Anadolu Isuzu Otomotiv
Sanayi ve Ticaret Anonim Şirketi

Convenience Translation into English of
Consolidated Financial Statements
Together With Report of Independent Auditors
For the Period 1 January - 31 December 2016

(Originally Issued in Turkish)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH
INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. and its Subsidiary as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 28 February 2017.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Adnan Akan, SMMM
Partner

İstanbul, 28 February 2017

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

	Notes	31 December 2016	31 December 2015
ASSETS			
Current Assets		**718,133,022**	**733,733,852**
Cash and cash equivalents	**4**	119,878,595	78,558,102
Trade receivables			
Due from related parties	**27**	254,444	6,551,727
Due from other parties	**7**	288,858,763	279,220,471
Other receivables			
Due from other parties	**8**	1,023,019	1,297,639
Inventories	**9**	275,115,719	320,664,375
Prepaid expenses	**16**	5,646,604	12,892,651
Current income tax assets	**25**	983,913	2,132,279
Other current assets	**16**	26,371,965	32,416,608
Non-current Assets		**166,933,775**	**147,469,619**
Financial assets	**5**	-	-
Other receivables			
Due from other parties	**8**	186	186
Property, plant and equipment	**10**	99,664,077	103,340,205
Intangible assets			
Goodwill	**12**	2,340,995	2,340,995
Prepaid expenses	**11**	50,689,447	41,766,163
Deferred tax assets	**16**	75,376	22,070
Financial assets	**25**	14,163,694	-
TOTAL ASSETS		**885,066,797**	**881,203,471**

These consolidated financial statements for the period 1 January - 31 December 2016 have been approved for issue by the Board of Directors ("BOD") on 28 February 2017 and signed by Independent Audit Committee Director Ahmet Cemal DÖRDÜNCÜ, Independent Audit Committee Member Kamil Ömer BOZER, General Manager Yusuf Tuğrul ARIKAN and Finance Director Bora ÖNER.

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

	Notes	31 December 2016	31 December 2015
LIABILITIES			
Current liabilities		**387,476,997**	**406,815,587**
Financial liabilities	**6**	149,750,358	138,476,959
Trade payable			
Due to related parties	**27**	151,329,317	143,548,358
Due to other parties	**7**	60,636,971	101,391,422
Other payable			
Due to related parties	**27**	9,109	9,109
Due to other parties	**8**	10,341,116	7,566,045
Payables for employee benefits	**8**	694,823	1,357,045
Deferred income	**16**	666,640	874,641
Current income tax liabilities	**25**	-	-
Provisions			
Provision for employee benefits	**14**	-	-
Other provisions	**14**	14,048,663	13,592,008
Non-current liabilities		**235,125,229**	**151,026,150**
Financial liabilities	**6**	220,495,000	134,019,200
Deferred income	**16**	698,920	1,207,583
Provisions			
Provision for employment termination benefits	**15**	13,931,309	13,546,911
Deferred tax liabilities	**25**	-	2,252,456
EQUITY	**17**	**262,464,571**	**323,361,734**
Shareholders' equity		**262,464,571**	**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/expense items that will not be reclassified to profit or loss			
Remeasurements of provision for employment termination benefits		(1,963,156)	(115,217)
Restricted reserves		163,579,754	162,363,654
Retained earnings		34,863,033	31,047,813
Net income for the period		(46,336,647)	17,743,897
Non-controlling interests		-	-
TOTAL LIABILITIES AND EQUITY		**885,066,797**	**881,203,471**

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

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

	Notes	1 January- 31 December 2016	1 January- 31 December 2015
CONTINUING OPERATIONS			
Revenue	**18**	829,811,333	935,494,541
Cost of sales (-)	**18**	(721,710,056)	(779,196,290)
GROSS PROFIT/LOSS		**108,101,277**	**156,298,251**
General administrative expenses (-)	**19**	(37,734,296)	(36,101,430)
Marketing and selling expenses (-)	**19**	(59,092,606)	(70,123,244)
Research and development expenses (-)	**19**	(3,025,702)	(3,664,820)
Other operating income	**21**	16,183,595	9,654,889
Other operating expenses (-)	**21**	(30,733,777)	(29,173,423)
OPERATING PROFIT/LOSS		**(6,301,509)**	**26,890,223**
Income from investing activities	**22**	271,640	685,149
Expenses on investing activities (-)	**22**	(54,518)	(93,660)
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSES		**(6,084,387)**	**27,481,712**
Financial expenses (-)	**23**	22,684,204	26,960,965
Financial income	**24**	(77,501,047)	(36,437,210)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(60,901,230)**	**18,005,467**
Income tax (expense)/ income from continuing operations		**14,564,583**	**(261,570)**
Taxes on current income (-)	**25**	(1,389,582)	(251,375)
Deferred tax expense	**25**	15,954,165	(10,195)
INCOME/ (LOSS) FROM CONTINUING OPERATIONS		**(46,336,647)**	**17,743,897**
INCOME/(LOSS) FOR THE YEAR		**(46,336,647)**	**17,743,897**
Attributable to:	**17**	**(46,336,647)**	**17,743,897**
Non-controlling interests	**17**	-	-
Owners of the parent	**17**	(46,336,647)	17,743,897
Income/ (Loss) per hundred shares	**26**	**(1,8229)**	**0,6980**

OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurements of provision for employment termination benefits	**15**	(2,309,924)	(285,269)
Tax effect related with other comprehensive income items	**25**	461,985	57,054
OTHER COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX		**(1,847,939)**	**(228,215)**
TOTAL COMPREHENSIVE INCOME		**(48,184,586)**	**17,515,682**
Non-controlling interests		-	-
Owners of the parent		(48,184,586)	17,515,682

