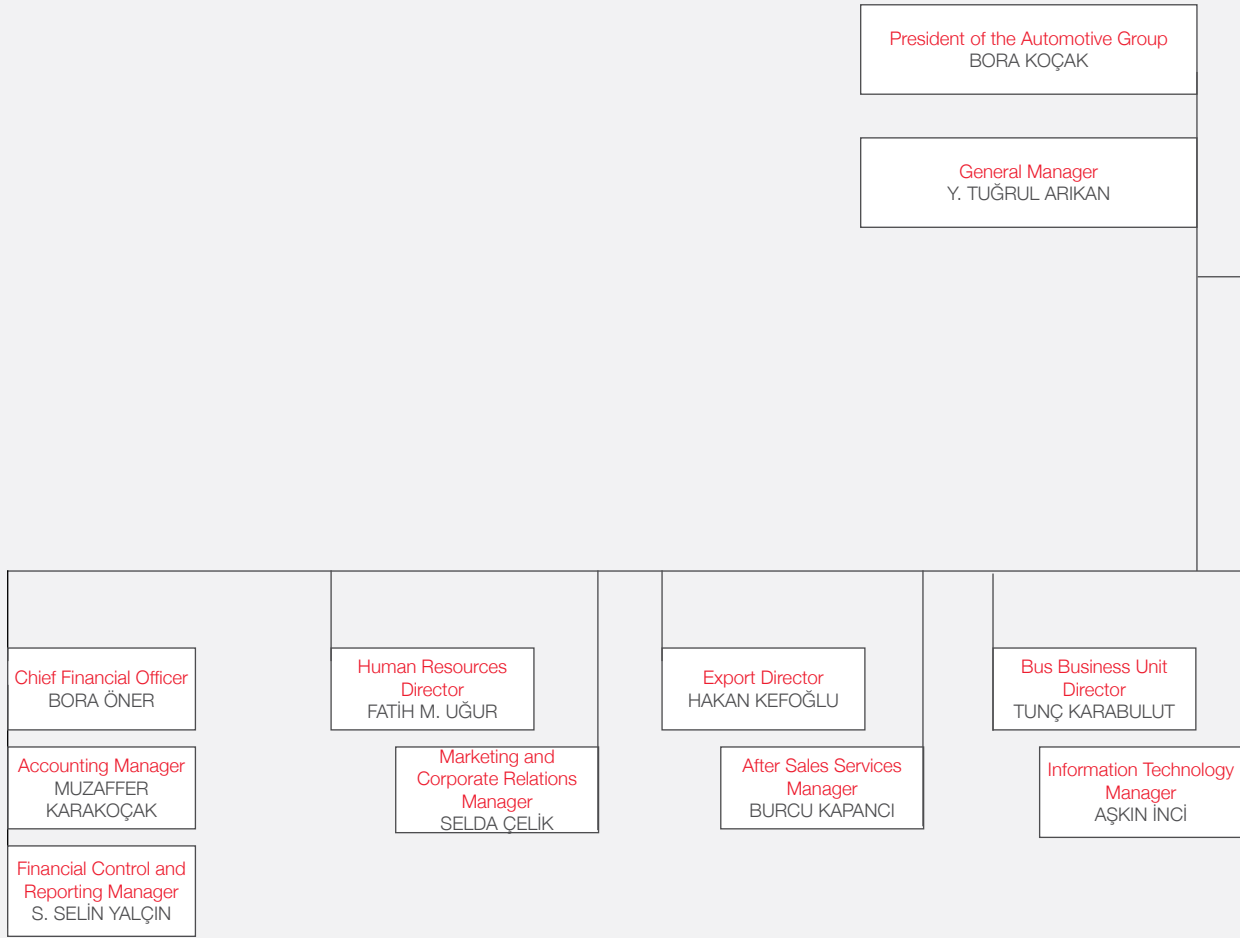
Born in 1966 in Ankara. He graduated from the Industrial Engineering Department at Yıldız Technical University in 1987. Kemal Özer held the positions of Production Planning Engineer, Production Planning Chief, Production Planning and Stock Control Manager, Material Supply Manager and Purchasing Manager at Anadolu Isuzu respectively between 1990 and 2015. In May 2015, Kemal Özer assumed duties as Purchasing Director. Mr. Özer has been appointed as Supply Chain Director as of May 2017.



**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.

# Organization Chart



Advisor to the General  
Manager  
TAKUYA KAWAI

Truck and Pick-Up  
Business Unit Director  
H. YUSUF TEOMAN

Local Public and Private  
Clients Manager  
ATAKAN GÜRLER

Internal Audit Manager

Technical Director  
HAKAN ÖZENÇ

Truck and Pick-Up  
Production Manager  
BARIŞ KOCA

Bus Production  
Manager  
MURAT SEVER

Support Plants  
Manager  
H. BORA İZMİRLİOĞLU

Quality Control  
Manager  
EMİRHAN İRFANOĞLU

Supply Chain Director  
M. KEMAL ÖZER

Production Planning and  
Logistics Manager  
CİHAN Ş. NALBANT

Purchasing Director  
SERKAN ŞAHLIOĞLU

R&D Director  
ARIF ÖZER

R&D and Product  
Verification Manager  
COŞKU KUMRAL

R&D and Vehicle  
Development Manager  
CENGİZHAN BİLGİN



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(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S  
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

## INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the General Assembly of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.

### 1) Opinion

We have audited the annual report of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") for the period between 1 January- 31 December 2017.

In our opinion, the consolidated financial information provided in the Management's annual report and the Management's discussions on the Group's financial performance based on the information provided in the audited consolidated financial statements, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit.

### 2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 3) Auditor's Opinion for the Full Set Consolidated Financial Statements

We have presented unqualified opinion for the Group's full set consolidated financial statements for the period between 1 January- 31 December 2017 in our Auditor's Report dated 2 March 2018.

### 4) Management's Responsibility for the Annual Report

The Group's Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"):

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- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Group's flow of operations for that year and the Group's consolidated financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the consolidated financial statements. The Group's development and risks that the Group may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
  - The significant events occurred in the Group's activities subsequent to the financial year ends,
  - The Group's research and development activities,
  - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Ministry of Customs and Trade and related institutions while preparing the annual report.

## 5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Board of Directors' discussions based on the information in the audited consolidated financial statements and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance based on the information provided in the audited consolidated financial statements, are fairly presented in all material respects, and are consistent with the full set audited consolidated financial statements and the information obtained from our audit

The engagement partner on the audit resulting in this independent auditor's report is Burç Seven.

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



Burç Seven  
Partner

İstanbul, 9 March 2018

# Other Information About Activities

## ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

### 1) GENERAL INFORMATION

Reporting Period	: 01.01.2017 - 31.12.2017
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

The Company's capital was increased from TL 25,419,706.54 to TL 84,000,000.- with a bonus issue at the ratio of 230.45228% that was covered from internal funds during the current period.

As of 31 December 2017 shareholders' share amounts and ratios are as follows.

Shareholder	31.12.2017	
	Share Amount	Share Ratio (%)
AG ANADOLU GRUBU HOLDİNG A.Ş.	46,535,401	55.40
ISUZU MOTORS LTD.	14,275,509	16.99
ITOCHU CORPORATION	10,706,534	12.74
OTHERS	12,482,556	14.87
TOTAL	84,000,000	100.00

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

The subsidiary and share ratio are as follows

Affiliate	31.12.2017	
	Share Ratio (%)	
Ant Sınai ve Tic. Ürünleri Paz. A.Ş.	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 14 April 2017 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:

<b>Name-Surname</b>	<b>Title</b>
Tuncay ÖZİLHAN	Chairman
Kamilhan Süleyman YAZICI	Deputy Chairman
Talip Altuğ AKSOY	Member
Efe YAZICI	Member
Salih Metin ECEVİT	Member
Rasih Engin AKÇAKOCA	Member
Recep Yılmaz ARGÜDEN	Member
Ahmet BOYACIOĞLU	Member
Takuya KAWAI	Member
Ryutaro MASHIKO	Member
Yasuyuki NIIJIMA	Member
Kazuo GODA*	Member
Ahmet Cemal DÖRDÜNCÜ	Independent Member
Kamil Ömer BOZER	Independent Member

\* By the Board of Directors decision dated 23 May 2017, it was resolved to accept Hiroko Yaguchi's resignation from his seat on our Company's Board of Directors as of 23 May 2017 due to change of positions at Isuzu Motors Limited, and to appoint Kazuo Goda to succeed him as Board Member effective 23 May 2017 as per Article 363 of the Turkish Commercial Code, which appointment will be laid down for approval at the next General Assembly to be convened.

#### **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 fulfill 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 14 April 2017 in Ordinary General Meeting, according to Corporate Governance Principles published by the Capital Markets Board with the Board of Directors' decision dated 3 May 2017, committee members are listed as follows.

#### **Corporate Governance Committee**

<b>Name-Surname</b>	<b>Title</b>
Kamil Ömer BOZER	Chairman
Recep Yılmaz ARGÜDEN	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.

## Other Information About Activities

### 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
Ahmet BOYACIOĞLU	Member

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

### Company Management:

Employees in top management and their titles as of 31 December 2017 are as follows:

Name-Surname	Title
Bora KOÇAK	Automotive Group President
Yusuf Tuğrul ARIKAN	General Manager
Bora ÖNER	Financial Affairs Director
Hakan ÖZENÇ	Technical Director
Arif ÖZER	R&D Director
Hasan Yusuf TEOMAN	Truck & Pick-Up Business Unit Director
Tunç KARABULUT	Bus Unit Director
Hakan KEFOĞLU	Export Director
Mustafa Kemal ÖZER	Supply Chain Director
Fatih Mehmet UĞUR	Human Resources Director

Reorganization was undertaken at the Company effective 2 May 2017 in line with the Company's growth and development goals. Accordingly, domestic sales activities gathered under the Sales Director in the former organizational structure are now being handled by separate business groups named "Truck and Pick-Up Business Unit" and "Bus Business Unit". In addition, purchasing, logistics and planning activities began to be carried out under the newly-formed position of the Supply Chain Director. Effective from the same date, Tunç KARABULUT, who had been Sales Director in the previous organizational structure, began to serve as Bus Business Unit Director, and Kemal Özer, who had been Purchasing Director, as Supply Chain Director. Again from the same date, Yusuf TEOMAN was appointed to the Company as Bus and Pick-Up Business Unit Director.

### Financial Benefits Provided to Top Management

Benefits provided to our senior executives in 2016 (salaries, bonus, social benefits, premium, severance and notice pay) is TL 6,270,826.

### Human Resource and Employment

Total employment in 2017 was 875 people, 286 white-collar workers and 589 blue-collar workers with an increase by 6% compared to the previous year. (31 December 2016: 261 white-collar workers and 562 blue-collar workers, a total of 823).

### **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 2017 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
- » Ensuring compliance with law, regulations and contracts.

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

Board of Directors has chosen DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (member of Deloitte Touche Tohmatsu Limited) as the independent auditor covering the fiscal year of 2017, 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 14 April 2017.

## Other Information About Activities

### Forward-Looking Assessments

The topics that steered the economic developments in 2017 included the altered administration concept as a result of the outcome of the US presidential election, the course of the relationships with the US, Russia and the European Union, the conflicts dominating our hinterland and mainly Syria, and the issues in the Middle East along with the negotiations for resolving those issues.

In the automotive sector, the commercial vehicle market enlarged by 2.6% in 2017 as compared with the previous year. While a similar rise is anticipated in terms of the number of units in 2018, the market might adopt a growing trend from the second half of 2018 despite the uncertainties in the Middle East and Syria with a potential push from the improvement trend in the European market, the expected revival in the tourism sector, and imminent local elections in Turkey.

Anadolu Isuzu is targeting a higher market share in the pick-up segment with its new D-Max pick-up model fitted with a powerful new generation 1.9 engine that secures advantageous Motor Vehicle Tax rates in the domestic market. In addition, the Novocity Life model is anticipated to contribute significantly to sales, which claimed the "Best Design" award in the "Transportation Vehicles and Accessories" category given out by "Design Turkey". In the overseas markets, the Company is aiming to strengthen its existing position, to maintain its leadership in the exportation in the midibus segment, and to grow its sales in the bus segment by participating in tenders. Work is underway to increase the number of export destination countries and the amount generated on exports by way of penetrating new markets benefiting also from the global sales network of our partner, Isuzu Motors Ltd.

Anadolu Isuzu will aim to expand its product portfolio and increase the profitability levels with effective R&D projects. At the same time, the Company is intending to expand the activities of the test center operating under the R&D Center, which offers service to various companies engaged in the same or other sectors.

### Investments in 2017

#### Investments for Tangible Fixed Assets

Description (TL)	2017
Land and Land Improvements	62,196
Buildings	199,049
Plant, Machinery and Equipment	5,464,795
Vehicles	3,006,777
Furniture and Fixtures	46,434
Construction in Progress	742,844
<b>Total Tangible Fixed Assets Investments</b>	<b>9,522,095</b>

#### Intangible Fixed Assets

Description (TL)	2017
Rights	2,696
R&D Operations	11,875,224
Other Intangible Fixed Assets	6,225,117
Construction in Progress	5,833,235
<b>Total Intangible Fixed Asset Investments</b>	<b>23,936,272</b>

## Financial Results

Showing the operating results in 2017 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 increased by 64% compared to the previous year and reached TL 1,453 million, while the Company's revenue rose by 16% to TL 963.1 million.

Compared to 2016, gross profit increased by 16% to TL 125 million, while TL 2.1 million was booked in operating profit and TL 48.4 million was posted in net loss.

The Company's year-end balance of fixed assets went up by 471% year-over-year because of the revaluation method applied for land and buildings.

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>2017</b>	<b>2016</b>
Revenue	963,126,462	829,811,333
Gross Profit	124,964,542	108,101,277
Operating Profit	2,108,003	(6,301,509)
EBITDA	28,818,636	16,378,994
Profit before Tax	(68,292,697)	(60,901,230)
Net Profit (Attributable to the Owners of the Parent)	(48,388,364)	(46,336,647)
Shareholders' Equity (Belonging to the Parent)	628,126,018	262,464,571

<b>Profitability Ratios (%)</b>	<b>2017</b>	<b>2016</b>
Gross Profit Margin	13.0	13.0
Operating Profit Margin	0.2	(0.8)
Net Profit Margin	(5.0)	(5.6)
Return on Equity	(7.7)	(17.7)
Operational Expenses/Net Sales	12.8	13.8
Financial Expense/Net Sales	(7.3)	(6.6)
EBITDA Ratio	3.0	2.0

<b>Current Ratios</b>	<b>2017</b>	<b>2016</b>
Current Ratio	1.38	1.85
Cash Ratio	0.17	0.31
Liquidity Ratio	0.81	1.14

<b>Solvency Ratios</b>	<b>2017</b>	<b>2016</b>
Total Trade Payables/Equity	47.3	80.8
Total Financial Liabilities/Equity	68.9	141.1
(Total Trade Payables + Total Financial Liabilities) Equity	116.2	221.8
Total Liabilities/Total Assets	56.8	70.3
Equity/Total Assets	43.2	29.7

<b>Market Value (TL)</b>	<b>2017</b>	<b>2016</b>
ASUZU	764,400,000	493,142,316

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

## Other Information About Activities

### Changes in the Articles of Association in 2017

The Board of Directors' decision to amend "Article 7 – Capital" of the Company's Articles of Association, which concerned increasing the share capital of TL 25,419,706.54 to TL 84,000,000 by an increase of 230.45228% that will be covered from internal funds, and "Article 5- Registered Office" concerning a change of address of the Company's registered office was ratified at the Ordinary General Assembly held on 14 April 2017, and the General Assembly Decisions, including the relevant decision, were registered on 16 May 2017.

