Anadolu Isuzu Otomotiv
Sanayi ve Ticaret Anonim Şirketi

Convenience Translation Into English Of
Consolidated Financial Statements
Together With Review Report Of Independent Auditors
For The Interim Period 1 January - 30 June 2016
(Originally Issued In Turkish)

CONTENTS **PAGE**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY 1-2

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME 3

CONSOLIDATED STATEMENTS OF CASH FLOW 4

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY 5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 6-46

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS 6
NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS 6-15
NOTE 3 - SEGMENT REPORTING 16
NOTE 4 - CASH AND CASH EQUIVALENTS 17
NOTE 5 - FINANCIAL ASSETS 17
NOTE 6 - FINANCIAL LIABILITIES 18
NOTE 7 - TRADE RECEIVABLES AND PAYABLES 18-19
NOTE 8 - OTHER RECEIVABLES AND PAYABLES 19-20
NOTE 9 - INVENTORIES 20
NOTE 10 - PROPERTY, PLANT AND EQUIPMENT 21-22
NOTE 11 - INTANGIBLE ASSETS 23-24
NOTE 12 - GOODWILL 24
NOTE 13 - GOVERNMENT GRANTS 25
NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES 25-26
NOTE 15 - PROVISION FOR EMPLOYEE BENEFITS 27
NOTE 16 - OTHER ASSETS AND LIABILITIES 27-28
NOTE 17 - EQUITY 28-31
NOTE 18 - SALES AND COST OF SALES 31
NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTIONS EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES 32
NOTE 20 - EXPENSES BY NATURE 32
NOTE 21 - OTHER OPERATING INCOME/EXPENSES 33
NOTE 22 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES 33
NOTE 23 - FINANCIAL INCOME 33
NOTE 24 - FINANCIAL EXPENSES 34
NOTE 25 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) 34-35
NOTE 26 - EARNINGS PER SHARE 35
NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES 36-39
NOTE 28 - FINANCIAL RISK MANAGEMENT 40-45
NOTE 29 - FINANCIAL INSTRUMENTS 46
NOTE 30 - SUBSEQUENT EVENTS 46

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2016 AND 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Note	30 June 2016	31 December 2015
ASSETS			
Current Assets		**711.749.777**	**733.733.852**
Cash and Cash Equivalents	4	81.313.460	78.558.102
Trade Receivables			
Due from Related Parties	27	36.853	6.551.727
Due from Other Parties	7	219.694.779	279.220.471
Other Receivables			
Due from Other Parties	8	15.939.077	1.297.639
Inventories	9	361.956.929	320.664.375
Prepaid Expenses	16	7.636.799	12.892.651
Current Income Tax Assets	25	648.931	2.132.279
Other Current Assets	16	24.522.949	32.416.608
Non-current Assets		**153.146.621**	**147.469.619**
Financial Assets	5	-	-
Other Receivables			
Due from Other Parties	8	186	186
Property , Plant and Equipment	10	101.460.133	103.340.205
Intangible Assets			
Goodwill	12	2.340.995	2.340.995
Other Intangible Assets	11	46.540.112	41.766.163
Prepaid Expenses	16	1.112	22.070
Deferred Tax Assets	25	2.804.083	-
TOPLAM VARLIKLAR		**864.896.398**	**881.203.471**

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

These consolidated financial statements as of and for the period 1 January - 30 June 2016 have been approved for issue by the Board of Directors ("BOD") on 12 August 2016 and signed on its behalf of BOD by Independent Member of Board of Directors (Chief of Audit Commite) Ahmet Cemal DÖRDÜNCÜ, Independent Member of Board of Directors (Member of Audit Commite) Kamil Ömer BOZER, General Manager Yusuf Tuğrul ARIKAN and Cheif Financial Officer Bora ÖNER.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CONSOLIDATED BALANCE SHEETS
AT 30 JUNE 2016 AND 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Note	30 June 2016	31 December 2015
LIABILITIES			
Current Liabilities		**469.988.946**	**406.815.587**
Financial Liabilities	**6**	250.883.230	138.476.959
Trade Payables			
Due to Related parties	**27**	147.091.686	143.548.358
Due to Other parties	**7**	51.428.327	101.391.422
Other Payables			
Due to Related parties	**27**	9.109	9.109
Due to Other parties	**8**	4.903.101	7.566.045
Liabilities for Employee Benefits	**8**	27.380	1.357.045
Deferred Revenue	**16**	759.987	874.641
Current Income Tax Liabilities	**25**	77.438	-
Provisions			
Provision for Employee Benefits	**14**	981.457	-
Other Provisions	**14**	13.827.231	13.592.008
Non-current Liabilities		**95.508.151**	**151.026.150**
Financial Liabilities	**6**	80.110.000	134.019.200
Deferred Revenue	**16**	930.297	1.207.583
Provisions			
Provision for Employment Termination Benefits	**15**	14.467.854	13.546.911
Deferred Tax Liabilities	**25**	-	2.252.456
EQUITY	**17**	**299.399.301**	**323.361.734**
Shareholders' Equity		**299.399.301**	**323.361.734**
Paid-in Capital		25.419.707	25.419.707
Adjustment to Share Capital		86.901.880	86.901.880
Other Comprehensive (Income)/Expenses Not to Be Reclassified to Statement of Income			
Gain on Revaluation and Reclassification		(1.336.439)	(115.217)
Restricted Reserves		163.582.478	162.363.654
Retained Earnings		34.863.033	31.047.813
Income for The Period		(10.031.358)	17.743.897
Non-controlling Interests		**-**	**-**
TOTAL LIABILITIES AND EQUITY		**864.896.398**	**881.203.471**

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

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS ENDED 1 JANUARY - 30 JUNE 2016 AND 2015
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Note	1 January-30 June 2016	1 January-30 June 2015	1 April-30 June 2016	1 April-30 June 2015
CONTINUING OPERATIONS					
Revenue	18	377.325.120	444.623.245	177.543.459	259.670.633
Cost of Sales (-)	18	(316.800.032)	(367.880.569)	(147.722.423)	(217.298.392)
GROSS PROFIT		**60.525.088**	**76.742.676**	**29.821.036**	**42.372.241**
General Administrative Expenses (-)	19	(19.364.099)	(17.352.041)	(10.080.108)	(8.996.134)
Marketing, Selling and Distribution Expenses (-)	19	(28.077.550)	(32.981.032)	(14.451.217)	(18.578.002)
Research and Development Expenses (-)	19	(1.559.912)	(1.582.411)	(717.668)	(879.282)
Other Income	21	7.597.331	6.200.773	1.587.050	1.573.371
Other Expenses (-)	21	(23.931.245)	(16.588.039)	(12.252.667)	(1.057.829)
OPERATING PROFIT		**(4.810.387)**	**14.439.926**	**(6.093.574)**	**14.434.365**
Income from Investing Activities	22	122.207	64.373	122.207	61.108
Expenses from Investing Activities (-)	22	(220)	-	-	-
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		**(4.688.400)**	**14.504.299**	**(5.971.367)**	**14.495.473**
Financial Income	23	9.988.453	12.008.758	5.471.842	5.305.782
Financial Expenses (-)	24	(20.005.206)	(15.246.563)	(10.557.956)	(9.878.649)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(14.705.153)**	**11.266.494**	**(11.057.481)**	**9.922.606**
Income Tax (Expense)/Income from Continuing Operations		**4.673.795**	**(809.857)**	**3.151.642**	**(1.126.506)**
Taxes on Income (-)	25	(77.438)	(1.759.895)	(22.694)	(1.698.941)
Deferred Tax Income/(Expense)	25	4.751.233	950.038	3.174.336	572.435
NET INCOME FROM CONTINUING OPERATIONS		**(10.031.358)**	**10.456.637**	**(7.905.839)**	**8.796.100**
NET INCOME FOR THE YEAR		**(10.031.358)**	**10.456.637**	**(7.905.839)**	**8.796.100**
Attributable to:	17	**(10.031.358)**	**10.456.637**	**(7.905.839)**	**8.796.100**
Non-controlling Interests	17	-	-	-	-
Equity Holders of The Parent	17	(10.031.358)	10.456.637	(7.905.839)	8.796.100
Income per hundred shares	26	**(0,3946)**	**0,4114**	**(0,3110)**	**0,3460**

	Note	1 January-30 June 2016	1 January-30 June 2015	1 April-30 June 2016	1 April-30 June 2015
OTHER COMPREHENSIVE INCOME					
Items That Will Not Be Reclassified to Profit or Loss					
Remeasurements of provision for employment termination benefits	15	(1.526.528)	(295.140)	(643.799)	46.515
Tax effect of provision for employment termination benefits	25	305.306	59.028	128.760	(9.303)
OTHER COMPREHENSIVE INCOME(AFTER TAX)		**(1.221.222)**	**(236.112)**	(515.039)	37.212
TOTAL COMPREHENSIVE INCOME		**(11.252.580)**	**10.220.525**	**(8.420.878)**	**8.833.312**
Non-controlling Interests		-	-	-	-
Equity Holders of The Parent		(11.252.580)	10.220.525	(8.420.878)	8.833.312