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

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 31 DECEMBER 2015

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

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Operating activities:		**37,878,472**	**(111,213,169)**
Net income/ (loss)	**17**	**(46,336,647)**	**17,743,897**
Adjustments to reconcile net cash generated:		**65,462,180**	**38,712,779**
Depreciation and amortisation	**10-11**	22,942,790	20,379,557
Provision for employee benefits	**15**	2,360,312	2,341,759
Income on taxes	**25**	(14,564,583)	261,570
Interest income	**23**	(7,700,235)	(9,856,118)
Interest expenses	**24**	23,491,576	10,438,820
Foreign exchange differences on borrowings		37,833,160	8,600,725
Other non-cash generating expenses, net		1,316,282	7,137,955
Gain on sales of property, plant and equipment	**22**	(217,122)	(591,489)
Changes in Assets and Liabilities:		**25,412,272**	**(163,712,495)**
Net Decrease in Trade Receivables		(6,520,621)	(58,790,639)
Net (Increase)/Decrease in Inventories	**9**	45,548,656	(113,576,058)
Net Decrease (Increase) in Other Receivables	**8-16**	14,713,676	(19,676,898)
Net Decrease/(Increase) in Other Non-current Assets		(14,217,000)	(2,348)
Net Increase/(Decrease) in Trade Payables		(32,404,282)	29,698,811
Net (Decrease)/Increase in Other Liabilities		18,291,843	(1,365,363)
Cash Flows Generated from Operating Activities:		**44,537,805**	**(107,255,819)**
Taxes Paid		(2,373,495)	(2,383,654)
Employment Termination Benefits Paid	**15**	(4,285,838)	(1,573,696)
Investing Activities:		**(27,972,824)**	**(52,591,902)**
Proceeds from Sales of Property, Plant and Equipment		735,214	2,098,424
Purchase of Property, Plant and Equipment	**10**	(9,192,182)	(37,912,373)
Purchase of Intangible Assets	**11**	(19,515,856)	(16,777,953)
Net Cash Used in Financing Activities:			
Financing Activities:		**31,641,395**	**131,500,815**
Dividend Payments		(12,709,853)	(28,056,351)
Interests Received		7,926,785	10,112,218
Interests Paid		(22,682,477)	(9,163,527)
Proceeds from Borrowings		205,887,500	234,764,475
Repayments of Borrowings		(146,780,560)	(76,156,000)
Net Increase (Decrease) in Cash and Cash Equivalents Prior to Foreign Currency Translation Differences		**41,547,043**	**(32,304,256)**
Net Decrease in Cash and Cash Equivalents		**41,547,043**	**(32,304,256)**
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**	**119,642,178**	**78,095,135**

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

					Other Comprehensive Income And Expense that will not be reclassified to profit or loss		Accumulated Profit/Loss				
Prior period	**Notes**	**Paid in Capital**	**Adjustment to share capital**	**Total paid in capital**	**Gain/loss on revaluation and remeasurement**	**Restricted reserves**	**Retained earnings**	**Net profit/loss for the year**	**Owners of the parent**	**Non-controlling interests**	**Total equity**
1 January 2015	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
Total comprehensive income		-	-	-	(228,215)	-	-	17,743,897	17,515,682	-	17,515,682
Net profit for the year		-	-	-	-	-	-	17,743,897	17,743,897	-	17,743,897
Other comprehensive income		-	-	-	(228,215)	-	-	-	(228,215)	-	(228,215)
Transfers		-	-	-	-	2,706,117	31,636,143	(34,342,260)	-	-	-
Dividends paid		-	-	-	-	-	(28,056,351)	-	(28,056,351)	-	(28,056,351)
31 December 2015	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
Current period											
1 January 2016	17	25,419,707	86,901,880	112,321,587	(115,217)	162,363,654	31,047,813	17,743,897	323,361,734	-	323,361,734
Total comprehensive income		-	-	-	(1,847,939)	-	-	(46,336,647)	(48,184,586)	-	(48,184,586)
Net profit for the year		-	-	-	-	-	-	(46,336,647)	(46,336,647)	-	(46,336,647)
Other comprehensive income		-	-	-	(1,847,939)	-	-	-	(1,847,939)	-	(1,847,939)
Transfers		-	-	-	-	1,218,824	16,525,073	(17,743,897)	-	-	-
Other adjustments		-	-	-	-	(2,724)	-	-	(2,724)	-	(2,724)
Dividends paid		-	-	-	-	-	(12,709,853)	-	(12,709,853)	-	(12,709,853)
31 December 2016	17	25,419,707	86,901,880	112,321,587	(1,963,156)	163,579,754	34,863,033	(46,336,647)	262,464,571	-	262,464,571

The accompanying notes form an integral part of these 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 Istanbul A.Ş. since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory established in Çayırova/Kocaeli. The average number of employees as of 31 December 2016 is 823 (31 December 2015: 944).

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

As of 31 December 2016 and 31 December 2015, details regarding the Company's subsidiary, which is subject to consolidation, is as follows:

Subsidiaries	**Nature of business**	**Capital**	**31 December 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.

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

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

2.1.2 Consolidation principles

Subsidiaries

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

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

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

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

	Proportion of effective interest (%)		Direct and indirect ownership interest held by Company	
Subsidiaries	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100.00	100.00	100.00	100.00

2.1.3 Offsetting

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

2.1.4 Comparatives and adjustment of prior periods' financial statements

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

The Group has no changes in its financial statements.

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

2.1.5 Amendments in International Financial Reporting Standards

a. Standards, amendments and interpretations applicable as at 31 December 2016

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

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

- **Annual improvements 2014,** effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 3 standards:

    - IFRS 7, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
    - IAS 19, 'Employee benefits' regarding discount rates.
    - IAS 34, 'Interim financial reporting' regarding disclosure of information.