### Production

Our Company continued production in pick-up, truck, light truck, midibus and bus segments in 2017. The production figures went up by 21% in 2017 to stand at 6,366 in the aggregate.

<b>Production</b>	<b>2017</b>	<b>2016</b>
Truck	2,569	1,648
Light Truck	922	662
PickUp	1,620	1,577
Midibus and Bus	1,255	1,353
<b>Total Production</b>	<b>6,366</b>	<b>5,240</b>

### Domestic Sales - Export

Anadolu Isuzu operates sales activities with 29 dealers country wide. In 2017, a total of 6,678 vehicles were sold, of which 6,079 to domestic market and 599 to foreign markets. The Company's sales volume decreased by 9% in comparison with the previous year in terms of quantity.

<b>Domestic Sales</b>	<b>2017</b>	<b>2016</b>
Truck	2,688	2,305
Light Truck	806	1,157
PickUp	1,800	2,320
Midibus and Bus	785	885
<b>Total Domestic Sales</b>	<b>6,079</b>	<b>6,667</b>

During this period, export sales decreased by 10% 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.

<b>Export</b>	<b>2017</b>	<b>2016</b>
Number of Vehicles	599	666

### After Sales Services

In 2017, focus was placed on activities to enhance customer satisfaction which was conducted with active involvement of all our authorized services and our employees.

Highlights of the reporting period are presented below:

- » 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 and spares personnel at Academy Isuzu Training Center. A total of 247 business days of training were given in two classrooms during 2017, and total number of participants reached 602, including informative training offered directly to drivers. The weight given to practical applications was increased in the courses offered and significant progress was attained in basic knowledge of electrical/electronic headings, as well as in troubleshooting.
- » Training programs were organized in technical and administrative subjects for our service shops network through distance education. 12 distance learning programs were held during 2017.
- » Our team ranked 2<sup>nd</sup> in the practical exam and 4<sup>th</sup> overall at the I-1 Grand Prix worldwide technical knowledge and skills competition organized by Isuzu Motors.
- » 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. The already high level of customer satisfaction secured by our Company has been maintained.



- » As of the end of 2017, we were delivering service via our 103 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 29.
- » 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 2016 Ordinary General Meeting was held on 14 April 2017. 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 16 May 2017 has been registered by Istanbul Trade Registry Office. All decisions taken in the Ordinary General Meeting on 14 April 2017 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 31 December 2017 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**

The parties reached a complete consensus on 30 January 2018 upon the terms in discussion in the Collective Bargaining Agreement negotiations between MESS (Turkish Employers Association of Metal Industries) to which our Company belongs and the Metal Workers' Union (Birleşik Metal-İş).

As per Article 91 of the Law no. 7061 dated 28 November 2017 amending Certain Tax Laws and Some Other Laws and Provisional Article 10 supplemented to the Corporate Tax Law, 22% corporate tax will be levied on the corporate earnings of corporate taxpayers generated in 2018, 2019 and 2020 fiscal years.

### **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 installments 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 21 March 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 17 April 2014.

No profit was distributed in 2017 in relation to 2016 and 2017 since the Company booked losses for the period in the said fiscal years; no profit distribution is envisaged for 2018 either.

# 2017 Affiliate Report

## **BOARD OF DIRECTORS OF ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. 2017 AFFILIATE REPORT PREPARED DUE TO ARTICLE 199 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 article 199 of Turkish Commercial Law no. 6102 which is effectuated on 1 July 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. 26.

The report dated 28 February 2018 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 favor or that of any of its subsidiary companies; no measures were taken or avoided in favor of the controlling company or any of its subsidiary companies; in 2017, 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 favor 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 2017 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 27 January 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 1 January 2017 and 31 December 2017. 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.
- » 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

**Recep Yılmaz ARGÜDEN**

Corporate Governance Committee Member

**Ali Osman MAĞAL**

Corporate Governance Committee Member

# Corporate Governance Principles Compliance Report

## 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 Supervisor/Finance Supervisor

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/Financial Control and Reporting Supervisor

Phone: (90) 850 200 19 00

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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 more than 80 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 2017.

### 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.

Jak Esim, a shareholder in the Company, requested a special audit during the 2016 Ordinary General Assembly held on 14 April 2017; the said request was added to the meeting agenda and laid down for the approval of the General Assembly. The request for a special audit received TL 21,645,316,722 dissenting votes against TL 1,009,217 affirmative votes, and was thus, declined by majority of votes.

## **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 2016 on 14 April 2017 at 14:00 at "Esenkent Mahallesi Deniz Feneri Sokak No: 4 Ümraniye 34776 İstanbul" with 89% 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. Jak Esim, a shareholder in the Company, requested a special audit during the 2016 Ordinary General Assembly held on 14 April 2017; the said request was added to the meeting agenda and laid down for the approval of the General Assembly. The request for a special audit received TL 21,645,316,722 dissenting votes against TL 1,009,217 affirmative votes, and was thus, declined by majority of votes. Apart from this, 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.

# Corporate Governance Principles Compliance Report

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 2016 ordinary General Assembly Meeting on 14 April 2017 was held in line with the Company's Articles of Association, in Istanbul, 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 14 April 2017, 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 installments 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 Dividends No. II-19.1 of the Capital Markets Board, a revised dividend distribution policy approved by a Board of Directors' decision dated 21 March 2014 and published on the Public Disclosure Platform on the same date was approved at the 17 April 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.

Under the principles contained in the CMB Communiqué on Dividends no. II-19.1 and our Company's publicly disclosed dividend distribution policy as well as the provisions in our Company's Articles of Association, no dividends were distributed in 2017 in relation to 2017 operating year since a net loss for the period descended in the Company's 2016 consolidated financial statements drawn up in accordance with the Turkish Commercial Code and CMB regulations.

### **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.

# Corporate Governance Principles Compliance Report

## 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.

## SECTION 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 organizations 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.

### **The mission of Anadolu Isuzu Human Resources**

To increase our employees' motivation and commitment in accordance with our Company's reason of being and strategies, to increase the profitability of our Company and to provide added value to the entire organization.

### **The vision of Anadolu Isuzu Human Resources**

To be a strategic business partner creating competitive advantage.

Human Resources strategy of our Company 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.

It is important for Anadolu Isuzu to form its employee body of individuals who have a global mindset, are team workers and open to communication, give importance to development, are analytical thinkers and initiative takers. The Company acts in line with its business- and customer-oriented working principle. On another hand, the Company's priority qualifications with respect to prospective managers are leadership, strategic thinking and managerial effectiveness.

### **An approach avoiding discrimination, relying on equal opportunities and encouraging innovation**

In the light of its core values and corporate culture, Anadolu Isuzu serves "people first" without discriminating on the basis of language, religion, race or sex.

# Corporate Governance Principles Compliance Report

The Company promotes equal opportunities, one of the pillars of Anadolu Group's Code of Conduct that is strictly adhered to, and observes equal opportunities and diversity in all HR practices starting from recruitment and spanning training, remuneration and career path. In addition, the Company attaches importance to innovation and creativity, and it is being managed in line with a dynamic and transparent approach that invests in innovation. Anadolu Isuzu targets to be an employer of choice under any circumstance with its HR practices.

As of year-end 2017, Anadolu Isuzu had 875 employees on its payroll, 589 of them blue-collars and 286 of them white-collars. In keeping with the importance given to research and development activities, the total number of R&D Center employees is 99.

## **An approach promoting womanpower**

Owing to the employment approach introduced in line with the goal of ensuring equality in the number of women vs. men employees, the number of women employees with respect to the total number of employees increased by 1.2% in the past two years at Anadolu Isuzu.

Continuing with its activities in women employment, Anadolu Isuzu Human Resources also develops projects aimed at enhancing the satisfaction and standards of existing women employees in the work environment.

In 2017, Anadolu Isuzu was awarded a Certificate of Appreciation by the Ministry of Labor and Social Security for the high level of sensitivity and consciousness it has displayed for improving gender equality in business life.

## **The Contribution of the Performance Management System**

Within the frame of the performance criteria, decisions passed by Anadolu Isuzu Board of Directors are included among the performance goals set annually for employees.

Anadolu Isuzu Performance Management System envisages improved performance and competencies by teams and individuals. The Performance Management System, which contributes to the Company's successful record, also focuses on employee development as well as business results, and provides feedback on the strengths and improvement areas of all employees.

## **Organizational improvement steps**

Always attaching importance to organizational improvement activities, Anadolu Isuzu continued to work on organizational designs that will serve to achievement of the Company's strategic goals, and introduced new business conduct models.

## **Contribution of training and development activities**

The training and development activities carried out for continuous improvement and development purposes at Anadolu Isuzu are aimed at ensuring improvement of all employees in areas of strategic focus.

Institutional development programs are organized at Akademi Isuzu for supporting young talents and training new leaders at the Company.

In 2017, a total of 8,280 hours of training were given to employees at Anadolu Isuzu with an average of 10.2 hours of training per person.

## **The importance of internal communication and employee satisfaction**

Considering internal communication activities an important element, Anadolu Isuzu Human Resources publishes all HR policies and procedures on a portal accessible by all employees.

Company-wide employee satisfaction and engagement questionnaires are administered periodically, and employees are given the chance to make their innovative ideas heard through an e-platform, which ensures a healthy communication between the employees and the management team.

## **Cooperation with İŞKUR**

10 people participated in the Vocational Courses launched in 2014 in cooperation with the Turkish Employment Agency (İŞKUR), and 8 of them were employed in the paint shop at the Company.

### **University-industry cooperation projects**

Within the scope of university-industry cooperation projects, university students in their senior year are employed as long-term project interns in various departments with the ultimate goal of winning qualified and high-potential workforce for Anadolu Isuzu.

During 2017, 15 students were employed in Manufacturing, Quality Control, Human Resources, R&D and After-Sales Services Departments. In addition, short-term internship opportunity was provided to 80 students in the summer. As a result of the cooperation with AIESEC, on the other hand, 2 foreign interns began working in the Exports Department.

### **Vocational high school-industry cooperation projects**

Within the scope of the cooperation between vocational high schools and the industry, 31 final year students attending vocational high schools were given internship opportunity at Anadolu Isuzu.

The support extended to the Anadolu Isuzu Paint Technologies Workshop project at Küçükalyal Vocational and Technical High School launched in 2015 continued in 2017, thereby helping build on the students' competencies. This cooperation was formalized with the School-Establishment Cooperation Protocol executed by and between Anadolu Isuzu and Küçükalyal Vocational and Technical High School under the Initiative for Full Support to Vocational Training for Turkey (Metad) organized by MESS.

### **Promotion efforts at universities**

Anadolu Isuzu participates in career days organized at Turkey's major universities and sponsors case studies. In 2017, the Company took part in the İstanbul Technical University Career Summit, thus reaching almost 200 students and collecting job and internship applications.

Additionally, plant tours were given during the reporting period to students from Sakarya University Faculty of Technology Department of Mechanical Engineering, Marmara University Department of Industrial Engineering, and Küçükalyal Vocational and Technical High School during which information about the Company's activities were shared.

### **Union rights and collective bargaining agreement at Anadolu Isuzu**

At Anadolu Isuzu, relations with blue-collar workers are governed by a collective bargaining agreement. Metal Workers' Union (Birleşik Metal-İş) is the authorized labor union at Anadolu Isuzu.

At the Company, there is one Chief Representative and three Union Representatives, who have been elected and assigned.

These representatives are responsible for the following, subject to the limits set in the Collective Bargaining Agreement signed between the Metal Workers' Union and MESS and in the laws:

- » follow up the demands, complaints, and problems of blue-collar employees,
- » represent the employees on various committees including the Disciplinary Committee and the Occupational Health and Safety Committee, and observe their legal rights.

### **Vocational Qualification Certification efforts**

In accordance with the communiqué issued by the T.R. Ministry of Labor and Social Security, Vocational Qualification Certification project was launched at Anadolu Isuzu in 2016.

In the certification process, 358 blue-collar workers from 5 vocational groups, namely automotive assemblers, automotive painters, automotive sheet and body welders, automotive mechanics and machinery overhaulers were admitted to an exam co-organized by SIBEM and MESYEB, which are authorized certification agencies of the Vocational Qualifications Authority (MYK), and 294 employees were entitled to receive their certificates.

### **An Idea Application and An Idea Festival**

An Idea Application and An Idea Festival provide a platform for Anadolu Group employees to submit their innovative and creative ideas, further their creativity individually and as a team, and contribute added value to the Group companies.

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The Anadolu Isuzu project for “Rendering Air Duct Mounting in Buses an Ergonomic Process” ranked the third Most Successful Project in An Idea Festival 2017. Claiming places in the top three ranks for the third year in a row at this festival, Anadolu Isuzu proved that innovation and creativity are firmly established in its corporate culture.

## Total benefit worth more than TL 2 million

Anadolu Isuzu constantly supports and encourages innovative and creative ideas, an attitude that took its first roots at Anadolu Isuzu with Quality Circle and Kaizen initiatives, later to be embraced as corporate culture. More than 50 projects put into life since 2014 to date generated a monetary benefit of more than TL 2 million for the Company.

## Isuzu Ekstraa

The Recognition and Rewarding System launched in 2016 with the aim of making Anadolu Isuzu employees happy, Isuzu Ekstraa was actively used also in 2017, and efforts were undertaken to improve the efficiency of the system. At Isuzu Ekstraa, employees earn points on their special days (birthdays, marriage, etc.), and when they achieve their accident-free and attendance goals, take part in corporate volunteering projects, participate in training programs, or make a difference with their superior performance.

To date, 832 employees earned nearly 35,000 points, with which they claimed gifts from a selection of presents consisting of meals, trips and hobby workshops.

## The Stage is Ours

Giving importance to support employee engagement through motivational events and team spirit building social activities, Anadolu Isuzu Human Resources introduced Sahne Bizim, which literally translates as The Stage is Ours, an employee pop music chorus in 2017.