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

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE INTERIM PERIODS ENDED 30 JUNE 2016 AND 2015
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Note	1 January - 30 June 2016	1 January - 30 June 2015
Cash Flows From Operating Activities			
Net income/ (loss)	**17**	**(10.031.358)**	**10.456.637**
Adjustments to reconcile net cash generated:			
Depreciation and amortisation	**10-11**	11.450.722	9.863.380
Provision for employee benefits	**15**	1.259.058	995.948
Income on taxes	**25**	(4.673.795)	809.857
Interest income	**23**	(4.259.878)	(4.942.352)
Interest expenses	**24**	10.478.505	4.922.499
Foreign exchange differences on borrowings		1.610.870	4.313.800
Other non-cash generating expenses, net		1.324.626	6.150.494
Gain on sales of property, plant and equipment	**22**	121.987	64.373
Net operating income before changes in assets and liabilities:		**7.280.737**	**32.634.636**
Changes in Assets and Liabilities:			
Net Decrease in Trade Receivables		62.834.434	7.021.732
Net (Increase)/Decrease in Inventories	**9**	(41.292.554)	(55.213.074)
Net (Increase)/Decrease in Other Current Assets	**8-16**	(8.579)	(8.619.979)
Net Decrease/(Increase) in Other Non-current Assets		(3.027.099)	(141.492)
Net Increase/(Decrease) in Trade Payables	**7-27**	(46.036.307)	35.108.289
Net (Decrease)/Increase in Other Liabilities		1.783.191	(2.057.931)
Taxes Paid		(648.931)	(783.106)
Employment Termination Benefits Paid	**15**	(1.864.643)	(1.155.636)
Cash Flows Generated from Operating Activities:		**(20.979.751)**	**6.793.439**
Investing Activities:			
Proceeds from Sales of Property, Plant and Equipment		130.085	684.467
Purchase of Property, Plant and Equipment	**10**	(4.270.089)	(12.927.436)
Purchase of Intangible Assets	**11**	(10.082.608)	(5.904.566)
Cash Flows Used in Investing Activities:		**(14.222.612)**	**(18.147.535)**
Financing Activities:			
Dividend Payments		(12.709.853)	(28.056.351)
Interests Received		4.549.163	5.176.044
Interests Paid		(10.156.654)	(4.278.621)
Proceeds from Borrowings		85.603.000	44.026.790
Repayments of Borrowings		(29.038.650)	(32.000.000)
Net Cash Used in Financing Activities:		**38.247.006**	**(15.132.138)**
Net Decrease in Cash and Cash Equivalents		**3.044.643**	**(26.486.234)**
Cash and Cash Equivalents At The Beginning of Period	**4**	78.095.135	110.399.391
Cash and Cash Equivalents At The End of Period	**4**	**81.139.778**	**83.913.157**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE

INTERIM PERIOD 1 JANUARY - 30 JUNE 2016

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

					Other Comprehensive (Income)/Expense Not To Be Reclassified To Statement of Income		Retained Earnings				
Önceki Dönem	**Note**	**Paid in Capital**	**Adjustment to capital**	**Total paid in share capital**	**Gain/(Loss) on Revaluation and Reclassification**	**Restricted Reserves**	**Retained Earnings**	**Income for The Period**	**Attributable to Equity Holders of The Group**	**Non Controlling Interests**	**Total Shareholders' Equity**
01.01.2015 itibarıyla bakiyeler:	**17**	**25.419.707**	**86.901.880**	**112.321.587**	**112.998**	**159.657.537**	**27.468.021**	**34.342.260**	**333.902.403**	-	**333.902.403**
Dönem Karı (Zararı)		-	-	-	-	-	-	10.456.637	**10.456.637**	-	**10.456.637**
Diğer Kapsamlı Gelir (Gider)		-	-	-	**(236.112)**	-	-	-	**(236.112)**	-	**(236.112)**
Toplam Kapsamlı Gelir		-	-	-	**(236.112)**	-	-	**10.456.637**	**10.220.525**	-	**10.220.525**
Transferler		-	-	-	-	2.706.117	31.636.143	(34.342.260)	-	-	-
Kar Payları		-	-	-	-	-	(28.056.351)	-	(28.056.351)	-	(28.056.351)
30.06.2015 itibarıyla bakiyeler:	**17**	**25.419.707**	**86.901.880**	**112.321.587**	**(123.114)**	**162.363.654**	**31.047.813**	**10.456.637**	**316.066.577**	-	**316.066.577**
Cari Dönem											
01.01.2016 itibarıyla bakiyeler:	**17**	**25.419.707**	**86.901.880**	**112.321.587**	**(115.217)**	**162.363.654**	**31.047.813**	**17.743.897**	**323.361.734**	-	**323.361.734**
Dönem Karı (Zararı)		-	-	-	-	-	-	(10.031.358)	**(10.031.358)**	-	**(10.031.358)**
Diğer Kapsamlı Gelir (Gider)		-	-	-	**(1.221.222)**			-	**(1.221.222)**	-	**(1.221.222)**
Toplam Kapsamlı Gelir		-	-	-	**(1.221.222)**	-	-	**(10.031.358)**	**(11.252.580)**	-	**(11.252.580)**
Transferler		-	-	-	-	1.218.824	16.525.073	(17.743.897)	-	-	-
Kar Payları		-	-	-	-	-	(12.709.853)	-	**(12.709.853)**	-	**(12.709.853)**
30.06.2016 itibarıyla bakiyeler:	**17**	**25.419.707**	**86.901.880**	**112.321.587**	**(1.336.439)**	**163.582.478**	**34.863.033**	**(10.031.358)**	**299.399.301**	-	**299.399.301**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the "Company") was established in 1980. Activities of the Company are comprised mainly of manufacturing, assembling, marketing, importing and exporting of commercial vehicles, including sale of relevant automotive spare parts of the commercial vehicles. The Company is registered to Capital Markets Board of Turkey and 15% of the Company's shares have been traded on Borsa İstanbul A.Ş. since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory established in Çayırova/Kocaeli. The average number of employees as of 30 June 2016 is 886 (31 December 2015: 944).

The Company's official address registered in the Trade Registry is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No :58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

As of 30 June 2016 and 31 December 2015, details regarding the Company's subsidiaries, which are subject to consolidation, are as follows:

Subsidiaries	Nature of business	Capital	30 June 2016 Ownership interest(%)	31 December 2015 Ownership interest(%)
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716.000	100,00	100,00

Hereafter, the Company and its subsidiary will be referred as (the "Group") in the consolidated financial statements and notes to the consolidated financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

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

2.1.2 Consolidation principles

Subsidiaries

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

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

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

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

2.1 Basis of presentation(Continued)

2.1.2 Consolidation principles(Continued)

Subsidiaries (Continued)

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

The table below sets out the subsidiaries and their ownership interests as of 30 June 2016 and 31 December 2015.

	Proportion of effective interest (%)		Direct and indirect ownership interest held by Company (%)	
Subsidiaries	**30 June 2016**	**31 December 2015**	**30 June 2016**	**31 December 2015**
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100,00	100,00	100,00	100,00

2.1.3 Offsetting

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

2.1.4 Comparatives and adjustment of prior periods' financial statements

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

The Group has no changes in its financial statements.

2.1.5 Amendments in International Financial Reporting Standards

a. Standards, amendments and interpretations applicable as at 30 June 2016

- **Amendment to IFRS 11**, **'Joint arrangements'** on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- **Amendments to IAS 16, 'Property,plant and equipment' and IAS 41, 'Agriculture',** regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

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

2.1 Basis of presentation (Continued)

2.1.5 Amendments in International Financial Reporting Standards (Continued)

a. Standards, amendments and interpretations applicable as at 30 June 2016 (Continued)

- **Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'**, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- **IFRS 14 'Regulatory deferral accounts'**, effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- **Amendments to IAS 27, 'Separate financial statements'** on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- **Amendments to IFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures'**, effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- **Annual improvements 2014**, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  • IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  • IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
  • IAS 19, 'Employee benefits' regarding discount rates.
  • IAS 34, 'Interim financial reporting' regarding disclosure of information.

- **Amendment to IAS 1**, **'Presentation of financial statements'** on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improvepresentation and disclosure in financial reports.

- **Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'**, effective from annual periods beginning on or after 1 January 2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

2.1 Basis of presentation (Continued)

2.1.5 Amendments in International Financial Reporting Standards (Continued)

b. Standards, amendments and interpretations effective after 30 June 2016

- **Amendments to IAS 7 'Statement of cash flows'** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- **Amendments IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- **IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- **IFRS 9 'Financial instruments'**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- **IFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

2.2 Summary of Significant Accounting Policies

2.2.1 Cash and cash equivalents

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

2.2.2 Trade receivables and valuation allowance

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

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.
If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

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

2.2.3 Inventories

Inventories are valued at the lower of cost or net realisable value. The inventories of the Group mainly composed of trucks, small trucks, midi buses, pickups and spare parts which belong to those vehicles. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labor and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognised as cost of finished goods.

2.2.4 Property, plant and equipment

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

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

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

2.2 Summary of Significant Accounting Policies (Continued)

2.2.4 Property, plant and equipment (Continued)

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in other operating income and losses. Repair and maintenance expenses are charged to the statement of income as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective asset.

2.2.5 Intangible assets

Intangible assets acquired before 1 January 2005 are carried at indexed historical cost for inflation effects as at 31 December 2004; however, purchases after 1 January 2005 are carried at their historical cost less accumulated amortization and impairment. Intangible assets are depreciated on a straight-line basis over their expected useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

2.2.6 Goodwill and related amortisation

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

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

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.

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

2.2 Summary of Significant Accounting Policies (Continued)

2.2.8 Loans and borrowing costs

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

2.2.9 Taxes on income

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

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

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

2.2.10 Provision for employee benefits

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees, completion of one year of service of the employees, employees' being calling up for military service or the death of employees calculated in accordance with the Turkish Labor Law.