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

- **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)

b. Standards, amendments and interpretations effective after 1 January 2017

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

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

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

- **IFRS 15 'Revenue from contracts with customers',** effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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

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

b. Standards, amendments and interpretations effective after 1 January 2017 (Continued)

- **Annual improvements 2014–2016**, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

  - IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
  - IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- **IFRIC 22,' Foreign currency transactions and advance consideration'**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

2.2 Summary of Significant Accounting Policies

2.2.1 Cash and cash equivalents

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

2.2.2 Trade receivables and valuation allowance

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

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

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

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

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

2.2.3 Inventories

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

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

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.

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

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 before31 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)

2.2.8 Loans and borrowing costs

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

2.2.9 Taxes on income

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

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

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

2.2.10 Provision for employee benefits

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

2.2.11 Provisions

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

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

2.2.12 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as expense as incurred. Subsidies received from Tübitak are accounted for as deferred income by Group and are offset with amortisation expenses in the income statements in line with the useful life of the completed projects.

Development costs are directly recognised as expense. Development expenses recognised as expense in prior periods are not subject to capitalisation in subsequent periods.

2.2.13 Warranty provision expenses

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

2.2.14 Related parties

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

2.2.15 Foreign currency transactions

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

2.2.16 Earnings per share

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

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

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

2.2.17 Revenue recognition

Commercial vehicle and spare part sales

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

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

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

Service sales

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

Interest income

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

Dividend income

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

Rent income

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

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

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

2.2.18 Reporting of cash flows

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

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

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

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

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

2.2.19 Contingent assets and liabilities

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

2.2.20 Government grants

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

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

2.2.21 Derivative instruments

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

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

2.2.22 Accounting policies, changes in accounting estimates and errors

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

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

a) Deferred tax assets can be recognised only when sufficient taxable profit is likely to occur in the upcoming periods. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 31 December 2016, the Group recognised deferred tax assets of TRY13,087,094 based on total deductible financial losses of TRY65,435,471, as sufficient taxable profit is likely to occur in the upcoming periods.

b) The Group determined the warranty provision based on warranty costs for each vehicle model in previous years and the remaining warranty periods for each vehicle.

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

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

2.2.23 Subsequent events

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

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

NOTE 3 - SEGMENT REPORTING

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2016	31 December 2015
Cash	146,013	123,528
Banks - Demand deposits	2,016,799	3,049,199
Banks - Time deposits (up to 3 months)	113,246,533	75,274,455
Other cash and cash equivalents (*)	4,469,250	110,920
Total	**119,878,595**	**78,558,102**

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

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Cash and banks	119,878,595	78,558,102
Less: Interest Accruals (-)	(236,417)	(462,967)
Total (Excluding interest accruals)	**119,642,178**	**78,095,135**

The details of time deposits are as follows:

	31 December 2016		31 December 2015	
	Amount in TRY	Annual Interest Rate (%)	Amount in TRY	Annual Interest Rate (%)
TRY	88,775,255	6.00-11.55	66,122,939	5.50-13.30
USD	7,108,864	0.25	-	-
EUR	17,362,414	0.10	9,151,516	0.10-0.25
Total	**113,246,533**		**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.

NOTE 5 - FINANCIAL ASSETS

The Group did not have any financial assets as of 31 December 2016 and 31 December 2015.

NOTE 6 - FINANCIAL LIABILITIES

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

Short-term Bank Loans

	Annual Effective Interest Rate (%)		Original Currency		Amount in TRY	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Short-term Bank Loans						
EUR	2.64	2.17	17,495,360	40,341,686	64,906,035	128,189,743
TRY	13.04	10.28	84,844,323	10,287,216	84,844,323	10,287,216
Total					**149,750,358**	**138,476,959**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

Period	**31 December 2016**	**31 December 2015**
Up to 1 month	20,485,833	6,002,075
Total	**20,485,833**	**6,002,075**

Long-term Bank Loans

	Annual Effective Interest Rate (%)		Original Currency		Amount in TRY	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Long-term Bank Loans						
EUR	2.62	2.66	50,000,000	17,000,000	185,495,000	54,019,200
TRY	12.60	13.36	35,000,000	80,000,000	35,000,000	80,000,000
Total					**220,495,000**	**134,019,200**

All long-term borrowings have due dates in 2019 only Long-term Euro borrowings have due dates in 2018. The fair value of borrowings was TRY384,280,342 as of 31 December 2016 (31 December 2015: TRY280,218,096).

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-term trade receivables	**31 December 2016**	**31 December 2015**
Customer current accounts	292,038,375	282,858,402
Cheques received	-	70,744
Rediscount on trade receivables (-)	(3,179,612)	(3,708,675)
Uncollectible receivables	333,324	333,324
Less: Provision for uncollectible receivables (-)	(333,324)	(333,324)
Total	**288,858,763**	**279,220,471**

Movements of provision for uncollectible receivables are as follows:

	2016	**2015**
1 January	**333,324**	**333,324**
Provisions for the period	-	-
Collections during the period	-	-
31 December	**333,324**	**333,324**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Trade payables as of period ends are as follows:

Trade Payables	**31 December 2016**	**31 December 2015**
Trade payables, net	61,207,482	102,339,018
Rediscount on trade payables (-)	(570,511)	(947,596)
Total	**60,636,971**	**101,391,422**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Other Short-term Receivables **Other Receivables**	**31 December 2016**	**31 December 2015**
Receivables from government authorities(*)	500,277	748,195
Receivables from personnel	522,718	548,709
Deposits and guarantees given	24	735
Total	**1,023,019**	**1,297,639**

(*) As of 31 December 2016, the amount of Group's receivables was TRY370,939 which consists of the receivables related to the VAT refund request (31 December 2015 TRY589,254).