Formed of 20 Anadolu Isuzu employees from various departments, the Sahne Bizim team took to the stage at the Company's New Year's Eve event, where it made a splash.

Also focusing on sports as part of social activities in addition to the music chorus, Anadolu Isuzu competed in the Dragon Rowing Fest with Isuzu D-Team.

## AGAKADEMİ – the distance learning platform

In a bid to create the setup for qualified workforce and establish the innovation environment for technology development, Anadolu Isuzu Human Resources authors pioneering digitalization initiatives.

In 2017, 128 Anadolu Isuzu employees benefited from 10 different training programs and 60 different training videos on AGAKADEMİ, the distance learning platform.

## 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**

Taking place among Turkey’s leading manufacturers of commercial vehicles, Anadolu Isuzu touches all segments of the society and all points of commerce with its vehicles taking on diverse missions in life and trade cycles. Based on this simple fact, Anadolu Isuzu regards its social responsibility activities as an important complement to its corporate identity.

In order to upgrade individuals’ welfare and also to create sustainable and permanent value for the society, Anadolu Isuzu carries out social responsibility activities and resolutely supports social improvement efforts through its collaborations.

Volunteering lies at the heart of social responsibility initiatives conducted with a systematic and structured approach at Anadolu Isuzu.

Anadolu Isuzu is a member and an active participant of the Association of Private Sector Volunteers, which works to expand corporate volunteerism in the private sector and to make sure that volunteering activities are carried out in a sustainable and systematic manner.

### **Social Awareness Projects**

Nearly 400 employees of Anadolu Isuzu voluntarily took part in projects related to education, environment and handicapped individuals.

Since 2014, Anadolu Isuzu social responsibility activities are being carried out with contributions from a growing number of volunteer employees.

Continuing under the heading Social Awareness Projects, these initiatives are concentrated particularly in education, environment and handicapped individuals. Within this scope, Anadolu Isuzu collaborates with related NGOs and contributes the voluntary involvement of almost 400 employees.

### **Highlights of social awareness projects undersigned by Anadolu Isuzu in 2017**

- » 10 volunteers from Anadolu Isuzu gave financial literacy training to a total of 180 students from Tuzla Cemil Türker Elementary School and Küçükyalı Industrial Vocational High School during the Global Money Week.
- » Atalar Vocational and Technical High School Robotics Team, backed by the corporate sponsorship of Anadolu Isuzu, was granted the Inspire Award at the FRC Robotics Competition held in the U.S.A.
- » Within the scope of Employee Volunteerism Week, students on scholarship from the Association for Supporting Contemporary Life visited Anadolu Isuzu and the manufacturing site to become familiar with the company environment and to gain professional knowledge. After the technical tour, the students had a conversation about career paths with a group of volunteer employees and executives from Anadolu Isuzu.

### **The Coaches of Vocational High School Program**

The Coaches of Vocational High School Program is designed to facilitate groups of two coaches, who are private sector employees, to share their experiences in their fields of expertise with groups of vocational high school students and apply personal development modules.

Anadolu Isuzu employees have been supporting the development of Hatice Bayraktar Industrial Vocational High School students through coaching since 2014. By the end of 2017, 13 Anadolu Isuzu employees had given coaching to 110 students.

As part of the program, the students get the chance to spend time with role models who have a profession; this way, their school attendance and vocational training, or in short, their personal and professional development have been supported. This support also contributed to improving the employability of the students and to fulfilling the private sector’s need for highly-skilled, competent workforce.

The scope of the program will be expanded to cover Küçükyalı Industrial Vocational High School students in 2018.

# Corporate Governance Principles Compliance Report

## Anadolu Isuzu Paint Technologies Workshop

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

In 2016/2017 academic year, 9 and 8 students studied in the 11<sup>th</sup> and 12<sup>th</sup> grades of the Paint Technologies Workshop, respectively.

Through this project, Anadolu Isuzu helped train the qualified employees who will be able to follow up technological advancements and to use the knowledge, and thus supported the professional and personal development of students. In addition, the Company also contributed to the creation of the qualified human resource needed by the industry.

## 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 authorized to make the necessary decisions in this regard.

By the Board of Directors decision dated 23 May 2017, it was resolved to accept Hiroko Yaguchi's resignation from his seat on our Company's Board of Directors as of 23 May 2017 due to change of positions at Isuzu Motors Limited, and to appoint Kazuo Goda to succeed him as Board Member effective 23 May 2017 as per Article 363 of the Turkish Commercial Code, which appointment will be laid down for approval at the next General Assembly to be convened.

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 2017 Annual Report and the website of our Company.

Current Board Members and their roles are presented below:

<b>Name-Surname</b>	<b>Duty</b>	<b>Duties Currently Assumed Outside the Company</b>
Tuncay ÖZILHAN	Chairman of Board of Directors	Chairman, Vice Chairman and Member of the Board of Directors at Anadolu Group Companies
Kamilhan Süleyman YAZICI	Vice Chairman of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Efe YAZICI	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Rasih Engin AKÇAKOCA	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Recep Yılmaz ARGÜDEN	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
Ahmet BOYACIOĞLU	Member of the Board of Directors	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 – Managerial Position
Ryutaro MASHIKO	Member of the Board of Directors	Itochu Corporation Türkiye General Manager
Yasuyuki NIIJIMA	Member of the Board of Directors	Isuzu Motors Limited - Managerial Position

Kazuo GODA	Member of the Board of Directors	Isuzu Motors Limited - Managerial Position
Ahmet Cemal DÖRDÜNCÜ	Independent Member of the Board of Directors	Member of the Board of Directors at Akkök Holding A.Ş. Member of the Board of Directors at Aksa A.Ş., Akenerji, Akkim, Saf GYO 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

### **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 15 March 2017 and a decision of the Board of Directors on 15 March 2017 was approved in the General Assembly Meeting on 14 April 2017.

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.

### **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 12 members, one was held with the participation of 14 members, one was held with the participation of 13 members, one was held with the participation of 10 members and one of them was held with the participation of 11 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.

# Corporate Governance Principles Compliance Report

## 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 Chief Financial Officer 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 Chief Financial Officer 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 supervisor 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 3 January 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 Recep Yilmaz ARGÜDEN.

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 Ahmet BOYACIOĞLU 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 23 July 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. Recep Yilmaz ARGÜDEN functions as a member of the Corporate Governance Committee, Ahmet BOYACIOĞLU functions as a member of the Early Risk Detection Committee since they will contribute to both committees with their 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.

# Corporate Governance Principles Compliance Report

## 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 14 April 2017 to pay TL 6,250 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 favor.

# Appendix: 1

## **Assessment Regarding the Working Principles and Efficiency of Board Of Directors**

According to the Board of Directors Decision passed on 3 May 2017 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 14 April 2017:

- » 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 Ahmet BOYACIOĞLU 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 Recep Yılmaz ARGÜDEN 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 2017.

In line with their annual meeting plans which were found necessary for their working activities, identified and created in their respective regulations in 2017:

The Audit Committee gathered four times: on 25 April 2017, 18 July 2017, 24 October 2017 and 11 December 2017 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 31 January 2017, 28 April 2017, 28 July 2017 and 24 October 2017 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.

## Appendix: 1

The Early Risk Detection committee gathered six times: 9 February 2017, 25 April 2017, 18 July 2017, 24 August 2017, 24 October 2017 and 11 December 2017 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.

## Appendix: 2

### **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 labor 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 behaviors 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 labor 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.

## Appendix: 3

### DECLARATION OF INDEPENDENCE

- » I hereby declare that, with respect to Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş. (the Company);
- » Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities at, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature with, the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- » Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing (including tax audit, legal audit, internal audit), rating, or consulting;
- » I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- » If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution,
- » I am considered a resident of Turkey for the purposes of the Income Tax Law;
- » I possess strong ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration stakeholders' rights;
- » I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties undertaken;
- » I have not served as a member on the Company's board of directors for more than six years within the most recent ten years,
- » I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;
- » I am not registered and announced in the name of the legal person elected as a board member,
- » and that therefore, I will serve in my position as a member of the Company's Board of Directors as an independent board member.

**AHMET CEMAL DÖRDÜNCÜ**

## Appendix: 3

### DECLARATION OF INDEPENDENCE

- » I hereby declare that, with respect to Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş. (the Company);
- » Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities at, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature with, the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- » Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing (including tax audit, legal audit, internal audit), rating, or consulting;
- » I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- » If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution;
- » I am considered a resident of Turkey for the purposes of the Income Tax Law;
- » I possess strong ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration stakeholders' rights;
- » I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties undertaken;
- » I have not served as a member on the Company's board of directors for more than six years within the most recent ten years;
- » I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;
- » I am not registered and promulgated in the name of the legal person elected as a board member,
- » and that therefore, I will serve in my position as a member of the Company's Board of Directors as an independent board member.

**KAMİL ÖMER BOZER**

Anadolu Isuzu Otomotiv Sanayi and Its Subsidiary

# Consolidated Financial Statements Together with Report of Independent Auditors for the Period 1 January - 31 December 2017





# Independent Auditor's Report

## Deloitte.

To the General Assembly of Anadolu Isuzu Otomotiv ve Ticaret A.Ş.

### A) Report on the Audit of the Consolidated Financial Statements

#### 1) Opinion

We have audited the accompanying consolidated financial statements of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and 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 information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group. As at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year ended in accordance with Turkish Accounting Standards ("TAS").

#### 2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Group in accordance with *The Ethical Rules for the Independent Auditors* issued by Public Oversight Accounting and Auditing Standards Authority ("POA") and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities related to ethics within the scope of the Ethical Rules and regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 3) Key Audit Matters

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

##### Key Audit Matters

###### Sales Discounts

In Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş., revenue is measured by considering the discounts made in various sales contracts with customers. Regarding the extend and variety of conditions of the related contract, recording sales discounts is determined as a key audit matter in terms of our audit because calculating discounts that were recorded referring sale transactions occurred in the year ending on 31 December 2017 is a complicated operation and these calculations may involve significant mistakes and incorrectness.

Accounting policy on discounts is clarified in the Note 2, and the related note is in the Note 17.

##### How the matters were addressed in the audit

Audit procedures applied related to recording sales discounts in financial statements are as follows:

- » Design and application of controls determined by the Management are evaluated to understand the sales process in question and ensure that sales discount transactions are made according to the supply contract.
- » The conformity of the transactions to the declared conditions is evaluated by testing with the sample method in order to determine whether the discounts are recognized at the correct amount.
- » The exactness and correctness of the data that is the basis of the discount calculations are controlled.
- » The mathematical correctness of discount amount calculations is confirmed by using the sample method and the recalculation method.
- » Current account reconciliations with dealers that constitute a significant part of sales discounts are tested with the external confirmation method and substantive confirmation procedures.
- » Besides, the sufficiency of the information in financial statements and Note 17 is evaluated according to the TAS.

# Independent Auditor's Report

## Key Audit Matters

Revaluation and Impairment in Property, Plant and Equipment

As stated in Note 2 and Note 9, the Group appraises lands and buildings with the revaluation method. Fair values of the land in the amount of 94,164,000 TL and the building in the amount of 462,796,546 TL that were stated in consolidated financial statements as of 31 December 2017 are determined by independent appraisal companies and the details are clarified in Note 9.

Fair value calculations of lands and buildings for current year are considered as a key audit matter by our party for the reason that lands and buildings constitute a significant part of the total assets of the Group and the applied appraisal methods includes significant estimations and presumptions.

## How the matters were addressed in the audit

During our audit, audit procedures as below are applied regarding appraising lands and buildings according to fair value.

- » Competence, licenses and independence of real estate appraisers assigned by the Management are evaluated.
- » Other appraisers from another company in audit network in which we are involved are included in the studies in order to examine the legal statuses and investigations related to the market data used in the appraisals of real estate appraisers assigned by the Management.
- » The correctness and conformity of the information provided to real estate appraisers are controlled and the conformity of appraisal methods used by appraisers in appraisal reports of lands and buildings, and whether the determined value is fair value are evaluated by our Party with the participation of the external appraiser.
- » Consistency of lands and buildings located near the region of the lands and buildings of the Group and sold during the year with the equivalent sales value predicted by real estate appraisers of the Management is evaluated.
- » Consistency of values of lands and buildings in the financial statements with the appraisal report issued by appraisers is controlled.

Besides, the sufficiency and conformity of disclosures in Note 9 Property, Plant and Equipment note are evaluated by our Party according to TAS 16.

## Audit Matter

According to the Turkish Tax Legislation, financial losses stated in the declaration can be deducted from the profit of the company for the period providing not exceeding 5 years. Total financial losses of the Group transferring as of 31 December 2017 is 126,418,854 TL, and 65,435,472 TL of this amount is 2016 financial loss and the remaining 60,983,382 TL is 2017 financial loss.

As stated in Note 24 related to consolidated financial statements, The Group has 26,080,108 TL deferred tax asset calculated on previous years' tax losses as of 31 December 2017.

Partially or wholly recoverable amount of calculated deferred tax assets is estimated by the Group Management according to assumptions under current circumstances. During the estimation, future business plans, losses in the last 5 years and due dates of unused losses are considered. To what extent the assets in question can be recognized depends on the estimations of the Group Management, therefore these assets are evaluated as a key audit matter.

## How the matters were addressed in the audit

Our audit procedures applied in this field include the issues below:

- » To evaluate and investigate the assumptions and reasonings used in determination of future taxable earning estimations by analyzing assumptions made by the Group Management;
- » To evaluate the correctness of future taxable profit estimations of the Management historically and evaluate whether there are indicators related to partialism of the management in choosing key assumptions by comparing previous year estimations of the Group Management with taxable profits in current year;
- » To consider the effect of adjustments in the legislation if required;
- » To ensure the conformity of previous years' financial losses and their validity periods with tax returns; and
- » To evaluate whether the disclosures in consolidated financial statements for applications of reasonings used in the estimations of deferred tax assets stated or not stated in the consolidated financial statements include the deferred tax position according to TAS provisions.

#### **4) Other Matter**

Consolidated financial statements of the Group for the accounting period that ends on 31 December 2016 were audited by another independent auditor, and a positive opinion was issued for these consolidated financial statements on 28 February 2017.

#### **5) Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

#### **6) Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

As part of an audit in accordance with the Independent Audit Standards issued by the CMB and the ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

# Independent Auditor's Report

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

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

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

## **B) Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 2 March 2018.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and consolidated financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The independent audit herein, is conducted and concluded by the engagement partner Burç Seven.