2.2.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

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 offsetted 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.

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

2.2 Summary of Significant Accounting Policies (Continued)

2.2.13 Warranty provision expenses

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

2.2.14 Related parties

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

2.2.15 Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

2.2.16 Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

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 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.

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

2.2. Summary of Significant Accounting Policies (Continued)

2.2.17 Revenue recognition(Continued)

Interest income

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

Dividend income

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

Rent income

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

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The differences between the fair value and the nominal value are recorded as interest income according to the accrual basis.

2.2.18 Reporting of cash flows

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

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

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

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

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

2.2.19 Contingent assets and liabilities

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

2.2.20 Government grants

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

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

2.2 Summary of Significant Accounting Policies (Continued)

2.2.21 Derivative intruments

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency swap instruments. Group enters into forward contracts time to time in order to minimise its exposures due to having foreign currency denominated liabilities.

Derivative financial instruments which are mainly consist of foreign exchange forward contracts are initially recognised at cost and the transactions costs which are related to derivative financial instruments are included to their initial costs and subsequently are re-measured at their fair value. All derivative financial instruments are classified as financial assets which are measured at fair value and associated with income statement. Fair values of the derivative financial instruments are calculated through fair values determined in the market or using the discounted cash flow method. Fair values of forward contracts which are traded in over the counter markets, are calculated by using the market interest rate of the original currency until the exercise date of forward contract and the foreign currency exchange rate is determined by comparing the original forward rate with current forward rate at end of period. Derivative financial instruments are accounted for asset or liability if the fair value is positive or negative respectively.

Held-for-trading derivative financial instruments are initially recognised in the consolidated financial statements at cost and are subsequently re-measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the statements of comprehensive income.

These derivative financial instruments, even though providing effective economic hedges under the Company risk management position, do not qualify for hedge accounting under the requirements of TAS 39, "Financial Instruments: Recognition and Measurement", and therefore are accounted for as derivatives held-for-trading in the consolidated financial statement.

2.2.22 Accounting policies, changes in accounting estimates and errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. As of 1 January - 31 December 2015, there are no changes in accounting estimates and errors in the presentation of the consolidated financial statements.

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

2.2.23 Subsequent events

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

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

NOTE 3 - SEGMENT REPORTING

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	30 June 2016	31 December 2015
Cash	76.284	123.528
Banks - Demand deposits	13.391.260	3.049.199
Banks - Time deposits (up to 3 months)	61.538.816	75.274.455
Other cash and cash equivalents (*)	6.307.100	110.920
Total	**81.313.460**	**78.558.102**

(*) As of 30 June 2016 and 31 December 2015, the balance in other cash and cash equivalents is form of directly debt system assets in bank of group.

There are no blocked deposits as of 30 June 2016 and 31 December 2015.

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2015 and 31 December 2014 are as follows:

	30 June 2016	30 June 2015
Cash and banks	81.313.460	84.398.532
Less: Interest Accruals (-)	(173.682)	(485.375)
Total (Excluding interest accruals)	**81.139.778**	**83.913.157**

The details of time deposits are as follows:

	30 June 2016		31 December 2015	
	Amount in TRY	Annual Interest Rate (%)	Amount in TRY	Annual Interest Rate (%)
TRY	51.973.650	5,00-12,25	66.122.939	5,50-13,30
EUR	9.565.166	0,15	9.151.516	0,10-0,25
Total	**61.538.816**		**75.274.455**	

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

As of 30 June 2016, time and demand deposits amounting to TRY58.857.331 are at Alternatifbank A.Ş., a related party of the Group (31 December 2015: TRY2.323.014).

NOTE 5 - FINANCIAL ASSETS

The Group has no financial investment as of 30 June 2016 ve 31 December 2015.

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

NOTE 6 - FINANCIAL LIABILITIES

The details of bank loans as of 30 June 2016 and 31 December 2015 are as follows:

Short Term Financial Liabilities

	Annual Effective Interest Rate (%)		Original Currency		Amount in TRY	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Short-term Bank Loans						
EUR	2,39	2,17	40.987.047	40.341.686	131.338.892	128.189.743
TRY	12,64	10,28	119.544.338	10.287.216	119.544.338	10.287.216
Toplam					**250.883.230**	**138.476.959**

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

Period	30 June 2016	31 December 2015
Up to 1 month	73.798.192	6.002.075
Total	**73.798.192**	**6.002.075**

Long Term Financial Liabilities

	Annual Effective Interest Rate (%)		Original Currency		Amount in TRY	
	30 June 2016	31 December 2015	30 June 2016	30 June 2016	31 December 2015	30 June 2016
Long-term Bank Loans						
EUR	2,60	2,66	25.000.000	17.000.000	80.110.000	54.019.200
TRY	-	13,36	-	80.000.000	-	80.000.000
Total					**80.110.000**	**134.019.200**

The maturity of long term debts amounted TRY48.066.000 is due to 2018, and the remaining part is due to 2017.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-term trade receivables	30 June 2016	31 December 2015
Customer current accounts	222.900.911	282.858.402
Cheques recevied	-	70.744
Rediscount on trade receivables (-)	(3.206.132)	(3.708.675)
Uncollectible receivables	333.324	333.324
Less: Provision for uncollectible receivables (-)	(333.324)	(333.324)
Total	**219.694.779**	**279.220.471**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of provision for uncollectible receivables are as follows:

	2016	2015
Opening balance - 1 January	**333.324**	**333.324**
Provisions for the period	-	-
Collections during the period	-	-
Ending balance - 30 June	**333.324**	**333.324**

Trade payables at period ends are as follows:

Trade payables	30 June 2016	31 December 2015
Trade payables	51.840.194	102.339.018
Rediscount income (-)	(411.867)	(947.596)
Total	**51.428.327**	**101.391.422**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other Short-term Receivables **Other receivables from other parties**	30 June 2016	31 December 2015
Receivables from government authorities(*)	14.640.971	748.195
Receivables from personnel	1.298.082	548.709
Deposits and guarantees given	24	735
Total	**15.939.077**	**1.297.639**

(*) As of 30 June 2016, the Group has TRY14.210.939 receivables from government authorities in relation to VAT return (31 December 2015: TRY589.254).

Other Long-term Receivables **Other receivables from other parties**	30 June 2016	31 December 2015
Deposits and guarantees given	186	186
Total	**186**	**186**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

	30 June 2016	31 December 2015
Other Short-term Payables		
Other payables from other parties		
Due to personnel	27.380	1.357.045
Order advances received	1.226.375	1.556.439
Taxes and funds payable	1.711.335	3.957.203
Social security premiums payable	1.880.984	2.043.428
Other miscellaneous payables	84.407	8.975
Total	**4.930.481**	**8.923.090**

NOTE 9 - INVENTORIES

Inventory balances as of period ends are as follows:

	30 June 2016	31 December 2015
Raw materials	112.022.627	89.051.493
Semi-finished goods	1.387.725	1.692.332
Finished goods	175.019.849	192.831.728
Trade goods	23.244.298	19.013.301
Other inventories	1.622.533	1.065.568
Advances given for import and domestic purchases	49.499.431	17.716.585
	362.796.463	321.371.007
Less: Provisions for impairment of finished goods and trade goods	(839.534)	(706.632)
Total Inventories	**361.956.929**	**320.664.375**

Movements of Provision for Impairment on Inventories	2016	2015
Opening balance - 1 January	706.632	1.435.553
Less: Provision released due to the net realizable value (-)	-	-
Current period charge (+)	132.902	-
Ending balance - 30 June	**839.534**	**1.435.553**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and fixtures	Other Tangible Assets	Constructions in progress and Advances given	Total
As of 1 January 2016	**1.292.239**	**12.011.653**	**80.144.791**	**178.035.058**	**7.601.890**	**4.011.516**	**774.199**	**2.041.608**	**285.912.954**
Additions	-	85.739	76.781	3.032.760	32.511	75.916	-	966.382	**4.270.089**
Disposals	-	-	-	(440.833)	(43.575)			-	**(484.408)**
As of 30 June 2016	**1.292.239**	**12.097.392**	**80.221.572**	**180.626.985**	**7.590.826**	**4.087.432**	**774.199**	**3.007.990**	**289.698.635**
Accumulated depreciation									
As of 1 January 2016	**-**	**(7.130.209)**	**(37.965.821)**	**(129.909.645)**	**(4.121.417)**	**(2.687.324)**	**(758.333)**	**-**	**(182.572.749)**
Current period amortisation	-	(215.969)	(1.322.963)	(3.934.146)	(550.119)	(117.374)	(1.492)	-	**(6.142.063)**
Disposals	-	-	-	432.735	43.575	-	-	-	**476.310**
As of 30 June 2016	**-**	**(7.346.178)**	**(39.288.784)**	**(133.411.056)**	**(4.627.961)**	**(2.804.698)**	**(759.825)**	**-**	**(188.238.502)**
Net Book Value									
As of 1 January 2016	**1.292.239**	**4.881.444**	**42.178.970**	**48.125.413**	**3.480.473**	**1.324.192**	**15.866**	**2.041.608**	**103.340.205**
As of 30 June 2016	**1.292.239**	**4.751.214**	**40.932.788**	**47.215.929**	**2.962.865**	**1.282.734**	**14.374**	**3.007.990**	**101.460.133**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and fixtures	Other Tangible Assets	Constructions in progress and Advances given	Total
As of 1 January 2015	**1.292.239**	**9.088.625**	**63.323.403**	**169.750.455**	**7.056.837**	**3.659.751**	**766.199**	**2.215.376**	**257.152.885**
Additions	-	205.339	582.442	3.667.700	1.853.726	138.375	6.045	6.473.809	**12.927.436**
Disposals	-	-	-	(209.876)	(518.872)	-	(385)	-	**(729.133)**
As of 30 June 2015	**1.292.239**	**9.293.964**	**63.905.845**	**173.208.279**	**8.391.691**	**3.798.126**	**771.859**	**8.689.185**	**269.351.188**
Accumulated depreciation									
As of 1 January 2015	**-**	**(6.883.826)**	**(35.657.007)**	**(129.538.539)**	**(3.811.335)**	**(2.495.599)**	**(754.965)**	**-**	**(179.141.271)**
Current period amortisation	-	(111.257)	(1.127.282)	(3.376.221)	(600.478)	(89.801)	(1.700)	-	**(5.306.739)**
Disposals	-	-	-	111	105.407	3.521	-	-	**109.039**
As of 30 June 2015	**-**	**(6.995.083)**	**(36.784.289)**	**(132.914.649)**	**(4.306.406)**	**(2.581.879)**	**(756.665)**	**-**	**(184.338.971)**
Net Book Value									
As of 1 January 2015	**1.292.239**	**2.204.799**	**27.666.396**	**40.211.916**	**3.245.502**	**1.164.152**	**11.234**	**2.215.376**	**78.011.614**
As of 30 June 2015	**1.292.239**	**2.298.881**	**27.121.556**	**40.293.630**	**4.085.285**	**1.216.247**	**15.194**	**8.689.185**	**85.012.217**