Other Long-term Receivables **Other Receivables**	**31 December 2016**	**31 December 2015**
Deposits and guarantees given	186	186
Total	**186**	**186**

Other Short-term Payables **Other Payables**	**31 December 2016**	**31 December 2015**
Due to personnel	694,823	1,357,045
Order advances received	6,326,846	1,556,439
Taxes and funds payable	2,380,290	3,957,203
Social security premiums payable	1,621,579	2,043,428
Other miscellaneous payable	12,401	8,975
Total	**11,035,939**	**8,923,090**

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

NOTE 9 - INVENTORIES

Inventory balances as of period ends are as follows:

	31 December 2016	31 December 2015
Raw materials	96,940,388	89,051,493
Semi-finished goods	1,255,460	1,692,332
Finished goods	112,915,680	192,831,728
Trade goods	21,018,732	19,013,301
Other inventories	1,088,263	1,065,568
Goods in transit	43,111,266	17,716,585
	276,329,789	321,371,007
Less: Provisions for impairment of finished goods and trade goods	(1,214,070)	(706,632)
Total Inventories	**275,115,719**	**320,664,375**

Movements of Provision for Impairment on Inventories	**2016**	**2015**
Opening balance – 1 January	706,632	1,435,553
Provision released due to sales (-)	(15,772)	(728,921)
Current period charge (+)	523,210	-
Closing balance - 31 December	**1,214,070**	**706,632**

(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	-	95,889	104,882	5,317,292	415,466	90,708	-	3,167,945	**9,192,182**
Transfers from constructions in progress ("CIP")	-	104,486	1,818,974	2,332,426	-	375,460	-	(4,631,346)	-
Disposals	-	-	-	(755,860)	(927,902)	(1,450)	-	-	**(1,685,212)**
As of 31 December 2016	**1,292,239**	**12,212,028**	**82,068,647**	**184,928,916**	**7,089,454**	**4,476,234**	**774,199**	**578,207**	**293,419,924**
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 depreciation	-	(434,323)	(2,655,596)	(7,946,294)	(1,070,503)	(240,577)	(2,925)	-	**(12,350,218)**
Disposals	-	-	-	731,233	434,437	1,450	-	-	**1,167,120**
As of 31 December 2016	**-**	**(7,564,532)**	**(40,621,417)**	**(137,124,706)**	**(4,757,483)**	**(2,926,451)**	**(761,258)**	**-**	**(193,755,847)**
Net Book Value									
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**
31 December 2016	**1,292,239**	**4,647,496**	**41,447,230**	**47,804,210**	**2,331,971**	**1,549,783**	**12,941**	**578,207**	**99,664,077**

(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	-	515,782	987,139	11,071,014	2,704,293	351,765	8,385	22,273,995	**37,912,373**
Transfers from constructions in progress ("CIP")		2,407,246	15,834,249(*)	4,206,268(*)	-	-	-	(22,447,763)	-
Disposals	-	-	-	(6,992,679)	(2,159,240)	-	(385)	-	**(9,152,304)**
As of 31 December 2015	**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**
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 depreciation	-	(246,383)	(2,308,814)	(7,103,308)	(1,222,864)	(191,725)	(3,753)	-	**(11,076,847)**
Disposals	-	-	-	6,732,202	912,782	-	385	-	**7,645,369**
As of 31 December 2015	**-**	**(7,130,209)**	**(37,965,821)**	**(129,909,645)**	**(4,121,417)**	**(2,687,324)**	**(758,333)**	**-**	**(182,572,749)**
Net Book Value									
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**
31 December 2015	**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**

(*) The amount includes the capitalised interest and foreign exchange difference of TRY1,521,033, calculated in the context of TAS 23, for R&D centre investment construction which was completed in Çayırova Şekepınar.

(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	208,649	-	113,240	19,193,967	**19,515,856**
Transfers	-	9,008,409	526,463	(9,534,872)	-
As of 31 December 2016	**367,311**	**61,404,133**	**12,099,141**	**19,037,099**	**92,907,684**
Accumulated amortisation					
As of 1 January 2016	**(48,541)**	**(25,020,923)**	**(6,556,201)**	**-**	**(31,625,665)**
Current year amortisation	(19,057)	(8,307,614)	(2,265,901)	-	**(10,592,572)**
As of 31 December 2016	**(67,598)**	**(33,328,537)**	**(8,822,102)**	**-**	**(42,218,237)**
Net Book Value					
1 January 2016	**110,121**	**27,374,801**	**4,903,237**	**9,378,004**	**41,766,163**
31 December 2016	**299,713**	**28,075,596**	**3,277,039**	**19,037,099**	**50,689,447**

(*) As of 31 December 2016, TRY16,332,978 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

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

NOTE 11 - INTANGIBLE ASSETS (Continued)

1 January - 31 December 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	-	-	1,158,312	15,619,641	**16,777,953**
Transfers	-	11,481,622	833,835	(12,315,457)	-
As of 31 December 2015	**158,662**	**52,395,724**	**11,459,438**	**9,378,004**	**73,391,828**
Accumulated amortisation					
As of 1 January 2015	**(34,696)**	**(18,082,614)**	**(4,205,645)**	**-**	**(22,322,955)**
Current year amortisation	(13,845)	(6,938,309)	(2,350,556)	-	**(9,302,710)**
As of 31 December 2015	**(48,541)**	**(25,020,923)**	**(6,556,201)**	**-**	**(31,625,665)**
Net Book Value					
1 January 2015	**123,966**	**22,831,488**	**5,261,646**	**6,073,820**	**34,290,920**
31 December 2015	**110,121**	**27,374,801**	**4,903,237**	**9,378,004**	**41,766,163**

NOTE 12 - GOODWILL

31 December 2016	**Net Book Value**
As of 1 January 2016	**2,340,995**
Additions	-
Provision for impairment	-
As of 31 December 2016	**2,340,995**

31 December 2015	**Net Book Value**
As of 1 January 2015	**2,340,995**
Additions	-
Provision for impairment	-
As of 31 December 2015	**2,340,995**

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

NOTE 13 - GOVERNMENT GRANTS

In 2016, TRY145,032 was collected as cash in relation to R&D activities provided by TUBITAK (2014: TRY498,788).