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

Burç Seven, SMMM  
Partner

İstanbul, 2 March 2018

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**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)  
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	Current Period 31 December 2017	Prior Period 31 December 2016
<b>ASSETS</b>			
<b>Current Assets</b>		<b>818,303,047</b>	<b>718,133,022</b>
Cash and cash equivalents	4	98,468,892	119,878,595
Trade receivables		325,294,511	289,113,207
Trade receivables from related parties	6,26	2,344,615	254,444
Trade receivables from third parties	6	322,949,896	288,858,763
Other receivables			
Other receivables from third parties	7	892,645	1,023,019
Inventories	8	337,266,267	275,115,719
Prepaid expenses	15	15,287,737	5,646,604
Assets related to current tax	24	927,758	983,913
Other current assets	15	40,165,237	26,371,965
<b>Non-Current Assets</b>		<b>635,180,946</b>	<b>166,933,775</b>
Other receivables			
Other receivables from third parties	7	186	186
Property, plant and equipment	9	569,283,614	99,664,077
Intangible assets		65,883,413	53,030,442
Goodwill	11	2,340,995	2,340,995
Other intangible assets	10	63,542,418	50,689,447
Prepaid expenses	15	13,733	75,376
Deferred tax assets	24	-	14,163,694
<b>TOTAL ASSETS</b>		<b>1,453,483,993</b>	<b>885,066,797</b>

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)  
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	Current Period 31 December 2017	Prior Period 31 December 2016
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>595,098,693</b>	<b>387,476,997</b>
Short-Term Borrowings	5	243,575,134	149,750,358
Trade Payables		296,879,346	211,966,288
Trade Payables to Related Parties	6,26	209,917,665	151,329,317
Trade Payables to Third Parties	6	86,961,681	60,636,971
Other Payables		28,911,679	7,157,202
Other Payables to Related Parties	26	9,109	9,109
Other Payables to Third Parties	7	28,902,570	7,148,093
Payables Related to Employee Benefits	7	4,531,279	3,887,846
Deferred Income	15	2,773,879	666,640
Short-Term Provisions			
Short-Term Provisions for Employee Benefits	14	3,107,996	-
Other Short-Term Provisions	13	15,319,380	14,048,663
<b>Non-Current Liabilities</b>		<b>230,259,282</b>	<b>235,125,229</b>
Long-Term Borrowings	5	189,175,667	220,495,000
Deferred Income	15	642,247	698,920
Long-Term Provisions for Employee Benefits			
Long-Term Provisions	14	19,448,903	13,931,309
Deferred Tax Liability	24	20,992,465	-
<b>EQUITY</b>		<b>628,126,018</b>	<b>262,464,571</b>
<b>Equity Attributable to Owners of the Company</b>		<b>628,126,018</b>	<b>262,464,571</b>
Share Capital	16	84,000,000	25,419,707
Adjustments to Share Capital	16	30,149,426	86,901,880
Other Comprehensive Income (Expenses) That Will Not Be Reclassified Subsequently to Profit (Loss)	16	412,086,655	(1,963,156)
Restricted Reserves Appropriated from Profit	16	162,175,629	163,579,754
Prior Years' Profit/Losses	16	(11,897,328)	34,863,033
Net Profit/Loss for The Year	16	(48,388,364)	(46,336,647)
<b>Non-Controlling Interests</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,453,483,993</b>	<b>885,066,797</b>

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
<b>PROFIT OR LOSS</b>			
Revenue	17	963,126,462	829,811,333
Cost of Sales (-)	17	(838,161,920)	(721,710,056)
<b>GROSS PROFIT/LOSS</b>		<b>124,964,542</b>	<b>108,101,277</b>
Administrative Expenses (-)	18	(41,670,453)	(37,734,296)
Marketing Expenses (-)	18	(67,465,058)	(59,092,606)
Research and Development Expenses (-)	18	(3,192,545)	(3,025,702)
Other Income from Operating Activities	20	24,518,878	16,183,595
Other Expenses from Operating Activities (-)	20	(35,047,361)	(30,733,777)
<b>OPERATING PROFIT/(LOSS)</b>		<b>2,108,003</b>	<b>(6,301,509)</b>
Income from Investing Activities	21	169,402	271,640
Expenses from Investing Activities (-)	21	(278,394)	(54,518)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE INCOME (EXPENSE)</b>		<b>1,999,011</b>	<b>(6,084,387)</b>
Finance Income	22	35,315,170	22,684,204
Finance Expenses (-)	23	(105,606,878)	(77,501,047)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(68,292,697)</b>	<b>(60,901,230)</b>
<b>Tax Income/(Expense) From Continuing Operations</b>		<b>19,904,333</b>	<b>14,564,583</b>
Current Tax (Expense) Income	24	(136,265)	(1,389,582)
Deferred Tax (Expense) Income	24	20,040,598	15,954,165
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(48,388,364)</b>	<b>(46,336,647)</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>(48,388,364)</b>	<b>(46,336,647)</b>
<b>Profit/(Loss) for the Year Attributable to:</b>	<b>16</b>	<b>(48,388,364)</b>	<b>(46,336,647)</b>
Owners of The Company	16	(48,388,364)	(46,336,647)
<b>Earnings/(Losses) Per 100 Share from Continuing Operations</b>	<b>25</b>	<b>(0,5761)</b>	<b>(0,5516)</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
<b>Items That Will Not Be Reclassified Subsequently to Profit or Loss</b>			
Gain (Loss) on Remeasurement of Property, Plant and Equipment	9	473.400.611	-
Gain (Loss) on Remeasurement of Defined Benefit Plans	14	(4.154.043)	(2.309.924)
Gain (Loss) on Remeasurement of Property, Plant and Equipment, Tax Effect	24	(56.027.566)	-
Gain (Loss) on Remeasurement of Defined Benefit Plans, Tax Effect	24	830.809	461.985
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>		<b>414.049.811</b>	<b>(1.847.939)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>365.661.447</b>	<b>(48.184.586)</b>
Non-Controlling Interests		-	-
Owners of The Company		365.661.447	(48.184.586)

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



**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****AUDITED CONSOLIDATED STATEMENT OF CASH FLOW****FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

		<b>Current Period</b>	<b>Prior Period</b>
	<b>Notes</b>	<b>1 January -</b>	<b>1 January -</b>
		<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Cash Flows from Operating Activities</b>		<b>18,995,551</b>	<b>37,878,472</b>
<b>Profit/Loss for the Year</b>	<b>16</b>	<b>(48,388,364)</b>	<b>(46,336,647)</b>
<b>Adjustments to Reconcile Profit/Loss for the Year</b>		<b>84,443,890</b>	<b>65,462,180</b>
Adjustments Related to Depreciation and Amortization Expenses	<b>9-10</b>	24,033,456	22,942,790
Adjustments Related to Provision for Employee Benefits (Released)	<b>14</b>	4,085,237	2,360,312
Adjustments Related to Tax (Income)/Expense	<b>24</b>	(19,904,333)	(14,564,583)
Adjustments Related to Interest Incomes	<b>22</b>	(9,431,566)	(7,700,235)
Adjustments Related to Interest Expenses	<b>23</b>	31,944,319	23,491,576
Adjustments Related to Unrealized Currency Translation Differences		47,183,600	37,833,160
Other Adjustments Related to Profit Or Loss		6,424,185	1,316,282
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	<b>21</b>	108,992	(217,122)
<b>Changes in Working Capital</b>		<b>(13,274,266)</b>	<b>25,412,272</b>
Adjustments Related to Decrease (Increase) in Trade Receivables		(42,265,803)	(6,520,621)
Adjustments Related to Decrease (Increase) in Inventories	<b>8</b>	(62,150,548)	45,548,656
Adjustments Related to Decrease (Increase) in Other Receivables from Operations	<b>7-15</b>	(23,247,876)	14,713,676
Adjustments Related to Increase (Decrease) in Trade Payables		84,973,400	(14,217,000)
Adjustments Related to Increase (Decrease) in Other Payables from Operations		71,218,790	(32,404,282)
Adjustments Related to Decrease (Increase) in Other Assets from Operations		(41,802,229)	18,291,843
<b>Cash Generated from Operations</b>		<b>22,781,260</b>	<b>44,537,805</b>
Income Tax Returns (Paid)		(1,064,023)	(2,373,495)
Payments to Provision of Employee Benefits	<b>14</b>	(2,721,686)	(4,285,838)
<b>Cash Flows from Investing Activities</b>		<b>(33,214,345)</b>	<b>(27,972,824)</b>
Proceeds from Sale of Property, Plant and Equipment	<b>9-21</b>	244,022	735,214
Payments For Purchase of Property, Plant and Equipment	<b>9</b>	(9,522,095)	(9,192,182)
Payments For Purchase of Intangible Assets	<b>10</b>	(23,936,272)	(19,515,856)
<b>Cash Flows from Financing Activities</b>		<b>(7,065,923)</b>	<b>31,641,395</b>
Dividends Paid		-	(12,709,853)
Interest Received		9,556,553	7,926,785
Interest Paid		(28,712,576)	(22,682,477)
Proceeds from Loans		165,965,100	205,887,500
Cash Outflows from Repayment of Loans		(153,875,000)	(146,780,560)
Net Increase/(Decrease) in Cash and Cash Equivalents Before the Effect of Exchange Rate Changes		<b>(21,284,717)</b>	<b>41,547,043</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(21,284,717)</b>	<b>41,547,043</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>4</b>	<b>119,642,178</b>	<b>78,095,135</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>4</b>	<b>98,357,461</b>	<b>119,642,178</b>

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

Prior Period	Notes	Paid-in Capital	Adjustments to Share Capital	Total Paid in Capital	Other Comprehensive Income or Expenses Not Be Reclassified to Profit or Loss	
					Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans
<b>Balances as of 01.01.2016</b>	<b>16</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	-	<b>(115,217)</b>
<b>Total Comprehensive Income/(Expense)</b>		-	-	-	-	<b>(1,847,939)</b>
Profit/(Loss) for The Period		-	-	-	-	-
Other Comprehensive Income/(Expense)		-	-	-	-	(1,847,939)
<b>Transfers</b>		-	-	-	-	-
<b>Other Adjustments</b>		-	-	-	-	-
<b>Dividends</b>		-	-	-	-	-
<b>Balances as of 31.12.2016</b>	<b>16</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	-	<b>(1,963,156)</b>
<b>Current Period</b>						
<b>Balances as of 01.01.2017:</b>	<b>16</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	-	<b>(1,963,156)</b>
<b>Total Comprehensive Income/(Expense)</b>		-	-	-	<b>417,373,045</b>	<b>(3,323,234)</b>
Profit/(Loss) for The Period		-	-	-	-	-
Other Comprehensive Income/(Expense)		-	-	-	417,373,045	(3,323,234)
<b>Transfers <sup>(1)</sup></b>		<b>58,580,293</b>	<b>(56,752,454)</b>	<b>1,827,839</b>	-	-
<b>Balances as of 31.12.2017</b>	<b>16</b>	<b>84,000,000</b>	<b>30,149,426</b>	<b>114,149,426</b>	<b>417,373,045</b>	<b>(5,286,390)</b>

<sup>(1)</sup> In current period, paid-capital of the Group has been raised to TL 84,000,000 from TL 25,419,707 by use of internal resources, As follows, TL 56,752,454 is transferred from adjustments to share capital, TL 1,827,839 is transferred from restricted resources from profit and retained earnings.

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

	Retained Earnings		Net Profit/ Loss for The Year	Equity Attributable to Owners of The Company	Non-Controlling Interests	Total Equity
	Restricted Reserves Allocated from Profit	Prior Years' Profit/ Losses				
	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
	163,579,754	34,863,033	(46,336,647)	262,464,571	-	262,464,571
	-	-	(48,388,364)	365,661,447	-	365,661,447
	-	-	(48,388,364)	(48,388,364)	-	(48,388,364)
	-	-	-	414,049,811	-	414,049,811
	(1,404,125)	(46,760,361)	46,336,647	-	-	-
	162,175,629	(11,897,328)	(48,388,364)	628,126,018	-	628,126,018

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**NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP**

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the "Company") was established in 1980. Principal activities of the Company are comprised mainly of manufacturing, assembling, import and sales of commercial vehicles and also procure and sales of related spare parts regarding to after sales service. The Company is registered to Capital Markets Board of Turkey and the percentage of 15 of the Company's shares has 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 which is established in Çayirova/Kocaeli. The average number of employees as of 31 December 2017 is 875 (31 December 2016: 823).

The Company, has been registered in Turkey, and the address of the Company is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No: 58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

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

<b>Company Name</b>	<b>Principal Activity</b>	<b>Capital</b>	<b>31 December 2017 Participation Rate (%)</b>	<b>31 December 2016 Participation Rate (%)</b>
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716.000	100,00	100,00

**Approval of Financial Statements**

Consolidated financial statements for the period 1 January - 31 December 2017 approved by the Board of Directors on 2 March 2018 and signed by Independent Member of the Board of Director Ahmet Cemal DÖRDÜNCÜ (Audit Committee Chairman) and Kamil Ömer BOZER (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Chief Financial Officer Bora ÖNER.

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

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

**2.1.1 Statement of Compliance TAS**

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

In addition, the financial statements and disclosures are presented in accordance with the publication by CMB dated 7 June 2013.

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

**Currency Used**

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in TL, which is the functional currency of the Company and the currency used for presenting consolidated financial statements.

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

**2.1 Basis of presentation (cont'd)**

**2.1.2 Consolidation principles**

**Subsidiaries**

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

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

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

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

Subsidiary	Voting Power Held By the Group (%)		Proportion of Ownership Interest (%)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
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 prior year consolidated financial statements.

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

**2.1 Basis of presentation (cont'd)**

**2.1.5 Amendments in International Financial Reporting Standards**

a) Amendments to TFRSs that are mandatorily effective as of 2017

Amendments to TAS 12	Recognition of Deferred Tax Assets for Unrealized Losses*
Amendments to TAS 7	Disclosure Initiative*
Annual Improvements to TFRS Standards 2014-2016 Cycle	TFRS 12*

\* Effective for annual periods beginning on or after 1 January 2017.

Amendments to TAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify recognition of deferred tax related to debt instruments measured at fair value. The amendments has had no impact on the Group's consolidated financial statements.

Amendments to TAS 7 Disclosure Initiative

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes The Group's liabilities arising from financing activities consist of borrowings (Note 5). A reconciliation between the opening and closing balances of these items is provided in Note 5. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 5, the application of these amendments has had no impact on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014-2016 Cycle

TFRS 12: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

b) New and revised TFRSs in issue but not yet effective

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

TFRS 9	Financial Instruments *
TFRS 15	Revenue from Contracts with Customers *
Amendments to TFRS 10 and TAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to TFRS 2	Classification and Measurement of Share-Based Payment Transactions *
TFRS Interpretation 22	Foreign Currency Transactions and Advance Consideration *
Amendments to TAS 40	Transfers of Investment Property *
Annual Improvements to TFRS Standards 2014-2016 Cycle	TFRS 1*, TAS 28*
Amendments to TAS 28	Long-term Interests in Associates and Joint Ventures **

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

\*\* Effective for annual periods beginning on or after 1 January 2019.