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

NOTE 11 - INTANGIBLE ASSETS

1 January -
31 December 2016

Cost	Rights	Development costs	Other intangible assets	Constructions in progress and advances given (%)	Total
As of 1 January 2016	**158.662**	**52.395.724**	**11.459.438**	**9.378.004**	**73.391.828**
Additions	89.852	-	25.402	9.967.354	**10.082.608**
As of 30 June 2016	**248.514**	**52.395.724**	**11.484.840**	**19.345.358**	**83.474.436**
Accumulated amortisation					
As of 1 January 2016	**(48.541)**	**(25.020.923)**	**(6.556.201)**	**-**	**(31.625.665)**
Current year amortisation	(8.402)	(4.126.524)	(1.173.733)	-	**(5.308.659)**
As of 30 June 2016	**(56.943)**	**(29.147.447)**	**(7.729.934)**	**-**	**(36.934.324)**
Net Book Value					
As of 1 January 2016	**110.121**	**27.374.801**	**4.903.237**	**9.378.004**	**41.766.163**
As of 30 June 2016	**191.571**	**23.248.277**	**3.754.906**	**19.345.358**	**46.540.112**

(*) As of 30 June 2016, "Constructions in progress" amounted TRY17.540.060 are related to research and development projects and the remaining balance is related to investents of other intangible assets.

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

NOTE 11 - INTANGIBLE ASSETS (Continued)

1 January -
30 June 2015

Cost	Rights	Development costs	Other intangible assets	Constructions in progress and advances given	Total
As of 1 January 2015	**158.662**	**40.914.102**	**9.467.291**	**6.073.820**	**56.613.875**
Additions	-	-	167.579	5.736.987	**5.904.566**
Transfers	**158.662**	**40.914.102**	**9.634.870**	**11.810.807**	**62.518.441**
As of 30 June 2015					
Accumulated amortisation					
As of 1 January 2015	**(34.696)**	**(18.082.614)**	**(4.205.645)**	**-**	**(22.322.955)**
Current year amortisation	(6.923)	(3.409.393)	(1.140.325)	-	**(4.556.641)**
As of 30 June 2015	**(41.619)**	**(21.492.007)**	**(5.345.970)**	**-**	**(26.879.596)**
Net Book Value					
1 January 2015	**123.966**	**22.831.488**	**5.261.646**	**6.073.820**	**34.290.920**
30 June 2015	**117.043**	**19.422.095**	**4.288.900**	**11.810.807**	**35.638.845**

NOTE 12 - GOODWILL

30 June 2016

	Net Book Value
As of 1 January 2016	**2.340.995**
Additions	-
Provision for impairment	-
As of 30 June 2016	**2.340.995**

30 June 2015

	Net Book Value
As of 1 January 2015	**2.340.995**
Additions	-
Provision for impairment	-
As of 30 June 2015	**2.340.995**

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

NOTE 13 - GOVERNMENT GRANTS

In the first six months period of 2016, cash support amounting to TRY41.248 related to R&D activities provided by TUBITAK was collected. In 2015, cas support amounting to TRY498.788 realted to R&D activities provided by TUBITAK was collected.

Due to Group's expenditures for R&D study during the first six months of 2016, there was R&D deduction corresponding to TRY8.489.274. As per amendment made in Article 35 of the Law of Supporting Research and Development No. 5476 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% (As of 31 December 2015, carried forward R&D deduction amount is TRY15.762.887).

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

Regarding the TRY51.670.512 spent as of 30 June 2016 in accordance with Incentive Certificate No. 5487 dated 26 February 2010: the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short termprovisions	**30 June 2016**	**31 December 2015**
Warranty provisions	11.755.224	12.679.176
Provision for lawsuits	1.322.486	912.832
Provision for employee benefits	981.457	-
Provision for commision and premium	749.521	-
Total	**14.808.688**	**13.592.008**

Movements of provisions during the period are as follows:

	Warranty Provisions	**Provision for lawsuits**	**Provision for employee benefits**	**Provision for commision and premium**	**Total**
As of 1 January 2016	12.679.176	912.832	-	-	**13.592.008**
Additions during the period	4.556.337	734.032	981.457	749.521	**7.021.347**
Less: Paid during the period	(5.480.289)	(17.825)	-	-	**(5.498.114)**
Reversal of provision (-)	-	(306.553)	-	-	**(306.553)**
As of 30 June 2016	**11.755.224**	**1.322.486**	**981.457**	**749.521**	**14.808.688**

	Warranty Provisions	**Provision for lawsuits**	**Provision for employee benefits**	**Provision for wage differences resulting from the collective labor**	**Provision for commision and premium**	**Total**
As of 1 January 2015	8.390.952	687.176	427.623	926.681	-	**10.432.432**
Additions during the period	7.488.968	65.608	1.679.316	-	606.198	**9.840.090**
Less: Paid during the period	(5.174.386)	(25.894)	(427.623)	(926.681)	-	**(6.554.584)**
Reversal of provision (-)	-	-	-	-	-	-
As of 31 June 2015	**10.705.534**	**726.890**	**1.679.316**	**-**	**606.198**	**13.717.938**

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Lawsuits against the Group:

Total amount of initiated law suits against the Group, which has not been resulted until the balance sheet date as of 30 June 2016, is TRY1.322.486 (31 December 2015: TRY912.832).

Mortgages and Guarantees on Assets:

The Group does not have any mortgages or guarantees on its assets..

Total Insurance Coverage on Assets:

Total insurance coverage on assets as of 30 June 2016 is TRY675.964.521 (31 December 2015: TRY580.141.130).

The total amounts of commitments not included in liabilities are as follows:

Type	30 June 2016	31 December 2015
Verilen Teminat Mektupları	37.686.246	56.354.506
Total	**37.686.246**	**56.354.506**

The Group's guarantee/pledge/mortgage ("GPM") positions as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
A. CPM's given in the name of its own legal personality	**37.686.246**	**56.354.506**
i. Guarantee letter	37.686.246	56.354.506
ii. Mortgage	-	-
B. CPM's given on behalf of the fully consolidated companies	-	-
C. CPM's given on behalf of third parties for ordinary course of business	-	-
D. Total amount of other CPM's given	-	-
i. Total amount of CPM's given on behalf of the majority shareholder	-	-
ii. Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
A. CPM's given in the name of its own legal personality	-	-
Total	**37.686.246**	**56.354.506**

The ratio of total amount of other GPM given on behalf of the Group to the Group's shareholders' equity as of 30 June 2016 is 0% (31 December 2015: 0%).

The Group is exposed to foreign currency exchange risk as the Group has foreign currency denominated earnings and liabilities. The Group conducts financial derivative instruments in order to hedge its foreign currency exposure due to fluctuation in foreign currencies.

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

NOTE 15 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	30 June 2016	31 December 2015
Provision for employment termination benefits	**14.467.854**	**13.546.911**

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The liability is not funded in the consolidated financial statements, as there is no funding requirement for provision for employee benefits in Turkey.
The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits every six months, the maximum amount of TRY4.297,21 which is effective from 30 June 2016 (1 January 2016: TRY4.092,53) has been taken into consideration in the calculations.

In addition, termination indemnities are not paid to employees who leave their jobs voluntarily. With respect to this, estimated value of termination indemnity amounts that will stay in the Group should also be taken into consideration. According to TAS 19, for the liability of termination indemnities related to the future periods, a convenient discount rate and inflation expectation must be determined to obtain a real discount as a result of offsetting them. This discount rate should be used in the calculation of bringing termination indemnities payable in the future to present value as of balance date.