As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008, R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% which amounts to TRY15,762,887.

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

Regarding the TRY51,670,512 spent as of 31 December 2015 in accordance with Incentive Certificate No. 5487 dated 26 February 2010: the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	**31 December 2016**	**31 December 2015**
Warranty provisions	12,338,519	12,679,176
Provision for lawsuits	1,710,144	912,832
Total	**14,048,663**	**13,592,008**

Movements of provisions during the period are as follows:

	Warranty Provisions	**Provision for lawsuits**	**Total**
As of 1 January 2016	12,679,176	912,832	**13,592,008**
Additions during the period	9,331,095	1,162,032	**10,493,127**
Less: Paid during the period	(9,671,752)	(31,825)	**(9,703,577)**
Reversal of provision (-)	-	(332,895)	**(332,895)**
As of 31 December 2016	**12,338,519**	**1,710,144**	**14,048,663**

	Warranty Provisions	**Provision for lawsuits**	**Provision for employee benefits**	**Provision for commission and premium**	**Total**
As of 1 January 2016	8,390,952	687,176	427,623	926,681	**10,432,432**
Additions during the period	14,716,123	269,700	-	-	**14,985,823**
Less: Paid during the period	(10,427,899)	(25,894)	(427,623)	(926,681)	**(11,808,097)**
Reversal of provision (-)	-	(18,150)	-	-	**(18,150)**
As of 31 December 2016	**12,679,176**	**912,832**	**-**	**-**	**13,592,008**

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

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

Lawsuits against the Group:

Amount of provisions allocated for the lawsuits which were filed against the Group as of 31 December 2016 and have not ended as of the balance sheet date equals TRY1,710,144 (31 December 2015: TRY912,832).

Mortgages and Guarantees on Assets

There are not any mortgages and guarantees on assets.

Total Insurance Coverage on Assets:

Total insurance coverage on assets is TRY782,599,168 as of 31 December 2016 (31 December 2015: TRY580,141,130).

Contingent liabilities as of 31 December 2016 and 31 December 2015 are as follows:

Type	31 December 2016	31 December 2015
Letters of Guarantee	46,172,346	56,354,506
Total	**46,172,346**	**56,354,506**

Collaterals, pledges and mortgages "CPM" given by the Company as of 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
A. CPM's given in the name of its own legal personality	**46,172,346**	**56,354,506**
i. Guarantee letter	46,172,346	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	-	-
Total	**46,172,346**	**56,354,506**

The ratio of CPM's given by the Company to the Company's equity is 0.00% as of 31 December 2016 (0.00% as of 31 December 2015).

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

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

NOTE 15 - PROVISION FOR EMPLOYEE BENEFITS

	31 December 2016	31 December 2015
Provision for employment termination benefit	**13,931,309**	**13,546,911**

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

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

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TRY4,426.16 (31 December 2015: TRY4,092.53) applicable as of 01 January 2017 has been regarded for the calculation of the Group's provision of severance pay.

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

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

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

	31 December 2016	31 December 2015
Net Discount Rate (%)	3.77	3.77
Turnover rate to estimate the probability of retirement (%)	2.81	3.03

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

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

	2016	2015
Opening balance 1 - January	**13,546,911**	**12,493,579**
Interest cost	1,333,580	1,354,691
Remeasurements	2,309,924	285,269
Less: Paid during the period	(4,285,838)	(1,573,696)
Current period service cost	1,026,732	987,068
Ending balance 31 - December	**13,931,309**	**13,546,911**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

Prepaid Expenses	**31 December 2016**	**31 December 2015**
Advanced given	5,113,121	12,474,277
Prepaid insurance expenses	211,800	195,117
Prepaid subscription expenses	20,896	38,188
Prepaid advertisement expenses	27,819	12,749
Prepaid other expenses	272,968	172,320
Total	**5,646,604**	**12,892,651**

Other Current Assets	**31 December 2016**	**31 December 2015**
Deferred VAT	25,682,834	31,583,989
Other current assets	689,131	832,619
Total	**26,371,965**	**32,416,608**

Prepaid expenses	**31 December 2016**	**31 December 2015**
Long-term prepaid expenses, other	75,376	22,070
Total	**75,376**	**22,070**

Deferred income (short term)	**31 December 2016**	**31 December 2015**
Short term deferred income(*)	666,640	874,641
Total	**666,640**	**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 31 December 2016, is TRY482,727 (31 December 2015: TRY703,292).

Deferred income (long term)	**31 December 2016**	**31 December 2015**
Long term deferred income(*)	698,920	1,207,583
Total	**698,920**	**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 31 December 2015 is TRY441,758 (31 December 2015: TRY1,804,459).

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

NOTE 17 - EQUITY

Capital / Elimination Adjustments

As of 31 December 2016 and 2015, the share capital of the Company is TRY25,419,707. This share capital is divided into 2,541,970,654 shares in total, including 1,366,404,402 A Group registered shares, 755,995,500 B Group registered shares, 419,570,752 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

31 December 2016

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	-	40,141	267,946	**1.05**
ISUZU MOTORS LTD.	-	4,319,991	-	4,319,991	**16.99**
ITOCHU CORPORATION TOKYO	-	2,405,286	-	2,405,286	**9.46**
ITOCHU CORPORATION İSTANBUL	-	834,678	-	834,678	**3.28**
HAMİLİNE HALKA ARZ	-	-	3,811,860	3,811,860	**15.00**
HAMİLİNE DİĞER	93,318	-	337,121	430,439	**1.70**
TOTAL	**13,664,044**	**7,559,955**	**4,195,708**	**25,419,707**	**100.00**

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**
HAMİLİNE HALKA ARZ	-	-	3,811,860	3,811,860	**15.00**
HAMİLİNE DİĞER	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.