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

**2.1 Basis of presentation (cont'd)**

**2.1.5 Amendments in International Financial Reporting Standards (cont'd)**

b) New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 9 Financial Instruments

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets/liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group Management evaluates the impacts of the hedge accounting requirements of TFRS 9 to the Group's consolidated financial statements.

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

**2.1 Basis of presentation (cont'd)**

**2.1.5 Amendments in International Financial Reporting Standards (cont'd)**

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including TAS 18 Revenue, TAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Later on Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

The Group evaluates the impacts of IFRS 15 to Group's financial position and/or financial performance.

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

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

**Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions**

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

**IFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;
- The entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.



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

**2.1 Basis of presentation (cont'd)**

**2.1.5 Amendments in International Financial Reporting Standards (cont'd)**

Amendments to TAS 40 Transfers of Investment Property

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to TFRS Standards 2014-2016 Cycle

- TFRS 1: Deletes the short-term exemptions in paragraphs E3-E7 of TFRS 1, because they have now served their intended purpose.
- TAS 28: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Group evaluates the effects of these standards, amendments and improvements on the Group's financial position and performance.

**2.2 Summary of Significant Accounting Policies**

**2.2.1 Cash and cash equivalents**

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

**2.2.2 Trade receivables and provision for allowance**

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortised cost.

Provision for impairment of trade receivables is established if there is objective evidence that the Group 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 Group 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 Group's bank accounts at the due dates.

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

**2.2 Summary of Significant Accounting Policies (cont'd)**

**2.2.3 Inventories**

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

**2.2.4 Property, plant and equipment and related depreciation**

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

<b>Type</b>	<b>Depreciation rates (%)</b>
Land Improvements	5-6
Buildings	2-5
Machinery and Equipment	10-20
Motor Vehicles	10-20
Fixtures and Furniture	4-10

**Revaluation Method**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

**2.2 Summary of Significant Accounting Policies (cont'd)**

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

**Revaluation Method (cont'd)**

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**2.2.5 Intangible assets and related amortisation**

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

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

**2.2.6 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates" heading.

**2.2.7 Impairment of assets**

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is presumed. The recoverable amount is presumed in each year-end for unusable intangible assets. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of income. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

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

**2.2 Summary of Significant Accounting Policies (cont'd)**

**2.2.8 Bank loans and borrowing costs**

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

**2.2.9 Taxes on income**

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

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

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

**2.2.10 Provision for employee benefits**

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

**2.2.11 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

**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.

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

**2.2 Summary of Significant Accounting Policies (cont'd)**

**2.2.14 Related parties**

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

**2.2.15 Foreign currency transactions**

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

**2.2.16 Earnings per share**

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

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

**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.

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

**2.2 Summary of Significant Accounting Policies (cont'd)**

**2.2.17 Revenue recognition (cont'd)**

***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 difference is included in financial statements on accrual basis.

**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 12.

**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.

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

**2.2 Summary of Significant Accounting Policies (cont'd)**

**2.2.21 Derivative instruments (cont'd)**

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

**2.2.22 Accounting policies, changes in accounting estimates and errors**

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. 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.

With the 29 December 2017 dated resolution of the Board of Directors, it is decided that properties that were stated under "Property, Plant and Equipment" in the Group's financial statements and classified as lands and buildings that were carried at cost, will be evaluated and recognized with revaluation method as of the 31 December 2017 financial statements prepared according to Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS). In this scope, the effect of revaluation is represented in 31 December 2017 financial statements regarding the 5 February 2018 valuation reports prepared by SOM Gayrimenkul Değerleme ve Danışmanlık Hizmetleri A.Ş. TL 417,373,045 net amount of revaluation increase after tax is recognized in "Property, Plant and Equipment Revaluation Increase" under Equity.

**2.2.23 Other accounting estimates**

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 except instances where the estimation of the effect related to upcoming periods are not possible.

- 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 2017, the Group recognised deferred tax assets of TL 26,592,480 (31 December 2016: TL 13,087,094) based on total deductible financial losses of TL 126,418,854 (31 December 2016: TL 65,435,471) as sufficient taxable profit is likely to occur in the upcoming periods.
- b) The Group determined the warranty provision based on warranty costs for each vehicle model in previous years and the remaining warranty periods for each vehicle.

**2.2.24 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 presented in the consolidated cash flow statements as of 31 December 2017 and 31 December 2016 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cash	130.494	146.013
Banks-Demand deposits	19.257.596	2.016.799
Banks-Time deposits (up to 3 months)	78.968.916	113.246.533
Other cash and cash equivalents (*)	111.886	4.469.250
<b>Total</b>	<b>98.468.892</b>	<b>119.878.595</b>

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

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

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2017 and 31 December 2016 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Liquid Assets	98.468.892	119.878.595
Interest Accruals (-)	(111.431)	(236.417)
<b>Total (Excluding interest accruals)</b>	<b>98.357.461</b>	<b>119.642.178</b>

The details of time deposits are as follows:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Amount in TL</b>	<b>Annual Interest Rate (%)</b>	<b>Amount in TL</b>	<b>Annual Interest Rate (%)</b>
TL	53,952.431	7,00-15,50	88.775.255	6,00-11,55
USD	17,746.481	0,25-4,20	7.108.864	0,25
EUR	7,270.004	0,10	17.362.414	0,10
<b>Total</b>	<b>78.968.916</b>		<b>113.246.533</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.



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**NOTE 5 - FINANCIAL LIABILITIES**

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

**Short-term Bank Loans**

	Annual		Original Currency		Amount in TL	
	Effective Interest Rate (%)					
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Short-term Bank Loans</b>						
EUR	2,40	2,64	43.043.730	17.495.360	194.363.965	64.906.035
TL	12,97	13,04	49.211.169	84.844.323	49.211.169	84.844.323
<b>Total</b>					<b>243.575.134</b>	<b>149.750.358</b>

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

Period	31 December 2017	31 December 2016
Up to one month	10.019.792	20.485.833
<b>Total</b>	<b>10.019.792</b>	<b>20.485.833</b>

**Long-term Bank Loans**

	Annual		Original Currency		Amount in TL	
	Effective Interest Rate (%)					
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Long-term Bank Loans</b>						
EUR	2,92	2,62	11.333.333	50.000.000	51.175.667	185.495.000
TL	14,85	12,60	138.000.000	35.000.000	138.000.000	35.000.000
<b>Total</b>					<b>189.175.667</b>	<b>220.495.000</b>

Maturity date of long-term TL and EURO borrowings is in 2019.

Financial net debt reconciliation as of 31 December 2017 is as follows:

<b>Opening balance</b>	<b>370.245.358</b>
Interest expense	31.944.319
Interest paid	(28.712.576)
Newly obtained credits	165.965.100
Loans repaid	(153.875.000)
Exchange difference	47.183.600
<b>Closing balance</b>	<b>432.750.801</b>

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**NOTE 6 - TRADE RECEIVABLES AND PAYABLES**

Trade receivables at period ends are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Short-term Trade Receivables</b>		
Trade Receivables from Third Parties	329.035.874	292.038.375
Trade Receivables from Related Parties	2.344.615	254.444
Rediscount Expenses (-)	(6.085.978)	(3.179.612)
Doubtful Receivables	175.000	333.324
Allowance for Doubtful Receivables (-)	(175.000)	(333.324)
<b>Total</b>	<b>325.294.511</b>	<b>289.113.207</b>

Movements of provision for doubtful receivables are as follows:

	<b>2017</b>	<b>2016</b>
<b>Opening Balance - 1 January</b>	<b>333.324</b>	<b>333.324</b>
Provision for the Period	-	-
Collections in the Period	(158.324)	-
<b>Closing Balance - 31 December</b>	<b>175.000</b>	<b>333.324</b>

Trade payables as of period ends are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Trade Payables</b>		
Trade Payables to Third Parties	87.612.457	61.207.482
Trade Payables to Related Parties	209.917.665	151.329.317
Rediscount on Trade Payables (-)	(650.776)	(570.511)
<b>Total</b>	<b>296.879.346</b>	<b>211.966.288</b>

**NOTE 7 - OTHER RECEIVABLES AND PAYABLES**

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Other Short-term Receivables</b>		
<b>Other Receivables from Third Parties</b>		
Receivables from Tax Office (*)	262.841	500.277
Due from Personnel	615.767	522.718
Deposits and Guarantees Given	14.037	24
<b>Total</b>	<b>892.645</b>	<b>1.023.019</b>

(\*) As of 31 December 2017, the amount of Group's receivables was TL 110,000 which consists of the receivables related to the VAT refund request (31 December 2016 TL 370.939).

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Other Long-term Receivables</b>		
<b>Other Receivables from Third Parties</b>		
Deposits and Guarantees Given	186	186
<b>Total</b>	<b>186</b>	<b>186</b>

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Other Short-term Payables</b>		
<b>Other Payables From Third Parties</b>		
Long term provision for the employee benefits	4.531.279	3.887.846
Advances received	27.731.167	6.326.846
Tax and funds payables	1.138.780	808.846
Other current payables	32.623	12.401
<b>Total</b>	<b>33.433.849</b>	<b>11.035.939</b>

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**NOTE 8 - INVENTORIES**

Inventory balances as of period ends are as follows:

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Raw materials	133.664.449	96.940.388
Work in process goods	6.300.127	1.255.460
Finished goods	111.315.468	112.915.680
Trade goods	33.701.823	21.018.732
Other inventory	1.199.293	1.088.263
Goods in transit	51.892.430	43.111.266
	<hr/> 338.073.590	<hr/> 276.329.789
Impairment in Finished Goods and Trade Goods	(807.323)	(1.214.070)
<b>Total</b>	<b><u>337.266.267</u></b>	<b><u>275.115.719</u></b>
<b>Movement of Provision for Inventory Impairment</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Opening Balance - 1 January	1.214.070	706.632
Provision released (-)	(406.747)	(15.772)
Current Period Impairment (+)	-	523.210
<b>Closing Balance - 31 December</b>	<b><u>807.323</u></b>	<b><u>1.214.070</u></b>

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**NOTE 9 - PROPERTY, PLANT AND EQUIPMENT**

<b>Cost Value</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Plant, Machinery and Equipment</b>
<b>Opening Balance as of 1 January 2017</b>	<b>1.292.239</b>	<b>12.212.028</b>	<b>82.068.647</b>	<b>184.928.916</b>
Additions	-	62.196	199.049	5.464.795
Transfer from Construction in Progress	-	11.868	-	827.739
Disposals	-	-	-	(9.031.919)
<b>Gain on Revaluation of Property, Plant and Equipment</b>	92.871.761	-	380.528.850	-
<b>Closing Balance as of 31 December 2017</b>	<b>94.164.000</b>	<b>12.286.092</b>	<b>462.796.546</b>	<b>182.189.531</b>
<b>Accumulated Depreciation</b>				
<b>Opening Balance as of 1 January 2017</b>	-	<b>(7.564.532)</b>	<b>(40.621.417)</b>	<b>(137.124.706)</b>
Charge for the year	-	(444.515)	(2.742.288)	(8.378.742)
Disposals	-	-	-	8.756.901
<b>Closing Balance as of 31 December 2017</b>	-	<b>(8.009.047)</b>	<b>(43.363.705)</b>	<b>(136.746.547)</b>
<b>Net Carrying Value</b>				
<b>Opening Balance as of 1 January 2017</b>	<b>1.292.239</b>	<b>4.647.496</b>	<b>41.447.230</b>	<b>47.804.210</b>
<b>Closing Balance as of 31 December 2017</b>	<b>94.164.000</b>	<b>4.277.045</b>	<b>419.432.841</b>	<b>45.442.984</b>

Amounting to TL 9,467,649 of the depreciation expenses has been charged to cost of sales, and TL 273,746 to research and development expenses and TL 1,142,676 to marketing expenses, TL 787,198 to general administrative expenses and TL 1,278,888 to R&D capitalization as of 31 December 2017.

<b>Cost Value</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Plant, Machinery and Equipment</b>
<b>Opening Balance 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
Transfer from Construction in Progress	-	104.486	1.818.974	2.332.426
Disposals	-	-	-	(755.860)
<b>Closing Balance 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>
<b>Accumulated Depreciation</b>				
<b>Opening Balance as of 1 January 2016</b>	-	<b>(7.130.209)</b>	<b>(37.965.821)</b>	<b>(129.909.645)</b>
Charge for the Period	-	(434.323)	(2.655.596)	(7.946.294)
Disposals	-	-	-	731.233
<b>Closing Balance as of 31 December 2016</b>	-	<b>(7.564.532)</b>	<b>(40.621.417)</b>	<b>(137.124.706)</b>
<b>Net Carrying Value</b>				
<b>Opening Balance as of 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>Closing Balance as of 31 December 2016</b>	<b>1.292.239</b>	<b>4.647.496</b>	<b>41.447.230</b>	<b>47.804.210</b>

Amounting to TL 9,434,388 of the depreciation expenses has been charged to cost of sales, and TL 222,925 to research and development expenses and TL 964,673 to marketing expenses, TL 527,710 to general administrative expenses and TL 1,200,522 to R&D capitalization as of 31 December 2016.

Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	TOTAL
<b>7.089.454</b>	<b>4.476.234</b>	<b>774.199</b>	<b>578.207</b>	<b>293.419.924</b>
3.006.777	46.434	-	742.844	<b>9.522.095</b>
-	-	-	(839.607)	-
(2.220.541)	(530.063)	-	-	<b>(11.782.523)</b>
-	-	-	-	<b>473.400.611</b>
<b>7.875.690</b>	<b>3.992.605</b>	<b>774.199</b>	<b>481.444</b>	<b>764.560.107</b>
<b>(4.757.483)</b>	<b>(2.926.451)</b>	<b>(761.258)</b>	-	<b>(193.755.847)</b>
(1.107.996)	(273.746)	(2.868)	-	<b>(12.950.155)</b>
2.146.039	526.569	-	-	<b>11.429.509</b>
<b>(3.719.440)</b>	<b>(2.673.628)</b>	<b>(764.126)</b>	-	<b>(195.276.493)</b>
<b>2.331.971</b>	<b>1.549.783</b>	<b>12.941</b>	<b>578.207</b>	<b>99.664.077</b>
<b>4.156.250</b>	<b>1.318.977</b>	<b>10.073</b>	<b>481.444</b>	<b>569.283.614</b>
Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	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	<b>9.192.182</b>
-	375.460	-	(4.631.346)	-
(927.902)	(1.450)	-	-	<b>(1.685.212)</b>
<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)	-	<b>(12.350.218)</b>
434.437	1.450	-	-	<b>1.167.120</b>
<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>

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**NOTE 10 - INTANGIBLE ASSETS**

**31 December 2017**

<u>Cost Value</u>	<u>Rights</u>	<u>Research &amp; Development Operations</u>	<u>Other Intangible Assets</u>	<u>Construction in Progress <sup>(1)</sup></u>	<u>TOTAL</u>
<b>Opening Balance as of 1 January 2017</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>
Additions	2.696	-	1.791.470	22.142.106	<b>23.936.272</b>
Transfer from Construction in Progress		11.875.224	4.433.647	(16.308.871)	-
<b>Closing balance as of 31 December 2017</b>	<b>370.007</b>	<b>73.279.357</b>	<b>18.324.258</b>	<b>24.870.334</b>	<b>116.843.956</b>
<b>Accumulated Amortization</b>					
<b>Opening Balance as of 1 January 2017</b>	<b>(67.598)</b>	<b>(33.328.537)</b>	<b>(8.822.102)</b>	<b>-</b>	<b>(42.218.237)</b>
Charge for the period	(27.920)	(9.035.198)	(2.020.183)	-	<b>(11.083.301)</b>
<b>Closing balance as of 31 December 2017</b>	<b>(95.518)</b>	<b>(42.363.735)</b>	<b>(10.842.285)</b>	<b>-</b>	<b>(53.301.538)</b>
<b>Carrying Value</b>					
<b>Opening Balance as of 1 January 2017</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>
<b>Closing balance as of 31 December 2017</b>	<b>274.489</b>	<b>30.915.622</b>	<b>7.481.973</b>	<b>24.870.334</b>	<b>63.542.418</b>

<sup>(1)</sup> As of 31 December 2017, TL 24,631,962 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

Amounting to TL 9,406,787 of the depreciation expenses of intangible assets has been charged to cost of sales, and TL 532,889 to research and development expenses and TL 82,086 to marketing expenses, TL 802,625 to general administrative expenses and TL 258,914 to R&D capitalization as of 31 December 2017.