	30 June 2016	31 December 2015
Discount rate (%)	3,77	3,77
Turnover rate to estimate the probability of retirement (%)	2,79	3,03

The provision calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees is recognised to the financial statements.
Movements in the provision for employee benefits during the period are as follows:

	2016	2015
Opening	**13.546.911**	**12.493.579**
Interest cost	723.393	526.631
Remasurement differences	1.526.528	295.140
Paid during the period	(1.864.643)	(1.155.636)
Current period service cost	535.665	469.317
Ending balance	**14.467.854**	**12.629.031**

NOTE 16 - OTHER ASSETS AND LIABILITIES

Prepaid Expenses	31 June 2016	31 December 2015
Advanced given	5.966.244	12.474.277
Prepaid insurance expenses	757.933	195.117
Prepaid subscription expenses	44.447	38.188
Prepaid advertisement expenses	14.118	12.749
Prepaid other expenses	854.057	172.320
Total	**7.636.799**	**12.892.651**

Other Current Assets	31 June 2016	31 December 2015
Deferred VAT	23.290.637	31.583.989
Other current assets	1.232.312	832.619
Total	**24.522.949**	**32.416.608**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES (Continued)

Prepaid expenses	**30 June 2016**	**31 December 2015**
Long-term prepaid expenses, other	1.112	22.070
Total	**1.112**	**22.070**

Deferred income (short term)	**30 June 2016**	**31 December 2015**
Short term deferred income(*)	759.987	874.641
Total	**759.987**	**874.641**

(*) The amount of cash incentives received for the company's R&D activities, and which should be transferred to the income statement for upcoming months as of 30 June 2016, is TRY586.756 (31 December 2015: TRY703.292).

Deferred income (long term)	**30 June 2016**	**31 December 2015**
Long term deferred income(*)	930.297	1.207.583
Total	**930.297**	**1.207.583**

(*) The amount which will be transferred to the consolidated income statement related to the upcoming years from the cash support received for R&D activities of the Company as of 30 June 2016 is TRY610.472 (31 December 2014: TRY808.459).

NOTE 17 - EQUITY

Capital / Elimination Adjustments

As of 30 June 2016, the share capital of the Company is TRY25.419.707. This share capital is divided into 2.541.970.654 shares in total, including 1.366.404.402 A Group registered shares, 755.995.500 B Group registered shares, 419.570.752 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of share capital on the basis of share groups is as follows:

30 June 2016

NAME	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
YAZICILAR HOLDİNG A.Ş.	9.073.187	-	4.478	9.077.665	**35,71**
ÖZİLHAN SINAİ YATIRIM A.Ş.	4.269.734	-	2.108	4.271.842	**16,81**
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	227.805	-	38.835	266.640	**1,05**
ISUZU MOTORS LTD.	-	4.319.991	-	4.319.991	**16,99**
ITOCHU CORPORATION TOKYO	-	2.405.286	-	2.405.286	**9,46**
ITOCHU CORPORATION İSTANBUL	-	834.678	-	834.678	**3,28**
BEARER TO SHARES PUBLICLY OWNED	-	-	3.811.860	3.811.860	**15,00**
BEARER SHARES	93.318	-	338.427	431.745	**1,70**
TOTAL	**13.664.044**	**7.559.955**	**4.195.708**	**25.419.707**	**100,00**

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

NOTE 17 - EQUITY (Continued)

31 December 2015

NAME	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
YAZICILAR HOLDİNG A.Ş.	9.073.187	-	4.478	9.077.665	**35,71**
ÖZİLHAN SINAİ YATIRIM A.Ş.	4.269.734	-	2.108	4.271.842	**16,81**
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	227.805	-	38.835	266.640	**1,05**
ISUZU MOTORS LTD.	-	4.319.991	-	4.319.991	**16,99**
ITOCHU CORPORATION TOKYO	-	2.405.286	-	2.405.286	**9,46**
ITOCHU CORPORATION İSTANBUL	-	834.678	-	834.678	**3,28**
BEARER TO SHARES PUBLICLY OWNED	-	-	3.811.860	3.811.860	**15,00**
BEARER SHARES	93.318	-	338.427	431.745	**1,70**
TOTAL	**13.664.044**	**7.559.955**	**4.195.708**	**25.419.707**	**100,00**

The amount TRY25.419.707 corresponding to the share capital of the company, is fully paid up as free from any misleading transactions. The Company is not included in registered capital system.

Privileges Granted to the Share Groups

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

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

30 June 2016

Paid-in share capital	25.419.707
Adjustment to share capital	86.901.880
Restricted reserves	163.582.478
Retained earnings	34.863.033
Gain/(loss) on revalution and remeasurement	(1.336.439)
Net profit for the year	(10.031.358)
Shareholders' equity attributable to equity holders of the Group	**299.399.301**
Non-controlling shares	**-**
Total shareholders' equity	**299.399.301**

31 December 2015

Paid-in share capital	25.419.707
Adjustment to share capital	86.901.880
Restricted reserves	162.363.654
Retained earnings	31.047.813
Gain/(loss) on revalution and remeasurement	(115.217)
Net profit for the year	17.743.897
Shareholders' equity attributable to equity holders of the Group	**323.361.734**
Non-controlling shares	**-**
Total shareholders' equity	**323.361.734**

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

NOTE 17 - EQUITY (Continued)

Restricted reserves

Restricted reserves are comprised of legal reserves and other reserves.

	30 June 2016	31 December 2015
Legal reserves	23.695.839	22.477.015
Real estate sale profit exemption	138.437.248	138.437.248
Profit reserves from sale of affiliates	1.449.390	1.449.390
Profit on cancelled shares certificates	1	1
Total	**163.582.478**	**162.363.654**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In addition, the Group's profit on the sale of real estate, which is considered to be within the scope of Article 5/e of Corporate Income Tax Law No. 5520, is classified under this accounting category as a "Real estate sale profit exemption". As of 30 June 2016, the Group's total restricted reserves are TRY163.582.478 (31 December 2015: TRY162.363.654).

Retained earnings

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

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

	30 June 2016	31 December 2015
Extraordinary reserves	9.781.181	5.965.961
Inflation difference of legal reserves	25.081.046	25.081.046
Inflation difference of cancelled shares certificates	806	806
Retained earnings	-	-
Total	**34.863.033**	**31.047.813**

Quoted companies make profit distributions as follows:

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

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

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

NOTE 17 - EQUITY (Continued)

Retained earnings (Continued)

Group's retained earnings is TRY34.863.033 based on the consolidated financial statements prepared in according with TAS/TFRS Financial Reporting Standard for the period ended 30 June 2016.

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 shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

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

NOTE 18 - SALES AND COST OF SALES

Sales	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**	**1 April 2016 30 June 2016**	**1 April 2015 30 June 2015**
Domestic sales	330.273.147	447.425.562	141.991.870	260.436.524
Foreign sales	77.703.638	31.851.098	49.435.329	19.143.591
Other sales	2.034.344	2.553.187	1.186.571	1.420.742
Sales Total (Gross)	**410.011.129**	**481.829.847**	**192.613.770**	**281.000.857**
Less: Discounts	(32.686.009)	(37.206.602)	(15.070.311)	(21.330.224)
Sales (Net)	**377.325.120**	**444.623.245**	**177.543.459**	**259.670.633**
Cost of sales	**(316.800.032)**	**(367.880.569)**	**(147.722.423)**	**(217.298.392)**
Gross operating profit/loss	**60.525.088**	**76.742.676**	**29.821.036**	**42.372.241**

Cost of sales are summarised as follows:

Cost of Sales	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**	**1 April 2016 30 June 2016**	**1 April 2015 30 June 2015**
Direct raw material costs	238.096.472	328.280.380	140.236.221	197.958.111
Direct labor costs	17.579.018	19.347.925	9.178.222	11.322.014
Depreciation and amortisation expenses	9.106.983	7.852.939	4.539.100	3.977.161
Manufacturing overhead costs	6.056.184	8.433.977	2.691.982	4.763.425
Total cost of production	**270.838.657**	**363.915.221**	**156.645.525**	**218.020.711**
Change in semi-finished and finish goods inventory	12.596.735	(24.098.610)	(26.632.649)	(18.032.866)
Cost of trade goods sold	32.985.405	26.787.708	17.444.402	16.630.813
Other cost of sales	379.235	1.276.250	265.145	679.734
Total cost of sales	**316.800.032**	**367.880.569**	**147.722.423**	**217.298.392**

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

NOTE 19 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTIONS EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

a) Research and development expenses	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**	**1 April 2016 30 June 2016**	**1 April 2015 30 June 2015**
Personnel expenses	(318.415)	(435.456)	(180.561)	(273.172)
Trade goods quality enhancement expenses	(168.110)	(187.247)	(47.958)	(139.467)
Depreciation and amortisation expenses	(289.409)	(194.420)	(146.215)	(57.491)
Other	(783.978)	(765.288)	(342.934)	(409.152)
Total Research and Development Expenses	**(1.559.912)**	**(1.582.411)**	**(717.668)**	**(879.282)**
b) Marketing, selling and distribution expenses				
Domestic sales expenses	(3.588.814)	(4.149.424)	(1.909.211)	(2.276.272)
Export expenses	(2.964.633)	(2.665.981)	(1.249.118)	(1.531.085)
Personnel expenses	(5.314.062)	(4.886.817)	(2.726.061)	(2.554.393)
Advertising expenses	(3.857.659)	(3.495.534)	(2.236.651)	(2.036.757)
Warranty expenses	(4.556.337)	(7.488.968)	(2.509.813)	(3.990.759)
Depreciation and amortisation expenses	(752.837)	(834.540)	(374.951)	(438.485)
Other	(7.043.208)	(9.459.768)	(3.445.412)	(5.750.251)
Total Marketing, Selling and Distribution Expenses	**(28.077.550)**	**(32.981.032)**	**(14.451.217)**	**(18.578.002)**
c) General and administrative expenses				
Personnel expenses	(7.379.068)	(6.614.182)	(3.698.710)	(3.328.825)
Provisions for employee termination benefits	(535.665)	(469.317)	(280.038)	(236.194)
Service and work expenses	(6.813.590)	(5.790.439)	(3.385.426)	(2.841.573)
Depreciation and amortisation expenses	(699.751)	(723.676)	(351.853)	(358.016)
Insurance expenses	(845.898)	(717.703)	(442.063)	(366.904)
Other	(3.090.127)	(3.036.724)	(1.922.018)	(1.864.622)
Total General and Administrative Expenses	**(19.364.099)**	**(17.352.041)**	**(10.080.108)**	**(8.996.134)**