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

NOTE 17 - EQUITY (Continued)

31 December 2016

Paid-in share capital	25,419,707
Adjustment to share capital	86,901,880
Restricted reserves	163,579,754
Retained earnings	34,863,033
Gain/(loss) on revaluation and remeasurement	(1,963,156)
Net profit for the year	(46,336,647)
Shareholders' equity attributable to equity holders of the Group	**262,464,571**
Non-controlling shares	**-**
Total shareholders' equity	**262,464,571**

31 December 2015

Paid-in share capital	25,419,707
Adjustment to share capital	86,901,880
Restricted reserves	162,363,654
Retained earnings	31,047,813
Gain/(loss) on revaluation and remeasurement	(115,217)
Net profit for the year	17,743,897
Shareholders' equity attributable to equity holders of the Group	**323,361,734**
Non-controlling shares	**-**
Total shareholders' equity	**323,361,734**

Restricted reserves

Restricted reserves are comprised of legal reserves and other reserves.

	31 December 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	1,446,666	1,449,390
Profit on cancelled shares certificates	1	1
Total	**163,579,754**	**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 31 December 2016, the Group's total restricted reserves are TRY163,579,754 (31 December 2015: TRY162,363,654).

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

NOTE 17 - EQUITY (Continued)

Retained earnings

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

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

	31 December 2016	31 December 2015
Extraordinary reserves	9,781,181	5,965,961
Inflation difference of legal reserves	24,820,414	24,820,414
Subsidiaries Sales Profitability Inflation	260,632	260,632
Inflation difference of cancelled shares certificates	806	806
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.

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 31 December 2015.

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.

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

NOTE 18 - SALES AND COST OF SALES

Sales	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Domestic sales	704,723,470	933,302,777
Foreign sales	184,384,900	79,235,341
Other sales	5,177,377	5,216,151
Sales Total (Gross)	**894,285,747**	**1,017,754,269**
Less: Discounts	(64,474,414)	(82,259,728)
Sales (Net)	**829,811,333**	**935,494,541**
Cost of sales	**(721,710,056)**	**(779,196,290)**
Gross operating profit/loss	**108,101,277**	**156,298,251**

Cost of sales are summarised as follows;

Cost of Sales	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Direct raw material costs	486,112,287	777,024,850
Direct labour costs	34,682,911	45,387,522
Depreciation and amortisation expenses	18,163,823	16,171,839
Manufacturing overhead costs	11,658,868	15,930,359
Total cost of production	**550,617,889**	**854,514,570**
Change in semi-finished and finish goods inventory	90,151,258	(140,642,755)
Cost of trade goods sold	79,872,761	62,723,348
Other cost of sales	1,068,148	2,601,127
Total cost of sales	**721,710,056**	**779,196,290**

(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 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Personnel expenses	(531,612)	(782,012)
Trade goods quality enhancement expenses	(1,574,037)	(2,085,416)
Depreciation and amortisation expenses	(601,068)	(487,488)
Other	(318,985)	(309,904)
Total Research and Development Expenses	**(3,025,702)**	**(3,664,820)**

b) Marketing, selling and distribution expenses		
Domestic sales expenses	(5,903,670)	(7,628,031)
Export expenses	(9,715,653)	(7,713,272)
Personnel expenses	(10,381,975)	(10,210,609)
Advertising expenses	(8,308,903)	(8,714,878)
Warranty expenses	(9,331,095)	(14,716,123)
Depreciation and amortisation expenses	(1,470,210)	(1,667,428)
Other	(13,981,100)	(19,472,903)
Total Marketing, Selling and Distribution Expenses	**(59,092,606)**	**(70,123,244)**

c) General and administrative expenses		
Personnel expenses	(13,711,974)	(13,610,575)
Provisions for employee termination benefits	(1,026,732)	(987,068)
Service and work expenses	(14,107,570)	(11,806,964)
Depreciation and amortisation expenses	(1,418,670)	(1,501,845)
Insurance expenses	(1,729,891)	(1,529,012)
Other	(5,739,459)	(6,665,966)
Total General and Administrative Expenses	**(37,734,296)**	**(36,101,430)**

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

NOTE 20 - EXPENSES BY NATURE

	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Direct material costs	486,112,287	777,024,850
Cost of trade goods sold	79,872,761	62,723,348
Cost of other goods sold	1,068,148	2,601,127
Change in goods inventory	90,151,258	(140,642,755)
Other operational expenses	70,710,363	80,642,469
Personnel expenses	60,335,204	70,977,786
Depreciation and amortisation expenses	21,653,771	19,828,600
Other production expenses	11,658,868	15,930,359
Total expenses	**821,562,660**	**889,085,784**

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

NOTE 21 - OTHER OPERATING INCOME/EXPENSES

Other operating income:	1 January 2016 - 31 December 2016	1 January 2015 - 31 December 2015
Foreign Exchange Income on Trade Receivable and Payables	6,567,837	1,863,154
Rediscount Income on Trade Payables	4,359,990	3,602,206
Rent income	33,548	57,404
Service income	350,844	259,101
Tubitak R&D incentive	732,298	914,450
MESS support income	397,344	101,442
Stock count surpluses	56,867	49,593
Insurance indemnity income	3,684,867	2,807,539
Total	**16,183,595**	**9,654,889**
Other operating expenses:		
Foreign Exchange Expenses on Trade Receivable and Payables	(25,163,113)	(24,312,530)
Rediscount Expenses on Trade Receivables	(4,242,970)	(4,402,625)
Contribution expense	(58,016)	(149,095)
Other	(1,269,678)	(309,173)
Total	**(30,733,777)**	**(29,173,423)**

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

NOTE 22 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Gain on sale of Machinery and Equipment	271,640	685,149
Total	**271,640**	**685,149**

Expenses from investing activities	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Loss on sale of Machinery and Equipment	(54,518)	(93,660)
Total	**(54,518)**	**(93,660)**