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**NOTE 10 - INTANGIBLE ASSETS (cont'd)**

**31 December 2016**

<u>Cost Value</u>	<u>Rights</u>	<u>Research &amp; Development Operations</u>	<u>Other Intangible Assets</u>	<u>Construction in Progress (*)</u>	<u>TOTAL</u>
<b>Opening Balance 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	<b>19.515.856</b>
Transfer from Construction in Progress	-	9.008.409	526.463	(9.534.872)	-
<b>Closing Balance 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>

**Accumulated Amortization**

<b>Opening Balance 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>
Charge for the Period	(19.057)	(8.307.614)	(2.265.901)	-	<b>(10.592.572)</b>
<b>Closing Balance 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>

**Carrying Value**

<b>Opening Balance as of 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>Closing Balance as of 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>(\*)</sup> As of 31 December 2016, TL 16,332,978 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

Amounting to TL 8,729,435 of the depreciation expenses of intangible assets has been charged to cost of sales, and TL 378,143 to research and development expenses and TL 505,537 to marketing expenses, TL 890,960 to general administrative expenses and TL 88,497 to R&D capitalization as of 31 December 2016.

**NOTE 11 - GOODWILL**

<u>31 December 2017</u>	<u>Net Carrying Value</u>
<b>Opening balance as at 1 January 2017</b>	<b>2.340.995</b>
Additions	-
Provision for impairment	-
<b>Closing balance as at 31 December 2017</b>	<b>2.340.995</b>
<u>31 December 2016</u>	<u>Net Carrying Value</u>
<b>Opening balance as at 1 January 2016</b>	<b>2.340.995</b>
Additions	-
Provision for impairment	-
<b>Closing Balance as at 31 December 2016</b>	<b>2.340.995</b>

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**NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES**

In 2017, TL 675,296 was collected as cash in relation to R&D activities provided by TUBITAK (2016: TL 145.032).

The Group can use R&D deduction in its tax calculations in the amount of TL 41,480,482 as of 31 December 2017. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008, R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100%. (TL 17.494.318 as of 31 December 2016)

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

Regarding the TL 55.041.689 spent as of 31 December 2017 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 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<b>Other Short-term Provisions</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Warranty Provisions	11.642.227	12.338.519
Provision for Lawsuits	3.567.284	1.710.144
Provision for Premium and Commission	109.869	-
<b>Total</b>	<b>15.319.380</b>	<b>14.048.663</b>

Movements of provisions during the period are as follows:

	<b>Warranty Provisions</b>	<b>Provision for Lawsuits</b>	<b>Provision for Premium and Commission</b>	<b>Total</b>
<b>Opening Balance as at 1 January 2017</b>	12.338.519	1.710.144	-	<b>14.048.663</b>
Additions During The Period	9.854.703	2.216.245	109.869	<b>12.180.817</b>
Less: Paid During The Period (-)	(10.550.995)	(241.105)	-	<b>(10.792.100)</b>
Reversal of provision (-)	-	(118.000)	-	<b>(118.000)</b>
<b>Closing Balance as at 31 December 2017</b>	<b>11.642.227</b>	<b>3.567.284</b>	<b>109.869</b>	<b>15.319.380</b>

	<b>Warranty Provisions</b>	<b>Provision for Lawsuits</b>	<b>Total</b>
<b>Opening Balance as at 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>Closing Balance as at 31 December 2016</b>	<b>12.338.519</b>	<b>1.710.144</b>	<b>14.048.663</b>



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**NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

**Lawsuits against the Group:**

Amount of provisions allocated for the lawsuits which were filed against the Group as of 31 December 2017 and have not ended as of the balance sheet date equals TL 3,567,284 (31 December 2016: TL 1.710.144).

**A Mortgages and Guarantees on Assets**

There are not any mortgages and guarantees on assets.

**Total Insurance Coverage on Assets:**

Total insurance coverage on assets is TL 892,934,291 as of 31 December 2017 (31 December 2016: TL 782.599.168).

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

Type	31 December 2017	31 December 2016
Given Letters of Guarantee	116.292.868	46.172.346
<b>Total</b>	<b>116.292.868</b>	<b>46.172.346</b>

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

	31 December 2017	31 December 2016
<b>A. CPMs given in the name of its own legal personality</b>	<b>116.292.868</b>	<b>46.172.346</b>
i. Collateral	116.292.868	46.172.346
ii. Mortgage	-	-
<b>B. CPMs given on behalf of fully consolidated companies</b>	-	-
<b>C. CPMs given in the normal course of business activities on behalf of third parties</b>	-	-
<b>D. Total amount of other CPMs</b>	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>116.292.868</b>	<b>46.172.346</b>

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 31 December 2017 (0% as of 31 December 2016).

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

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**NOTE 14 - EMPLOYEE BENEFITS**

<b>Short-term Provisions for Employee Benefits</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Provision for Wage Differential in Collective Labour Agreement	2.452.546	-
Provision for Unused Vacation	655.450	-
	<b>3.107.996</b>	<b>-</b>

Short-term provisions for employee benefits consist of provisions that were calculated and unpaid as of the end of period.

<b>Long-Term Provisions for Employee Benefits</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Provision for Employment Termination Benefits</b>	<b>19.448.903</b>	<b>13.931.309</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 TL 5,001,76 (1 January 2017 TL 4.426,16) applicable as of 01 January 2018 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 2017</b>	<b>31 December 2016</b>
Annual Net Discount Rate (%)	4,21	3,77
Turnover Rate to Estimate the Probability of Retirement (%)	3,98	2,92

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

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

	<b>2017</b>	<b>2016</b>
<b>Opening Balance - 1 January</b>	<b>13.931.309</b>	<b>13.546.911</b>
Service cost	3.559.527	1.026.732
Interest cost	525.710	1.333.580
Actuarial loss	4.154.043	2.309.924
Retirement payment paid	(2.721.686)	(4.285.838)
<b>Closing Balance - 31 December</b>	<b>19.448.903</b>	<b>13.931.309</b>

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**NOTE 15 - OTHER ASSETS AND LIABILITIES**

<b>Prepaid Expenses</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Advances Given	10.334.103	5.113.121
Prepaid Insurance Expenses	84.319	211.800
Prepaid Subscription Expenses	24.691	20.896
Prepaid Advertisement Expenses	455.026	27.819
Prepaid Commission Expenses	3.904.729	-
Prepaid Other Expenses	484.869	272.968
<b>Total</b>	<b>15.287.737</b>	<b>5.646.604</b>

<b>Other Current Assets</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Deferred VAT	39.804.274	25.682.834
Other Current Assets	360.963	689.131
<b>Total</b>	<b>40.165.237</b>	<b>26.371.965</b>

<b>Prepaid Expenses</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Other Expenses	13.733	75.376
<b>Total</b>	<b>13.733</b>	<b>75.376</b>

<b>Deferred Income (Short-Term)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Deferred Income <sup>(1)</sup>	2.773.879	666.640
<b>Total</b>	<b>2.773.879</b>	<b>666.640</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 2017, is TL 419,046 (31 December 2016: R&D cash support income that will be transferred to the income statement for upcoming months is TL 482,727).

<b>Deferred Income (Long-Term)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Deferred Income <sup>(*)</sup>	642.247	698.920
<b>Total</b>	<b>642.247</b>	<b>698.920</b>

<sup>(\*)</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 2017 is TL 562,948 (31 December 2016: TL 441,758).

**NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

**Capital/Elimination Adjustments**

As of 31 December 2017 the share capital of the Company is TL 84,000,000 (31 December 2016: TL 25,419,707).

In the current period, the Group's share capital has been increased from TL 25,419,707 (TL 56,752,454 of which is from the capital adjustment difference, 1,827,839 of which is from restricted reserves appropriated from profit and prior years' profit/loss calculations) to 84,000,000 by providing from internal resources.

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

**31 December 2017**

<b>SHAREHOLDERS</b>	<b>GROUP A</b>	<b>GROUP B</b>	<b>GROUP C</b>	<b>SHARE AMOUNT</b>	<b>SHARE (%)</b>
AG ANADOLU GRUBU HOLDİNG A.Ş.	44.844.772	-	1.690.629	46.535.401	<b>55,40</b>
ISUZU MOTORS LTD.	-	14.275.509	-	14.275.509	<b>16,99</b>
ITOCHU CORPORATION TOKYO	-	7.948.322	-	7.948.322	<b>9,46</b>
ITOCHU CORPORATION İSTANBUL	-	2.758.212	-	2.758.212	<b>3,28</b>
OTHER	308.373	-	12.174.183	12.482.556	<b>14,87</b>
<b>TOTAL</b>	<b>45.153.145</b>	<b>24.982.043</b>	<b>13.864.812</b>	<b>84.000.000</b>	<b>100,00</b>

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**NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**

**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	<b>35,71</b>
ÖZİLHAN SINAİ YATIRIM A.Ş.	4.269.734	-	2.108	4.271.842	<b>16,81</b>
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	227.805	-	40.141	267.946	<b>1,05</b>
ISUZU MOTORS LTD.	-	4.319.991	-	4.319.991	<b>16,99</b>
ITOCHU CORPORATION TOKYO	-	2.405.286	-	2.405.286	<b>9,46</b>
ITOCHU CORPORATION İSTANBUL	-	834.678	-	834.678	<b>3,28</b>
BEARER SHARES PUBLICLY TRADED	-	-	4.148.981	4.148.981	<b>16,32</b>
OTHER BEARER SHARES	93.318	-	-	93.318	<b>0,38</b>
<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 TL 84,000,000 corresponding to the share capital of the company, is fully paid up as free from any misleading transactions. The Company is not included in registered capital system.

**Privileges Granted to the Share Groups**

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

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

**31 December 2017**

Paid-in Capital	84.000.000
Capital Inflation Adjustment Difference	30.149.426
Reserves on Retained Earning	162.175.629
Retained Earnings	(11.897.328)
Gain/(loss) on Revaluation and Remeasurement	412.086.655
Net Profit (Loss) for The Period	(48.388.364)
<b>Shareholders' Equity Attributable to Equity Holders of the Group</b>	<b>628.126.018</b>
<b>Non-Controlling Shares</b>	<b>-</b>
<b>Total Shareholders' Equity</b>	<b>628.126.018</b>

**31 December 2016**

Paid-in Capital	25.419.707
Capital Inflation Adjustment Difference	86.901.880
Reserves on Retained Earning	163.579.754
Retained Earnings	34.863.033
Gain/(loss) on Revaluation and Remeasurement	(1.963.156)
Net Profit (Loss) for The Period	(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>

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**NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**

**Restricted reserves appropriated from profit**

Restricted reserves appropriated from profit are comprised of legal reserves and other reserves.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Legal Reserves	23.738.381	23.695.839
Real Estate Sale Profit Exemption	138.437.248	138.437.248
Profit Reserves from Sale of Affiliates	-	1.446.666
Profit on Cancelled Shares Certificates	-	1
<b>Total</b>	<b>162.175.629</b>	<b>163.579.754</b>

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 2017, the Group's total restricted reserves are TL 162,175,629 (31 December 2016: TL 163,579,754).

**Retained earnings**

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

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Extraordinary reserves	9.661.446	9.781.181
Inflation difference of legal reserves	24.820.415	24.820.414
Subsidiaries sales profitability inflation	-	260.632
Inflation difference of cancelled shares certificates	-	806
Retained earnings/losses	(46.379.189)	-
<b>Total</b>	<b>(11.897.328)</b>	<b>34.863.033</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 on Equity; the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences will be liable to corporate tax if it is used in cash profit distribution.

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**NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**

**Retained earnings (cont'd)**

Group's retained earnings is TL 11,897,328 based on the financial statements prepared in according with TAS/TFRS Financial Reporting Standard for the period ended 31 December 2017.