NOTE 20 - EXPENSES BY NATURE

	1 January 2016 30 June 2016	**1 January 2015 30 June 2015**	**1 April 2016 30 June 2016**	**1 April 2015 30 June 2015**
Direct material costs	238.096.472	328.280.380	140.236.221	197.958.111
Cost of trade goods sold	32.985.405	26.787.708	17.444.402	16.630.813
Cost of other goods sold	379.235	1.276.250	265.145	679.734
Change in goods inventory	12.596.735	(24.098.610)	(26.632.649)	(18.032.866)
Other operational expenses	33.712.354	37.757.076	17.490.604	21.206.842
Personnel expenses	31.126.228	31.753.697	16.063.592	17.714.598
Depreciation and amortisation expenses	10.848.980	9.605.575	5.412.119	4.831.153
Other production expenses	6.056.184	8.433.977	2.691.982	4.763.425
Total expenses	**365.801.593**	**419.796.053**	**172.971.416**	**245.751.810**

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

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

NOTE 21 - OTHER OPERATING INCOME/EXPENSES

Other operating income:	1 January 2016 30 June 2016	1 January 2015 30 June 2015	1 April 2016 30 June 2016	1 April 2015 30 June 2015
Foreign exchange gains on trade activities	1.494.187	1.146.081	453.811	771.759
Rediscount income on trade payables	4.177.055	3.387.259	(63.840)	91.482
Rent income	14.180	42.070	7.090	20.088
Service income	104.593	91.500	74.893	17.134
Tubitak R&D income	355.771	423.887	179.948	220.214
Export support	215.552	101.442	199.089	-
Insurance reimbursment income	3.287	39.425	3.287	2.281
Other	1.232.706	969.109	732.772	450.413
Total	**7.597.331**	**6.200.773**	**1.587.050**	**1.573.371**

Other operating expense:				
Foreign exchange loss on trade activities	(18.820.998)	(13.086.479)	(12.158.569)	(626.212)
Rediscount expenses on trade receivables	(4.269.490)	(3.221.889)	427.957	(208.001)
Donations	(39.337)	(112.545)	(30.224)	(84.190)
Other	(801.420)	(167.126)	(491.831)	(139.426)
Total	**(23.931.245)**	**(16.588.039)**	**(12.252.667)**	**(1.057.829)**

NOTE 22 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	1 January 2016 30 June 2016	1 January 2015 30 June 2015	1 April 2016 30 June 2016	1 April 2015 30 June 2015
Gain on sale of Machinery and Equipment	122.207	64.373	122.207	61.108
Total	**122.207**	**64.373**	**122.207**	**61.108**

Expenses from investing activities	1 January 2016 30 June 2016	1 January 2015 30 June 2015	1 April 2016 30 June 2016	1 April 2015 30 June 2015
Loss on sale of Machinery and Equipment	(220)	-	-	-
Total	**(220)**	**-**	**-**	**-**

NOTE 23 - FINANCIAL INCOME

Financial income:	h1 January 2016 30 June 2016	1 January 2015 30 June 2015	1 April 2016 30 June 2016	1 April 2015 30 June 2015
Interest income	3.965.784	4.819.629	1.841.518	2.402.232
Credit finance income	294.094	122.723	125.167	(401.047)
Foreign exchange gains	5.728.575	7.066.406	3.505.157	3.304.597
Total	**9.988.453**	**12.008.758**	**5.471.842**	**5.305.782**

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

NOTE 24 - FINANCIAL EXPENSES

Financial expenses:	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**	**1 April 2016 30 June 2016**	**1 April 2015 30 June 2015**
Interest expenses	(9.816.453)	(4.067.187)	(5.226.758)	(2.463.678)
Foreign exchange losses	(8.398.058)	(9.468.114)	(4.279.067)	(6.503.743)
Credit finance expenses	(662.052)	(855.312)	(460.378)	(473.152)
Other financial expenses	(1.128.643)	(855.950)	(591.753)	(438.076)
Total	**(20.005.206)**	**(15.246.563)**	**(10.557.956)**	**(9.878.649)**

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

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

Account name	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**	**1 April 2016 30 June 2016**	**1 April 2015 30 June 2015**
Current income tax provision	(77.438)	(1.759.895)	(22.694)	(1.698.941)
Deferred tax (expense) / income - Income Statement	4.751.233	950.038	3.174.336	572.435
Total tax (expense) / income – Income Statement	**4.673.795**	**(809.857)**	**3.151.642**	**(1.126.506)**
Tax income / (expense) - Comprehesive - Income Statements	305.306	59.028	128.760	(9.303)
Total tax (expense) / income	**4.979.101**	**(750.829)**	**3.280.402**	**(1.135.809)**

	30 June 2015	**31 December 2015**
Current period corporate tax	77.438	251.375
Prepaid taxes	(648.931)	(2.383.654)
Taxes payable	**(571.493)**	**(2.132.279)**

i) *Provision for Current Period Tax*

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

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

Effective Corporate Tax Rates:

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

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

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

Income Withholding Tax:
In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed, except for resident companies in Turkey receiving dividends from resident companies in Turkey and Turkish branches of foreign companies. The rate of withholding tax has been increased from 10% to 15% upon the Cabinet decision No: 2006/10731, which was published in Official Gazette on July 23, 2006.

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

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

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/TFRS'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/TFRS standards and tax purposes.

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

	30 June 2016		31 December 2015	
	Cumulative Temporary Differences	Deferred Tax Assets/(Liabilities)	Cumulative Temporary Differences	Deferred Tax Assets/(Liabilities)
Inventories	1.179.860	235.972	1.514.942	302.988
Property, plant and equipment (Note 10)	(41.070.162)	(8.214.033)	(42.575.959)	(8.515.191)
Provision for employee termination benefits	14.467.854	2.893.571	13.546.911	2.709.382
Guarantee provisions	11.755.224	2.351.045	12.679.176	2.535.836
R&D discount	8.406.778	1.681.356	-	-
Current year financial loss	13.475.653	2.695.131	-	-
Provision for employee benefits	981.457	196.291	-	-
Rediscount expenses/income (Net)	2.754.513	550.903	2.659.816	531.963
Law suit provisions	1.322.486	264.497	912.832	182.566
Other (Net)	746.752	149.350	-	-
Total		**2.804.083**		**(2.252.456)**

Movements of deferred income tax:	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**
Opening balance	(2.252.456)	(2.299.315)
Deferred tax income on income statements	4.751.233	950.038
Deferred tax income on comprehensive income statements	305.306	59.028
Closing balance	**2.804.083**	**(1.290.249)**

Reconciliations of tax provision with the current period loss are as follows:

Reconciliation of tax provision:	**1 January 2016 30 June 2016**	**1 January 2015 30 June 2015**
Income from continuing operations	**(14.705.153)**	**11.266.494**
Corporate tax rate 20%	2.941.031	(2.253.299)
Taxation effect:		
- R&D deductions	1.681.356	1.303.684
- Income on R&D subsidies	71.154	84.777
- Non-deductible expenses for tax purposes	(19.746)	(22.643)
- Non-deductible incomes for tax purposes	-	77.624
Loss)/income tax provision on statements of income	**4.673.795**	**(809.857)**

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

NOTE 26 - INCOME/(LOSS) PER SHARE

	1 January 2016 30 June 2016	1 January 2015 30 June 2015	1 April 2016 30 June 2016	1 April 2015 30 June 2015
Net income/ (loss) for the period (TRY)	(10.031.358)	10.456.637	(7.905.839)	8.796.100
Weighted average number of shares with nominal value of Kr 1 each	2.541.970.654	2.541.970.654	2.541.970.654	2.541.970.654
Income / (loss) per 100 share with nominal value of TRY1 each	**(0,3946)**	**0,4114**	**(0,3110)**	**0,3460**

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Related party balances:

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

30 June 2016

	Receivables		Payables	
1) Related Parties	**Trade**	**Other**	**Trade**	**Other**
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	736	-
AEH Gayrimenkul Yatırımları A.Ş.	-	-	2.088	-
AEH Sigorta Acenteliği A.Ş.	-	-	134.089	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	166.583	-
Anadolu Endüstri Holding A.Ş.	-	-	1.568	-
Anadolu Sağlık Merkezi İktisadi İşletmesi	-	-	186	-
Çelik Motor Ticaret A.Ş.	-	-	92.885	-
Efestur Turizm İşletmeleri A.Ş.	-	-	189.341	-
Isuzu Motors Co. Thailand Ltd.	29.153	-	-	-
Isuzu Motors International Operation Thailand	-	-	19.649.903	-
Isuzu Motors Ltd. Tokyo	7.700	-	2.109.809	-
Itochu Corporation Tokyo	-	-	124.402.240	-
Migros Ticaret A.Ş.	-	-	334.892	-
Payables to shareholders (*)	-	-	-	9.109
Yazıcılar Holding A.Ş.	-	-	7.366	-
Total	**36.853**	**-**	**147.091.686**	**9.109**

(*) Payables to shareholders balance is classified under other payables in the consolidated balance sheet.