NOTE 23 - FINANCIAL INCOME

Financial income:	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Interest income	6,684,819	8,730,687
Credit finance income	1,015,416	1,125,431
Foreign exchange gains	14,983,969	17,104,847
Total	**22,684,204**	**26,960,965**

NOTE 24 - FINANCIAL EXPENSES

Interest expenses	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Foreign exchange losses	(22,020,515)	(8,414,691)
Credit finance expenses	(51,783,307)	(23,855,720)
Other financial expenses	(1,471,061)	(2,024,129)
Interest expenses	(2,226,164)	(2,142,670)
Total	**(77,501,047)**	**(36,437,210)**

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

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 - 31 December 2016	1 January 2015 - 31 December 2015
Current income tax provision	(1,389,582)	(251,375)
Deferred tax (expense) / income		
- Income Statement	15,954,165	(10,195)
Total tax (expense) / income – Income Statement	**14,564,583**	**(261,570)**
Tax income / (expense) - Comprehensive		
Income Statements	461,985	57,054
Total tax (expense) / income	**15,026,568**	**(204,516)**

	31 December 2016	31 December 2015
Current period corporate tax	1,389,582	251,375
Prepaid taxes	(2,373,495)	(2,383,654)
Taxes payable	**(983,913)**	**(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.

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

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

Income Withholding Tax:

In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed, except for resident companies in Turkey receiving dividends from resident companies in Turkey and Turkish branches of foreign companies. The rate of withholding tax has been increased from 10% to 15%.

ii) **Deferred Tax:**

The deferred tax asset and tax liability are based on the temporary differences, which arise between the financial statements prepared according to TAS/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.

	31 December 2016		31 December 2015	
	Cumulative Temporary Differences	Deferred Tax Assets/(Liabilities)	Cumulative Temporary Differences	Deferred Tax Assets/(Liabilities)
Inventories	1,487,672	297,534	1,514,942	302,988
Non-current assets	(44,124,022)	(8,824,805)	(42,575,959)	(8,515,191)
Provision for employee termination benefits	13,931,309	2,786,262	13,546,911	2,709,382
Guarantee provisions	12,338,519	2,467,704	12,679,176	2,535,836
R&D discount	17,494,318	3,498,864	-	-
Current year financial loss (*)	65,435,471	13,087,094	-	-
Rediscount expenses/income (Net)	2,545,058	509,012	2,659,816	531,963
Law suit provisions	1,710,144	342,029	912,832	182,566
Total		**14,163,694**		**(2,252,456)**

(*) It is foreseen that the financial loss of the current period will be completely lowered in the next 4 years.

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

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

Movements of deferred income tax:	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Opening	(2,252,456)	(2,299,315)
Deferred tax income on income statements	15,954,165	(10,195)
Deferred tax income on comprehensive income statements	461,985	57,054
Total	**14,163,694**	**(2,252,456)**

Reconciliation of tax provision:	**1 January 2016 - 31 December 2016**	**1 January 2015 - 31 December 2015**
Income/ (Loss) from continuing operations	**(60,901,230)**	**18,005,647**
Corporate tax rate (20%)	12,180,246	(3,601,093)
Taxation effect:		
R&D deductions	3,498,864	3,152,577
- Income on R&D subsidies	146,460	182,890
- Non-deductible expenses for tax purposes	(1,225,518)	-
- Tax-free income	(35,469)	4,056
(Loss)/income tax provision on statements of income	**14,564,583**	**(261,570)**

NOTE 26 - INCOME/(LOSS) PER SHARE

	1 January 2016 - 31 December 2016	**1 January 2015 - 31 December 2015**
Net income/ (loss) for the period (TRY)	(46,336,647)	17,743,897
Weighted average number of shares with nominal value of Kr1 each	2,541,970,654	2,541,970,654
Income / (loss) per 100 share with nominal value of TRY1 each	**(1,8229)**	**0,6980**

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Related party balances:

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

31 December 2016

	Receivables		Payables	
1) Related Parties	**Trade**	**Other**	**Trade**	**Other**
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	41,945	-
AEH Sigorta Acenteliği A.Ş.	-	-	49,296	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	230,687	-
Anadolu Endüstri Holding A.Ş.	23,963	-	1,009	-
Anadolu Sağlık Merkezi İktisadi İşletmesi	-	-	186	-
Çelik Motor Ticaret A.Ş.	-	-	540,396	-
Efestur Turizm İşletmeleri A.Ş.	-	-	134,410	-
Isuzu Motors Co. Thailand Ltd.	-	-	138	-
Isuzu Motors International Operation Thailand	-	-	7,134,926	-
Isuzu Motors Ltd. Tokyo	225,188	-	3,315,367	-
Itochu Corporation Tokyo	5,293	-	139,579,505	-
Migros Ticaret A.Ş.	-	-	301,452	-
Payables to shareholders (*)	-	-	-	9,109
Total	**254,444**	**-**	**151,329,317**	**9,109**

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

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.