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

**NOTE 17 - REVENUE AND COST OF SALES**

<b>Revenue</b>	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Domestic Sales	789.381.081	704.723.470
Foreign Sales	230.532.668	184.384.900
Other Income	6.825.860	5.177.377
<b>Sales Total (Gross)</b>	<b>1.026.739.609</b>	<b>894.285.747</b>
Sales Discounts (-)	(63.613.147)	(64.474.414)
<b>Sales (Net)</b>	<b>963.126.462</b>	<b>829.811.333</b>
<b>Cost of Sales</b>	<b>(838.161.920)</b>	<b>(721.710.056)</b>
<b>Gross Operating Profit</b>	<b>124.964.542</b>	<b>108.101.277</b>

Cost of sales are summarised as follows;

<b>Cost of Sales</b>	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Raw Materials and Supplies Expenses	667.920.918	486.112.287
Direct Labor Expenses	43.702.406	34.682.911
Depreciation and Amortization Expenses	18.874.436	18.163.823
Other Production Costs	12.223.630	11.658.868
<b>Total Cost of Production</b>	<b>742.721.390</b>	<b>550.617.889</b>
Change in Finished and Work in Process Goods	5.717.385	90.151.258
Cost of Trade Goods Sold	88.029.978	79.872.761
Cost of Other Sales	1.693.167	1.068.148
<b>Cost of Sales</b>	<b>838.161.920</b>	<b>721.710.056</b>

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**NOTE 18 - ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>a) Research and Development Expenses</b>		
Personnel Expenses	(372.043)	(531.612)
Trade Goods Quality Enhancement Expenses	(971.030)	(1.574.037)
Amortization Expense (Notes 9-10)	(806.635)	(601.068)
Other	(1.042.837)	(318.985)
<b>Total Research and Development Expenses</b>	<b>(3.192.545)</b>	<b>(3.025.702)</b>
<b>b) Marketing Expenses</b>		
Domestic Sales Expense	(1.678.768)	(1.653.426)
Export Expense	(6.279.570)	(6.924.204)
Personnel Expenses	(12.715.740)	(10.381.975)
Advertisement Expenses	(7.287.097)	(8.308.903)
Guarantee Expenses	(9.854.141)	(9.331.095)
Freight And Expressing Expenses	(9.966.284)	(8.169.577)
Royalty Expenses	(5.852.288)	(4.663.149)
Amortization Expense (Notes 9-10)	(1.224.762)	(1.470.210)
Other	(12.606.408)	(8.190.067)
<b>Total Marketing Expenses</b>	<b>(67.465.058)</b>	<b>(59.092.606)</b>
<b>c) General Administrative Expenses</b>		
Personnel Expenses	(13.940.219)	(13.711.974)
Provision for Employee Termination Benefits	(766.180)	(1.026.732)
Business and Service Expenses	(15.999.981)	(14.107.570)
Amortization Expense	(1.589.823)	(1.418.670)
Insurance Expenses	(1.828.231)	(1.729.891)
Other	(7.546.019)	(5.739.459)
<b>Total General Administrative Expenses</b>	<b>(41.670.453)</b>	<b>(37.734.296)</b>

**NOTE 19 - EXPENSES BY NATURE**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Direct Raw Material and Supplies Costs	667.920.918	486.112.287
Cost of Trade Goods Sold	88.029.978	79.872.761
Cost of Other Goods Sold	1.693.167	1.068.148
Change in Goods Inventory	5.717.385	90.151.258
Other Expenses	80.912.654	70.710.363
Personnel Expenses	71.496.588	60.335.204
Depreciation And Amortisation Expenses	22.495.656	21.653.771
Other Production Expenses	12.223.630	11.658.868
<b>Total Expenses</b>	<b>950.489.976</b>	<b>821.562.660</b>

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

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**NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Other Income from Operating Activities:</b>		
Foreign Exchange Income on Trade Receivables and Payables	13.825.756	6.567.837
Discount Income on Trade Payables	3.889.310	4.359.990
Service Income	1.436.278	1.428.341
Incentive Income	1.168.834	642.176
MESS Incentive	537.565	379.612
Tubitak R&D Incentive	617.787	732.298
Export D.F.I.F Support	479.561	397.344
Non-Contingent Provisions	158.323	-
Rent Income	70.000	487.388
Insurance Indemnity Income	40.250	56.867
Other Income	2.295.214	1.131.742
<b>Total</b>	<b>24.518.878</b>	<b>16.183.595</b>
<b>Other Expense from Operating Activities:</b>		
Foreign Exchange Expense on Trade Receivables and Payables	(27.371.660)	(25.163.113)
Discount Income on Trade Receivables	(6.720.531)	(4.242.970)
Contribution Expense	(122.961)	(58.016)
Other Expenses	(832.209)	(1.269.678)
<b>Total</b>	<b>(35.047.361)</b>	<b>(30.733.777)</b>

**NOTE 21 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Income from Investing Activities</b>		
Gain on Sale of Machinery and Equipment	169.402	271.640
<b>Total</b>	<b>169.402</b>	<b>271.640</b>
<b>Expenses from Investing Activities</b>		
Loss on Sale of Machinery and Equipment	(278.394)	(54.518)
<b>Total</b>	<b>(278.394)</b>	<b>(54.518)</b>

**NOTE 22 - FINANCE INCOME**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Finance Income</b>		
Interest Income	6.360.714	6.684.819
Delay Interest Income	3.070.852	1.015.416
Foreign Exchange Gain	25.883.604	14.983.969
<b>Total</b>	<b>35.315.170</b>	<b>22.684.204</b>

**NOTE 23 - FINANCE EXPENSES**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Finance expense:</b>		
Interest Expense	(28.547.012)	(22.020.515)
Foreign Exchange Losses	(69.672.970)	(51.783.307)
Expense from Derivative Transactions	(2.056.672)	-
Forward Purchase Expense	(3.397.307)	(1.471.061)
Other Finance Expenses	(1.932.917)	(2.226.164)
<b>Total</b>	<b>(105.606.878)</b>	<b>(77.501.047)</b>



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**NOTE 24 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

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

<b>Account</b>	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Current Income Tax Provision (-)	(136.265)	(1.389.582)
Deferred Tax Income (Expense)		
- Income Statement	20.040.598	15.954.165
<b>Total Tax Income/(Expense)</b>	<b>19.904.333</b>	<b>14.564.583</b>
Tax Income/(Expense)		
- Other Comprehensive Income Statement	(55.196.757)	461.985
<b>Total Tax Income/(Expense)</b>	<b>(35.292.424)</b>	<b>15.026.568</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Current Corporate Tax Provision	136.265	1.389.582
Less: Prepaid Taxes and Funds	(1.064.023)	(2.373.495)
<b>Tax Payable</b>	<b>(927.758)</b>	<b>(983.913)</b>

As of 31 December 2017, the amount of corporate tax paid in advance is amounted to TL 927,758 which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation.

*i) Provision for Current Period Tax*

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

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

Consolidation principle is not utilized to prepare financial statements related to tax that is effective in Turkey.

The effective tax rate in 2017 is 20% (2016: 20%).

The corporate tax is determined as 22% of corporate taxpayers' earnings in 2018, 2019 and 2020 accounting periods by temporary Article 10 added in Corporate Tax Law.

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

According to Corporate Tax Law's 24<sup>th</sup> 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 25<sup>th</sup> of April in the following year. Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings.

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**NOTE 24 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**

**Income Withholding Tax:**

In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed. The rate of income tax withholding is 15%.

**ii) Deferred Tax:**

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

Timing differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Timing differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and liabilities, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset. Corporate tax rate used in the calculation of deferred taxes is 22% for temporary differences ending in 2018, 2019 and 2020, and 20% for other long-term temporary differences.

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Cumulative Temporary Differences</b>	<b>Deferred Tax Assets/ (Liabilities)</b>	<b>Cumulative Temporary Differences</b>	<b>Deferred Tax Assets/ (Liabilities)</b>
Inventories	6.836.094	1.503.941	1.487.672	297.534
Non-Current Assets (Net)	(520.585.471)	(65.464.539)	(44.124.022)	(8.824.805)
Provision for Employment Termination Benefits	19.448.903	3.889.781	13.931.309	2.786.262
Guarantee Provisions	11.642.227	2.561.290	12.338.519	2.467.704
R&D Discount	41.480.482	8.296.096	17.494.318	3.498.864
Current Year Financial Loss (*)	126.418.854	26.080.108	65.435.471	13.087.094
Rediscount Expenses/Income (Net)	5.374.801	1.182.456	2.545.058	509.012
Law Suit Provisions	3.567.285	784.803	1.710.144	342.029
Other (Net)	789.085	173.599	-	-
<b>Total</b>		<b>(20.992.465)</b>		<b>14.163.694</b>

\* It is foreseen that the financial loss of the current period will be completely lowered in the next 4 years.

	<b>1 January 2017 31 December 2017</b>	<b>1 January 2016 31 December 2016</b>
<b>Movement of Deferred Tax Assets/(Liabilities)</b>		
Opening Balance	14.163.694	(2.252.456)
Charged to Profit or Loss	20.040.598	15.954.165
Charged to Comprehensive Income	(55.196.757)	461.985
<b>Closing Balance</b>	<b>(20.992.465)</b>	<b>14.163.694</b>

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

	<b>1 January 2017 31 December 2017</b>	<b>1 January 2016 31 December 2016</b>
<b>Reconciliation of Tax Provision:</b>		
<b>Income/(Loss) from Continuing Operations</b>	<b>(68.292.697)</b>	<b>(60.901.230)</b>
Corporate Tax (20% or 22%)	15.019.066	12.180.246
<b>Tax Effects of:</b>		
-R&D Deductions	4.797.233	3.498.864
-R&D Support Income	123.557	146.460
-Tax Base Increase	-	(1.225.518)
-Other	(35.523)	(35.469)
<b>Income Tax Income/(Expense) Recognised in Profit or Loss</b>	<b>19.904.333</b>	<b>14.564.583</b>

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**NOTE 25 - EARNINGS PER SHARE**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Net Profit or Loss for The Period	(48.388.364)	(46.336.647)
Weighted Average Number of Shares with Nominal Value of 1 Piastre	8.400.000.000	8.400.000.000
<b>Income/(Loss) Per 100 Share with Nominal Value of TL 1 Each</b>	<b>(0,5761)</b>	<b>(0,5516)</b>

**NOTE 26 - RELATED PARTY DISCLOSURES**

**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 2017**

<b>Balances with Related Parties</b>	<b>Receivables</b>		<b>Payables</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</b>
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	13.393	-
AEH Sigorta Acenteliği A.Ş.	-	-	38.275	-
Anadolu Endüstri Holding A.Ş.	3.353	-	-	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	66.986	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	101.872	-	-	-
Anadolu Motor Üretim ve Paz. A.Ş.	-	-	29.977	-
Çelik Motor Ticaret A.Ş.	-	-	784.259	-
Efestur Turizm İşletmeleri A.Ş.	-	-	142.632	-
Isuzu Motors Co. Thailand Ltd.	-	-	6.170	-
Isuzu Motors International Operation Thailand	529.465	-	3.936.174	-
Isuzu Motors Ltd. Tokyo	673.618	-	3.013.604	-
Itochu Corporation Tokyo	1.036.307	-	201.553.790	-
Migros Ticaret A.Ş.	-	-	332.405	-
Payables to Shareholders (*)	-	-	-	9.109
<b>Total</b>	<b>2.344.615</b>	<b>-</b>	<b>209.917.665</b>	<b>9.109</b>

<sup>(\*)</sup> Non-Trade Payables to shareholders balance is classified under other payables in balance sheet.

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**NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)**

**31 December 2016**

<b>Balances with Related Parties</b>	<b>Receivables</b>		<b>Payables</b>	
	<b>Trade</b>	<b>Non-Trade</b>	<b>Trade</b>	<b>Non-Trade</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 (*)	-	-	-	9.109
<b>Total</b>	<b>254.444</b>	<b>-</b>	<b>151.329.317</b>	<b>9.109</b>

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

**b) Related party transactions:**

**1 January-31 December 2017**

<b>Sales to Related Parties</b>	<b>Goods and Service Sales</b>	<b>Fixed Asset Sales</b>	<b>Other Income</b>	<b>Total Revenues/Sales</b>
Adel Kalemcilik Tic. ve San. A.Ş.	3.928	-	-	<b>3.928</b>
Anadolu Endüstri Holding A.Ş.	16.298	-	-	<b>16.298</b>
Anadolu Bilişim Hizmetleri A.Ş.	19.513	-	-	<b>19.513</b>
Anadolu Efes Biraçılık ve Malt Sanayi A.Ş.	102.206	-	-	<b>102.206</b>
Isuzu Motors Co. Thailand Ltd.	1.311	-	-	<b>1.311</b>
Isuzu Motors International Operation Thailand	974.689	-	-	<b>974.689</b>
Isuzu Motors Ltd. Tokyo	4.226.746	-	-	<b>4.226.746</b>
Itochu Corporation Tokyo	2.284.980	-	-	<b>2.284.980</b>
<b>Total</b>	<b>7.629.672</b>	<b>-</b>	<b>-</b>	<b>7.629.672</b>

**1 January -31 December 2016**

<b>Sales to Related Parties</b>	<b>Goods and Service Sales</b>	<b>Fixed Asset Sales</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>

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**NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)**

**1 January -31 December 2017**

<b>Purchases from Related Parties</b>	<b>Goods and</b>	<b>Fixed Assets</b>	<b>Other</b>	<b>Total Expense/</b>
	<b>Services</b>	<b>Purchases</b>		<b>Purchases</b>
	<b>Purchases</b>			<b>Purchases</b>
Adel Kalemcilik Tic. ve San. A.Ş.	31.862	-	-	<b>31.862</b>
AEH Sigorta Acenteliği A.Ş.	-	-	2.452.998	<b>2.452.998</b>
Anadolu Bilişim Hizmetleri A.Ş.	2.522.957	118.601	-	<b>2.641.558</b>
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	11.372	28.117	-	<b>39.489</b>
Anadolu Endüstri Holding A.Ş.	5.763.329	-	7.440	<b>5.770.769</b>
Anadolu Motor Üretim ve Paz. A.Ş.	25.404	-	-	<b>25.404</b>
Anadolu Sağlık Merkezi İktisadi İşletmesi	2.106	-	-	<b>2.106</b>
Çelik Motor Ticaret A.Ş.	1.297.937	-	1.119.724	<b>2.417.661</b>
Efestur Turizm İşletmeleri A.Ş.	3.229.330	-	-	<b>3.229.330</b>
Isuzu Motors Co. Thailand Ltd.	12.513	-	-	<b>12.513</b>
Isuzu Motors International Operation Thailand	134.583.723	-	-	<b>134.583.723</b>
Isuzu Motors Ltd. Europe	469	-	-	<b>469</b>
Isuzu Motors Ltd. Tokyo	9.699.380	-	-	<b>9.699.380</b>
Itochu Corporation Tokyo	267.306.478	-	-	<b>267.306.478</b>
Migros Ticaret A.Ş.	40.468	-	-	<b>40.468</b>
Oyex Handels Gmbh	62.649	-	-	<b>62.649</b>
Kipa Ticaret A.Ş.	136	-	-	<b>136</b>
<b>Total</b>	<b>424.590.113</b>	<b>146.718</b>	<b>3.580.162</b>	<b>428.316.993</b>

**1 January -31 December 2016**

<b>Purchases from Related Parties</b>	<b>Goods and</b>	<b>Fixed Assets</b>	<b>Other</b>	<b>Total Expense/</b>
	<b>Services</b>	<b>Purchases</b>		<b>Purchases</b>
	<b>Purchases</b>			<b>Purchases</b>
Adel Kalemcilik Tic. ve San. A.Ş.	59.587	-	-	<b>59.587</b>
AND Anadolu Gayrimenkul Yatırımları A.Ş.	12.289	-	-	<b>12.289</b>
AEH Sigorta Acenteliği A.Ş.	-	-	1.505.345	<b>1.505.345</b>
AES Toptan Elektrik Ticaret A.Ş.	4.000	-	-	<b>4.000</b>
Alternatifbank A.Ş.	-	-	424.321	<b>424.321</b>
Anadolu Bilişim Hizmetleri A.Ş.	3.336.490	1.507.346	-	<b>4.843.836</b>
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	62.156	-	-	<b>62.156</b>
Anadolu Endüstri Holding A.Ş.	5.126.697	-	6.480	<b>5.133.177</b>
Anadolu Motor Üretim ve Paz. A.Ş.	14.000	8.500	-	<b>22.500</b>
Anadolu Sağlık Merkezi İktisadi İşletmesi	17.020	-	-	<b>17.020</b>
Çelik Motor Ticaret A.Ş.	650.582	-	902.876	<b>1.553.458</b>
Efestur Turizm İşletmeleri A.Ş.	2.967.954	-	-	<b>2.967.954</b>
Isuzu Motors Co. Thailand Ltd.	40.959	-	-	<b>40.959</b>
Isuzu Motors International Operation Thailand	103.952.674	-	-	<b>103.952.674</b>
Isuzu Motors Ltd. Europe	2.805	-	-	<b>2.805</b>
Isuzu Motors Ltd. Tokyo	8.737.745	-	-	<b>8.737.745</b>
Isuzu Motors Germany Gmbh	68.021	-	-	<b>68.021</b>
Itochu Corporation Tokyo	181.794.936	-	-	<b>181.794.936</b>
Migros Ticaret A.Ş.	73.728	-	-	<b>73.728</b>
Oyex Handels Gmbh	57.045	-	-	<b>57.045</b>
Yazıcılar Holding A.Ş.	3.161	-	43.858	<b>47.019</b>
<b>Total</b>	<b>306.981.849</b>	<b>1.515.846</b>	<b>2.882.880</b>	<b>311.380.575</b>

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**NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)**

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

As per the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1<sup>st</sup> dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. Donation was not made to Anadolu Eğitim ve Sosyal Yardım Vakfı by the Group in 2017 (In 2016, TL 3.000 donation was made).