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

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

31 December 2015

	Receivables		Payables	
1) Related Parties	**Trade**	**Other**	**Trade**	**Other**
Payables to shareholders (*)	-	-	-	9.109
Anadolu Endüstri Holding A.Ş.	-	-	6.042	-
Itochu Corporation Tokyo	-	-	135.144.834	-
Isuzu Motors International Operation Thailand	-	-	4.258.975	-
Isuzu Motors Ltd. Tokyo	1.170.210	-	3.214.906	-
Çelik Motor Ticaret A.Ş.	5.381.517	-	-	-
Efestur Turizm İşletmeleri A.Ş.	-	-	180.315	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	232.497	-
Yazıcılar Holding A.Ş.	-	-	8.074	-
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	5.141	-
AEH Sigorta Acenteliği A.Ş.	-	-	96.588	-
AEH Gayrimenkul Yatırımları A.Ş.	-	-	1.914	-
Migros Ticaret A.Ş.	-	-	399.072	-
Total	**6.551.727**	**-**	**143.548.358**	**9.109**

(*) Payables to shareholders balance is classified under other payables in the consolidated balance sheet.

b) Related party transactions:

1 January -30 June 2016

Sales to related parties	**Goods and Service sales**	**Sales of Fixed assets**	**Other income**	**Total revenues / Sales**
Alternatifbank A.Ş.	-	-	1.144.778	**1.144.778**
Anadolu Bilişim Hizmetleri A.Ş.	2.468	-	-	**2.468**
Anadolu Motor Üretim ve Paz. A.Ş.	149.353	-	-	**149.353**
Çelik Motor Ticaret A.Ş.	3.008.586	-	-	**3.008.586**
Isuzu Motors Co. Thailand Ltd.	24.710	-	-	**24.710**
Isuzu Motors International Operation Thailand	2.440.886	-	-	**2.440.886**
Isuzu Motors Ltd. Tokyo	1.563.193	-	-	**1.563.193**
Total	**7.189.196**	**-**	**1.144.778**	**8.333.974**

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

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

1 January -30 June 2015

Sales to related parties	Goods and Service sales	Sales of Fixed assets	Other income	Total revenues / Sales
Isuzu Motors International Operation Thailand	317.798	-	-	**317.798**
Isuzu Motors Ltd. Tokyo	729.705	-	-	**729.705**
Isuzu Motors Co. Thailand Ltd.	28.615	-	-	**28.615**
Çelik Motor Ticaret A.Ş.	378.752	-	-	**378.752**
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	12.986	**12.986**
Anadolu Motor Üretim ve Paz. A.Ş.	153.253	-	-	**153.253**
Kamil Yazıcı Yönetim ve Danışmanlık A.Ş.	29.181	-	-	**29.181**
Alternatifbank A.Ş.	-	-	2.793.099	**2.793.099**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	2.171	-	-	**2.171**
Total	**1.639.475**	**-**	**2.806.085**	**4.445.560**

1 January - 30 June 2016

Purchases from related parties	Goods and Service purchases	Purhcases of Fixed assets	Other expense	Total expense / Purchases
Adel Kalemcilik Tic. ve San. A.Ş.	15.998	-	-	**15.998**
AEH Gayrimenkul Yatırımları A.Ş.	10.457	-	-	**10.457**
Alternatifbank A.Ş.	-	-	135.296	**135.296**
Anadolu Bilişim Hizmetleri A.Ş.	1.692.998	646.711	-	**2.339.709**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	3.758	-	-	**3.758**
Anadolu Endüstri Holding A.Ş.	2.529.502	-	3.180	**2.532.682**
Anadolu Motor Üretim ve Paz. A.Ş.	14.000	8.500	-	**22.500**
Anadolu Sağlık Merkezi İktisadi İşletmesi	15.255	-	-	**15.255**
Çelik Motor Ticaret A.Ş.	35.692	-	454.264	**489.956**
Efestur Turizm İşletmeleri A.Ş.	1.776.093	-	-	**1.776.093**
Isuzu Motors International Operation Thailand	50.444.678	-	-	**50.444.678**
Isuzu Motors Ltd. Europe	2.805	-	-	**2.805**
Isuzu Motors Ltd. Tokyo	4.794.315	-	-	**4.794.315**
Itochu Corporation Tokyo	87.900.145	-	-	**87.900.145**
Migros Ticaret A.Ş.	34.449	-	-	**34.449**
Oyex Handels Gmbh	26.802	-	-	**26.802**
Yazıcılar Holding A.Ş.	2.706	-	38.715	**41.421**
Total	**149.299.653**	**655.211**	**631.455**	**150.586.319**

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

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

1 January - 30 June 2015

Purchases from related parties	**Goods and Service purchases**	**Purhcases of Fixed assets**	**Other expense**	**Total expense / Purchases**
Çelik Motor Ticaret A.Ş.	7.219	-	405.422	**412.641**
Anadolu Endüstri Holding A.Ş.	2.349.451	1.300	2.940	**2.353.691**
Itochu Corporation Tokyo	104.004.194	-	-	**104.004.194**
Isuzu Motors International Operation Thailand	65.030.861	-	-	**65.030.861**
Isuzu Motors Ltd. Tokyo	5.024.485	-	-	**5.024.485**
Isuzu Motors Ltd. Europe	3.070	-	-	**3.070**
Efestur Turizm İşletmeleri A.Ş.	1.631.762	-	-	**1.631.762**
Anadolu Bilişim Hizmetleri A.Ş.	1.540.135	197.420	-	**1.737.555**
Adel Kalemcilik Tic. ve San. A.Ş.	1.435	-	-	**1.435**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	3.246	-	-	**3.246**
Alternatifbank A.Ş.	-	-	159.816	**159.816**
Anadolu Sağlık Merkezi İktisadi İşletmesi	71.188	-	-	**71.188**
AEH Gayrimenkul Yatırımları A.Ş.	1.622	-	-	**1.622**
Oyex Handels Gmbh	41.494	-	-	**41.494**
Total	**179.710.162**	**198.720**	**568.178**	**180.477.060**

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the Article No:19 in the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. TRY1.500 donation was made to Anadolu Eğitim ve Sosyal Yardım Vakfı in the current year. (31 December 2015: TRY80.000 donation was made).

d) Key management compensation:

	1 January 2016 30 June 2016	**1 January 2015 30 June 2015**
Salaries and other short-term benefits	2.569.222	1.651.141
Total	**2.569.222**	**1.651.141**

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

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

NOTE 28 - FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

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

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

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

	31 December 2015	**31 December 2014**
Financial Liabilities	448.199.783	438.877.837
Total Shareholders' Equity	299.399.301	323.361.734
Debt/Total equity	**1,50**	**1,36**

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

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

(b)Price risk

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

(c) Market risk

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

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

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

(d) Foreign exchange risk

Foreign currency transactions may result in foreign currency fluctuation risk.

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

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

NOTE 28 - FINANCIAL RISK MANAGEMENT(Continued)

Sensitivity analysis of foreign exchange

30 June 2016

	Profit/Loss	
	Appreciation of foreign currency	**Appreciation of foreign currency**
If USD appreciated/(depreciated) against TRY by 10%;		
1- USD currency net asset/liability	23.891	(23.891)
2- Hedged items (-)	-	-
3- Net effect of USD (1+2)	**23.891**	**(23.891)**
If EUR appreciated/(depreciated) against TRY by 10%;		
4- EUR currency net asset/liability	(19.426.893)	19.426.893
5- Avro Riskinden Korunan Kısım (-)	-	-
6- Net effect of EUR(4+5)	**(19.426.893)**	**19.426.893**
If Other appreciated/(depreciated) against TRY by 10%;		
7- Other currency net asset/liability	(11.978.227)	11.978.227
8- Hedged items (-)	-	-
9- Net effect of Other (7+8)	**(11.978.227)**	**11.978.227**
TOTAL (3+6+9)	**(31.381.229)**	**31.381.229**

Sensitivity analysis of foreign exchange

31 December 2015

	Profit/Loss	
	Appreciation of foreign currency	**Appreciation of foreign currency**
If USD$ appreciated/(depreciated) against TRY by 10%;		
1- USD currency net asset/liability	(414.252)	414.252
2- Hedged items (-)	-	-
3- Net effect of USD (1+2)	**(414.252)**	**414.252**
If EUR appreciated/(depreciated) against TRY by 10%;		
4- EUR currency net asset/liability	(16.068.754)	16.068.754
5- Avro Riskinden Korunan Kısım (-)	-	-
6- Net effect of EUR(4+5)	**(16.068.754)**	**16.068.754**
If Other appreciated/(depreciated) against TRY by 10%;		
7- Other currency net asset/liability	(13.615.134)	13.615.134
8- Hedged items (-)	-	-
9- Net effect of Other (7+8)	**(13.615.134)**	**13.615.134**
TOTAL (3+6+9)	**(30.098.140)**	**30.098.140**

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

NOTE 28 - FINANCIAL RISK MANAGEMENT(Continued)

Foreign currency position table

	30 June 2016					31 December 2015				
	TRY Amount	**USD**	**EUR**	**JPY**	**Other**	**TRY Amount**	**USD**	**EUR**	**JPY**	**Other**
1. Trade receivables	24.046.093	10.075	7.494.988	-	-	17.213.460	13.256	5.048.858	47.000.000	-
2a. Monetary financial assets	22.249.571	72.489	5.365.054	171.978.643	1.812	9.638.540	26.994	2.990.397	2.075.456	1.812
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	1.367.439	-	-	48.578.616		762.646	-	-	31.673.994	-
4. Total current assets (1+2+3)	**47.663.103**	**82.564**	**12.860.042**	**220.557.259**	**1.812**	**27.614.646**	**40.250**	**8.039.255**	**80.749.450**	**1.812**
5. Trade receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total non-current assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total assets(4+8)	**47.663.103**	**82.564**	**12.860.042**	**220.557.259**	**1.812**	**27.614.646**	**40.250**	**8.039.255**	**80.749.450**	**1.812**
10. Trade payables	148.840.250	-	7.128.482	4.476.100.108	-	144.873.664	1.464.773	790.305	5.735.668.108	-
11. Financial liabilities	131.338.893	-	40.987.047	-	-	128.189.741	-	40.341.686	-	-
12a. Other monetary liabilities	1.186.243	-	370.192	-	-	1.513.441	200	476.101	-	-
12b. Other non-monetary liabilities.	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	**281.365.386**	**-**	**48.485.721**	**4.476.100.108**	**-**	**274.576.846**	**1.464.973**	**41.608.092**	**5.735.668.108**	**-**
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	80.110.000	-	25.000.000	-	-	54.019.200	-	17.000.000	-	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
17. Total non-current liabilities (14+15+16)	**80.110.000**	**-**	**25.000.000**	**-**	**-**	**54.019.200**	**-**	**17.000.000**	**-**	**-**
18. Total liabilities (13+17)	**361.475.386**	**-**	**73.485.721**	**4.476.100.108**	**-**	**328.596.046**	**1.464.973**	**58.608.092**	**5.735.668.108**	**-**
19. Off-balance sheet derivative instruments net position (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Total Amount of Hedged Assets	-	-	-	-	-	-	-	-	-	-
19b. Total Amount of Hedged Liabilities	-	-	-	-	-	-	-	-	-	-
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	**(313.812.283)**	**82.564**	**(60.625.679)**	**(4.255.542.849)**	**1.812**	**(300.981.400)**	**(1.424.723)**	**(50.568.837)**	**(5.654.918.658)**	**1.812**
21. Monetary Items Net Foreign Exchange Asset / (liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	**(315.179.722)**	**82.564**	**(60.625.679)**	**(4.304.121.465)**	**1.812**	**(301.744.046)**	**(1.424.723)**	**(50.568.837)**	**(5.686.592.652)**	**1.812**
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge	**-**					**-**				
23. The Amount of Hedged part of Foreign Exchange Assets	**-**					**-**				
23. The Amount of Hedged part of Foreign Exchange Liabilities	**-**					**-**				
23. Export	**77.703.638**					**79.235.341**				
24. Import	**172.585.158**					**462.308.317**				

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

NOTE 28 - FINANCIAL RISK MANAGEMENT(Continued)

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

Interest rate position table

	30.06.2016	31.12.2015
Financial assets with fixed rates		
Financial assets	61.538.816	75.274.455
Cash and cash equivalents	(164.799.396)	(116.240.146)
Financial liabilities with variable rates		
Finansal assets	-	-
Financial liabilities	(166.193.834)	(156.256.013)

As of 31 December 2015, if the market interest rate had increased/decreased by 1% with all other variables held constant, income before taxes for the period would have been higher/lower by TRY1.661.938 (31 December 2015: TRY1.562.560).

(f) Funding risk

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

(g) Credit risk management

The risk of a financial loss for the Group due to failing of one of the parties of the contract to meet its obligations is defined as credit risk. The Group's credit risk is basically related to its receivables. The balance shown in the balance sheet is formed by the net amount after deducting the doubtful receivables arisen from the Group management's forecasts based on its previous experience and current economical conditions.
Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 30 June 2016 are TRY24.046.093 and there is no geographical concentration (31 December 2015: TRY17.213.460).

30 June 2016	Receivables					Deposits in Banks	Notes
	Trade Receivables		Other Receivables				
	Related	Other	Related	Other	Notes		
Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)	**36.853**	**219.694.779**	**-**	**15.939.263**		**74.930.076**	
- The part of maximum risk secured by guarantee etc	-	219.694.779	-	-	**7**	-	
A. Net book value of financial assets which are undue or which is not impaired	**36.853**	**175.075.870**	**-**	**15.939.263**	**7-8-27**	**74.930.076**	**4**
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.	**-**	**-**	**-**	**-**	**-**	**-**	
C. Net book value of assets, overdue but not impaired	**-**	**44.618.909**	**-**	**-**	**-**	**-**	
- Secured by guarantee and etc.	-	44.618.909	-	-		-	
D. Net book value of assets decrease in value	**-**	**-**	**-**	**-**		**-**	
- Overdue (gross book value)	-	*(333.324)*	-	-	**7**	-	
- Impairment (-)	-	*333.324*	-	-	**7**	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containing credit risk off the balance sheet	**-**	**-**	**-**	**-**		**-**	

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2015	Receivables				Notes	Deposits in Banks	Notes
	Trade Receivables		Other Receivables				
	Related	Other	Related	Other			
Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)	**6.551.727**	**279.220.471**	**-**	**1.297.825**		**78.323.654**	
- The part of maximum risk secured by guarantee etc	-	279.220.471	-	-	**7**	-	
A. Net book value of financial assets which are undue or which is not impaired	**6.551.727**	**249.649.698**	**-**	**1.297.825**	**7-8-27**	**78.323.654**	**4**
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.	**-**	**-**	**-**	**-**	**-**	**-**	
C. Net book value of assets, overdue but not impaired	**-**	**29.570.773**	**-**	**-**	**-**	**-**	
- Secured by guarantee and etc.	-	29.570.773	-	-		-	
D. Net book value of assets decrease in value	**-**	**-**	**-**	**-**		**-**	
- Overdue (gross book value)	-	*(333.324)*	-	-	**7**	-	
- Impairment (-)	-	*333.324*	-	-	**7**	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containing credit risk off the balance sheet	**-**	**-**	**-**	**-**		**-**	

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

30 June 2016	Receivable: Trade Receivable	Receivable: Other Receivable	Bank Deposit	Derivative Instruments	Trade Receivable
1-30 days overdue	40.157.018	-	-	-	-
1-3 months overdue	4.461.891	-	-	-	-
3-12 months overdue		-	-	-	-
1-5 years overdue		-	-	-	-
More than 5 years overdue		-	-	-	-
Assets covered portion with guarantee letter etc.	**44.618.909**	**-**	**-**	**-**	**-**

31 December 2015	Receivable: Trade Receivable	Receivable: Other Receivable	Bank Deposit	Derivative Instruments	Trade Receivable
1-30 days overdue	26.613.696	-	-	-	-
1-3 months overdue	2.957.077	-	-	-	-
3-12 months overdue	-	-	-	-	-
1-5 years overdue	-	-	-	-	-
More than 5 years overdue	-	-	-	-	-
Assets covered portion with guarantee letter etc.	**29.570.773**	**-**	**-**	**-**	**-**

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

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

(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 TRY and maturity term.

30 June 2016

Non-derivative financial liabilities

Contractual maturities:	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Bank borrowings	330.993.230	345.222.261	112.133.316	151.290.671	81.798.274	-
Corporate bonds issued	-	-	-	-	-	-
Financial Lease	-	-	-	-	-	-
Trade Payables	198.520.013	198.971.632	100.163.791	98.807.841		-
Other Liabilities	4.939.590	4.939.590	4.939.590	-	-	-
Non-derivative financial liabilities	**534.452.833**	**549.133.483**	**217.236.697**	**250.098.512**	**81.798.274**	**-**

Derivative financial liabilities

The Group had no derivative financial liabilities as of 31 December 2015.

31 December 2015

Non-derivative financial liabilities

Contractual maturities:	Carrying value	Total contractual cash outflow	Up to 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
Bank borrowings	272.496.159	291.773.124	7.296.718	144.559.522	139.916.884	-
Corporate bonds issued	-	-	-	-	-	-
Financial Lease	-	-	-	-	-	-
Trade Payables	244.939.780	246.003.138	153.647.880	92.355.258		-
Other Liabilities	8.932.199	8.932.199	8.932.199	-	-	-
Non-derivative financial liabilities	**526.368.138**	**546.708.461**	**169.876.797**	**236.914.780**	**139.916.884**	**-**

NOTE 29 - FINANCIAL INSTRUMENTS
(Fair value and hedging disclosures)

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

Objectives of Financial Risk Management

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

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

Level 1: Valuation of the financial assets and liabilities over the stock exchange prices of similar assets and liabilities resulting from the transactions in active markets.
Level 2: Valuation of the financial assets and liabilities over the price calculated on the basis of the data that is directly or indirectly observable in the market other than the stock exchange price of the relevant asset or liability determined on the first level.
Level 3: Valuation of the financial assets and liabilities carried out in the absence of observable data in the market for determining the fair value of the reelvant asset or liability.

Derivative financial instruments

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

The Group had no forward foreign exchange contracts for derivative financial instruments as of 30 June 2016 and 31 December 2015.

NOTE 30 - SUBSEQUENT EVENTS

Board of directors have decided to designation of Tuncay ÖZİLHAN as board chairman and have accepted resignation of the board chairman Mehmet Kamil ESER from board of directors membership and chairman, beacuse of his reitrement with the decision of board of directors dated 01 August 2016.