**d) Key management compensation:**

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
Salaries and other short-term benefits	6.270.826	5.751.367
<b>Total</b>	<b>6.270.826</b>	<b>5.751.367</b>

The benefits provided to top management (General managers and Directors) include salaries, bonuses, premiums, and the employer's share of social security.

**NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

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

The Group's equity comprised of cash and cash equivalents in Note 4 and equity items in Note 16.

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).

	<b>31 December 2017</b>	<b>31 December 2016</b>
Net Debt	631.161.255	462.333.051
Total Equity	628.126.018	262.464.571
<b>Debt/Total Equity</b>	<b>1,00</b>	<b>1,76</b>

Increase of the rate of net debts to equity compared to prior year arise from the periodical increase in using credits.

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 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**(c) Market risk**

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

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

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

**(d) Foreign exchange risk**

Foreign currency transactions may result in foreign currency fluctuation risk.

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

**Statement of Foreign Exchange Rate Sensitivity Analysis**

**31 December 2017**

	<b>Profit/Loss</b>	
	<b>Appreciation of Foreign Currency</b>	<b>Depreciation of Foreign Currency</b>
In Case of US Dollar Increases in 10% against TL		
1 - US Dollar Net Asset/(Liability)	1.833.670	(1.833.670)
2- US Dollar Hedges (-)	-	-
<b>3- Net Effect of US Dollar (1 +2)</b>	<b>1.833.670</b>	<b>(1.833.670)</b>
In Case of Euro Increases in 10% against TL		
4 - Euro Net Asset/(Liability)	(34.043.127)	34.043.127
5 - Euro Hedges (-)	-	-
<b>6- Net Effect of Euro (4+5)</b>	<b>(34.043.127)</b>	<b>34.043.127</b>
In Case of Other Exchange Rates Increases in 10% against TL		
7- Other Exchange Rates Net Asset/(Liability)	(5.621.822)	5.621.822
8- Other Exchange Rates Hedges (-)	-	-
<b>9- Net Effect of Other Exchange Rates (7+8)</b>	<b>(5.621.822)</b>	<b>5.621.822</b>
<b>TOTAL (3+6+9)</b>	<b>(37.831.279)</b>	<b>37.831.279</b>

**Statement of Foreign Exchange Rate Sensitivity Analysis**

**31 December 2016**

	<b>Profit/Loss</b>	
	<b>Appreciation of Foreign Currency</b>	<b>Appreciation of Foreign Currency</b>
In Case of US Dollar Increases in 10% against TL		
1 - US Dollar Net Asset/(Liability)	714.822	(714.822)
2- US Dollar Hedges (-)	-	-
<b>3- Net Effect of US Dollar (1 +2)</b>	<b>714.822</b>	<b>(714.822)</b>
In Case of Euro Increases in 10% against TL		
4 - Euro Net Asset/(Liability)	(20.250.564)	20.250.564
5 - Euro Hedges (-)	-	-
<b>6- Net Effect of Euro (4+5)</b>	<b>(20.250.564)</b>	<b>20.250.564</b>
In Case of Other Exchange Rates Increases in 10% against TL		
7- Other Exchange Rates Net Asset/(Liability)	(13.959.728)	13.959.728
8- Other Exchange Rates Hedges (-)	-	-
<b>9- Net Effect of Other Exchange Rates (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 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**Statement of Foreign Currency Position**

		<b>31 December 2017</b>				
		<b>TL Amount</b>				
		<b>(Functional</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>	<b>Other</b>
		<b>Currency)</b>				
1.	Trade Receivables	60.206.193	150.538	12.537.794	20.155.554	2.593.434
2a.	Monetary Financial Assets (Including Cash and Bank Accounts)	35.051.422	4.712.493	3.815.962	1.358.245	-
2b.	Non-monetary Financial Assets	-	-	-	-	-
3.	Other	-	-	-	-	-
<b>4.</b>	<b>Current Assets (1+2+3)</b>	<b>95.257.615</b>	<b>4.863.031</b>	<b>16.353.756</b>	<b>21.513.799</b>	<b>2.593.434</b>
5.	Trade Receivables	-	-	-	-	-
6a.	Monetary Financial Assets	-	-	-	-	-
6b.	Non-monetary Financial Assets	-	-	-	-	-
7.	Other	-	-	-	-	-
<b>8.</b>	<b>Non-current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total Assets (4+8)</b>	<b>95.257.615</b>	<b>4.863.031</b>	<b>16.353.756</b>	<b>21.513.799</b>	<b>2.593.434</b>
10.	Trade Payables	220.354.405	1.636	34.052.343	1.726.554.667	1.748.262
11.	Financial Liabilities	194.363.967	-	43.043.731	-	-
12a.	Monetary Other Liabilities	14.973.669	-	3.316.060	-	-
12b.	Non-Monetary Other Liabilities	-	-	-	-	-
<b>13.</b>	<b>Current Liabilities (10+11+12)</b>	<b>429.692.041</b>	<b>1.636</b>	<b>80.412.134</b>	<b>1.726.554.667</b>	<b>1.748.262</b>
14.	Trade Payable	-	-	-	-	-
15.	Financial Liabilities	51.175.665	-	11.333.333	-	-
16a.	Monetary Other Liabilities	-	-	-	-	-
16b.	Non-Monetary Other Liabilities	-	-	-	-	-
<b>17.</b>	<b>Non-current Liabilities (14+15+16)</b>	<b>51.175.665</b>	<b>-</b>	<b>11.333.333</b>	<b>-</b>	<b>-</b>
<b>18.</b>	<b>Total Liabilities (13+17)</b>	<b>480.867.706</b>	<b>1.636</b>	<b>91.745.467</b>	<b>1.726.554.667</b>	<b>1.748.262</b>
<b>19.</b>	<b>Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a.	Amount of active foreign derivative currency off-balance sheet	-	-	-	-	-
19b.	Amount of passive foreign derivative currency off-balance sheet	-	-	-	-	-
<b>20.</b>	<b>Net Foreign Currency Assets (Liabilities) Position (9-18+19)</b>	<b>(385.610.091)</b>	<b>4.861.395</b>	<b>(75.391.711)</b>	<b>(1.705.040.868)</b>	<b>845.172</b>
<b>21.</b>	<b>Monetary Items Net Foreign Currency Assets/Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(385.610.091)</b>	<b>4.861.395</b>	<b>(75.391.711)</b>	<b>(1.705.040.868)</b>	<b>845.172</b>
<b>22.</b>	<b>Fair value of financial instruments used for currency hedge</b>	<b>-</b>				
<b>23.</b>	<b>Hedged foreign currency assets</b>	<b>-</b>				
<b>24.</b>	<b>Hedged foreign currency liabilities</b>	<b>-</b>				
<b>25.</b>	<b>Export</b>	<b>230.532.668</b>				
<b>26.</b>	<b>Import</b>	<b>507.815.364</b>				



**31 December 2016**

<b>TL Amount (Functional Currency)</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>	<b>Other</b>
48.410.898	1.532	12.986.959	7.500.000	-
25.397.466	2.029.712	4.829.684	10.990.259	1.592
-	-	-	-	-
1.458.573	-	-	48.578.616	-
<b>75.266.937</b>	<b>2.031.244</b>	<b>17.816.643</b>	<b>67.068.875</b>	<b>1.592</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>
153.536.752	39	3.212.679	4.716.666.020	-
64.906.036	-	17.495.360	-	-
6.283.847	-	1.693.805	-	-
-	-	-	-	-
<b>224.726.635</b>	<b>39</b>	<b>22.401.844</b>	<b>4.716.666.020</b>	<b>-</b>
-	-	-	-	-
185.495.000	-	50.000.000	-	-
-	-	-	-	-
-	-	-	-	-
<b>185.495.000</b>	<b>-</b>	<b>50.000.000</b>	<b>-</b>	<b>-</b>
<b>410.221.635</b>	<b>39</b>	<b>72.401.844</b>	<b>4.716.666.020</b>	<b>-</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>(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>184.384.900</b>	-	-	-	-
<b>351.000.461</b>	-	-	-	-

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**NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**e) Interest rate risk**

The Group is exposed to interest rate risk due to variable and fixed interest rates. Group's financial liabilities and assets with fixed and variable interest rates are respectively shown at Note 5 and Note 4.

**Interest Rate Position Table**

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Financial assets with fixed rates</b>		
Financial assets	78.968.916	113.246.533
Cash and cash equivalents	(414.653.046)	(344.026.753)
<b>Financial liabilities with variable rates</b>		
Financial assets	-	-
Financial liabilities	(18.097.754)	(26.218.605)

As of 31 December 2017, if the market interest rate had increased/decreased by 100 basis point with all other variables held constant, period income before tax and consolidated equity of participations of the Group would have been higher/lower by TL 180.978 (31 December 2016: TL 262.186).

**(f) Funding risk**

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

**(g) Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's collection risk is mainly derived from trade receivables. Trade receivables are evaluated by the management of the Group depending on their past experiences and current economic conditions and are presented in financial statements when necessary allowances for doubtful receivables are provided.

Most of trade receivables are comprised of receivables from customers who have given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 31 December 2017 are TL 60,206,193 and there is no geographical concentration (31 December 2016: TL 48.410.898).

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**NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

	<u>Receivables</u>		<u>Other</u>		<u>Notes</u>	<u>Deposits at Banks</u>	<u>Notes</u>
	<u>Trade Receivables</u>		<u>Receivables</u>				
	<u>Related Party</u>	<u>Other</u>	<u>Related Party</u>	<u>Other</u>			
<b>31 December 2017</b>							
<b>Maximum Credit Risk Exposed as of Balance Sheet Date (A+B+C+D+E)</b>	<b>2.344.615</b>	<b>322.949.896</b>	<b>-</b>	<b>892.831</b>		<b>98.226.512</b>	
- Secured Portion of The Maximum Credit Risk by Guarantees	-	322.949.896	-	-	<b>6</b>	-	-
<b>A. Net Book Value Of Financial Assets Which Are Undue or Which Is Not Impaired</b>	<b>2.344.615</b>	<b>319.920.819</b>	<b>-</b>	<b>892.831</b>	<b>6-7-26</b>	<b>98.226.512</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>3.029.077</b>	-	-	-	-	-
- Secured by Guarantee, etc.	-	3.029.077	-	-	-	-	-
<b>D. Net Book Value of Assets Decrease in Value</b>	-	-	-	-	-	-	-
- Overdue (Gross Book Value)	-	(175.000)	-	-	<b>6</b>	-	-
- Impairment (-)	-	175.000	-	-	<b>6</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>	-	-	-	-	-	-	-

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

31 December 2016	Receivables				Notes	Deposits at Banks	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum Credit Risk Exposed as of Balance Sheet Date (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>	
- Secured Portion of The Maximum Credit Risk by Guarantees	-	288.858.763	-	-	<b>6</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>6-7-26</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, etc.	-	8.587.371	-	-	-	-	-
<b>D. Net Book Value of Assets Decrease in Value</b>	-	-	-	-	-	-	-
- Overdue (gross book value)	-	(333.324)	-	-	<b>6</b>	-	-
- Impairment (-)	-	333.324	-	-	<b>6</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>	-	-	-	-	-	-	-

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

31 December 2017	Receivables		Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables			
Past due up to 30 days	2.726.169	-	-	-	-
Past due 1 - 3 months	302.908	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
<b>Assets covered portion with guarantee letter etc.</b>	<b>3.029.077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

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

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

**31 December 2017**

**Non-derivative financial liabilities**

Contract Terms	Carrying Value	Total				
		Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank loans	432.750.801	473.282.703	16.106.256	251.958.970	205.217.477	-
Trade payables	296.879.346	297.589.044	98.634.100	198.954.944	-	-
Other payables	33.442.958	33.442.958	33.442.958	-	-	-
<b>Total liabilities</b>	<b>763.073.105</b>	<b>804.314.705</b>	<b>148.183.314</b>	<b>450.913.914</b>	<b>205.217.477</b>	<b>-</b>

**Derivative financial liabilities**

**31 December 2017**

The Group does not have any derivative financial liabilities as of 31 December 2017.

**31 December 2016**

**Non-derivative financial liabilities**

Contract Terms	Carrying Value	Total				
		Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank loans	370.245.358	392.890.956	49.282.983	113.374.577	230.233.396	-
Trade payables	211.966.288	212.600.842	130.742.406	81.858.436	-	-
Other payables	11.045.048	11.045.048	11.045.048	-	-	-
<b>Total 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 does not have derivative financial liabilities as of 31 December 2016.

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**  
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2017 (Continued)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)  
(Convenience Translation into English of Consolidated Financial Statements Originally Issued in Turkish)

**NOTE 28 - 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 does not have forward exchange from derivative financial instruments as of 31 December 2017 and 31 December 2016.

**NOTE 29 - SUBSEQUENT EVENTS**

During the Collective Labor Agreement between MIU (Metal Industrialists Union) and United Metalworkers' Union, the parties came to a mutual agreement on the provisions that were negotiated on 30 January 2018, and subsequently they reached a complete agreement.

According to Article 91 of 28 November 2017 dated and 7061 numbered Amendment of Certain Taxes and Laws and Other Acts and temporary Article 10 added to Corporate Tax Law, 22% corporate tax will be received from corporate income in 2018, 2019 and 2020.

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