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

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

b) Related party transactions:

1 January -31 December 2016

Sales to related parties	Goods and Service sales	Sales of fixed assets	Other Income	Total Revenues / Sales
Alternatifbank A.Ş.	-	-	3,841,679	**3,841,679**
Anadolu Endüstri Holding A.Ş.	49,450	7,900	-	**57,350**
Anadolu Bilişim Hizmetleri A.Ş.	2,468	-	-	**2,468**
Anadolu Motor Üretim ve Paz. A.Ş.	363,269	-	-	**363,269**
Çelik Motor Ticaret A.Ş.	3,420,218	-	-	**3,420,218**
Isuzu Motors Co. Thailand Ltd.	24,710	-	-	**24,710**
Isuzu Motors International Operation Thailand	2,799,914	-	-	**2,799,914**
Isuzu Motors Ltd. Tokyo	5,316,545	-	-	**5,316,545**
Total	**11,976,574**	**7,900**	**3,841,679**	**15,826,153**

1 January - 31 December 2015

Sales to related parties	Goods and Service Sales	Sales of fixed assets	Other Income	Total Revenues / Sales
Isuzu Motors International Operation Thailand	699,643	-	-	**699,643**
Isuzu Motors Ltd. Tokyo	2,657,610	-	-	**2,657,610**
Isuzu Motors Co. Thailand Ltd.	28,615	-	-	**28,615**
Çelik Motor Ticaret A.Ş.	5,533,255	-	-	**5,533,255**
Ana Gıda İhtiyaç Maddeleri ve San. ve Tic. A.Ş.	31,085	-	-	**31,085**
Anadolu Sağlık Merkezi İktisadi İşletmesi	3,338	-	-	**3,338**
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	12,986	**12,986**
Anadolu Motor Üretim ve Paz. A.Ş.	433,569	-	-	**433,569**
Kamil Yazıcı Yönetim ve Danışmanlık A.Ş.	29,181	-	-	**29,181**
Alternatifbank A.Ş.	-	-	5,169,183	**5,169,183**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	2,171	-	-	**2,171**
Total	**9,418,467**	**-**	**5,182,169**	**14,600,636**

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

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

1 January - 31 December 2016

Purchases from related parties	Goods and Services purchases	Fixed asset purchases	Other	Total expense/ Purchases
Adel Kalemcilik Tic. ve San. A.Ş.	59,587	-	-	**59,587**
AND Anadolu Gayrimenkul Yatırımları A.Ş.	12,289	-	-	**12,289**
AES Toptan Elektrik Ticaret A.Ş.	4,000	-	-	**4,000**
Alternatifbank A.Ş.	-	-	424,321	**424,321**
Anadolu Bilişim Hizmetleri A.Ş.	3,336,490	1,507,346	-	**4,843,836**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	62,156	-	-	**62,156**
Anadolu Endüstri Holding A.Ş.	5,126,697	-	6,480	**5,133,177**
Anadolu Motor Üretim ve Paz. A.Ş.	14,000	8,500	-	**22,500**
Anadolu Sağlık Merkezi İktisadi İşletmesi	17,020	-	-	**17,020**
Çelik Motor Ticaret A.Ş.	650,582	-	902,876	**1,553,458**
Efestur Turizm İşletmeleri A.Ş.	2,967,954	-	-	**2,967,954**
Isuzu Motors Co. Thailand Ltd.	40,959	-	-	**40,959**
Isuzu Motors International Operation Thailand	103,952,674	-	-	**103,952,674**
Isuzu Motors Ltd. Europe	2,805	-	-	**2,805**
Isuzu Motors Ltd. Tokyo	8,737,745	-	-	**8,737,745**
Isuzu Motors Germany GmbH	68,021	-	-	**68,021**
Itochu Corporation Tokyo	181,794,936	-	-	**181,794,936**
Migros Ticaret A.Ş.	73,728	-	-	**73,728**
Oyex Handels GmbH	57,045	-	-	**57,045**
Yazıcılar Holding A.Ş.	3,161	-	43,858	**47,019**
Total	**306,981,849**	**1,515,846**	**1,377,535**	**309,875,230**

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

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

1 January -31 December 2015

Purchases from related parties	Goods and Service purchases	Fixed asset purchases	Other	Total expense/ purchases
Anadolu Motor Üretim ve Paz. A.Ş.	40	-	-	**40**
Çelik Motor Ticaret A.Ş.	13,346	-	869,562	**882,908**
Anadolu Endüstri Holding A.Ş.	4,640,130	1,300	6,000	**4,647,430**
Itochu Corporation Tokyo	268,960,989	-	-	**268,960,989**
Isuzu Motors International Operation Thailand	99,577,484	-	-	**99,577,484**
Isuzu Motors Ltd. Tokyo	10,939,134	-	-	**10,939,134**
Isuzu Motors Ltd. Europe	3,070	-	-	**3,070**
Isuzu Motors Co. Thailand Ltd.	21,100	-	-	**21,100**
Isuzu Techno Co. Ltd.	50,422	-	-	**50,422**
Efestur Turizm İşletmeleri A.Ş.	3,356,378	-	-	**3,356,378**
Anadolu Bilişim Hizmetleri A.Ş.	3,200,805	1,473,890	-	**4,674,695**
Adel Kalemcilik Tic. ve San. A.Ş.	23,065	-	-	**23,065**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	6,911	-	-	**6,911**
Alternatifbank A.Ş.	-	-	293,117	**293,117**
Anadolu Sağlık Merkezi İktisadi İşletmesi	95,457	-	-	**95,457**
AEH Gayrimenkul Yatırımları A.Ş.	11,357	-	-	**11,357**
Migros Ticaret A.Ş.	70,156			**70,156**
Oyex Handels GmbH	41,494	-	-	**41,494**
Yazıcılar Holding A.Ş.	2,844		44,151	**46,995**
Total	**391,014,182**	**1,475,190**	**1,212,830**	**393,702,202**

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the Article No:19 in the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. TRY3,000 donation was made to Anadolu Eğitim ve Sosyal Yardım Vakfı in the current year (31 December 2015: TRY80,000 donation was made).

d) Key management compensation:

	1 January 2016 31 December 2016	1 January 2015 31 December 2015
Salaries and other short-term benefits	5,751,367	5,818,790
Total	**5,751,367**	**5,818,790**

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 2016	**31 December 2015**
Financial Liabilities	462,333,051	438,877,837
Total Shareholders' Equity	262,464,571	323,361,734
Debt/Total equity	**1.76**	**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
31 December 2016

		Profit / Loss
	Appreciation of foreign currency	**Depreciation of foreign currency**
If USD$ appreciated/(depreciated) against TRY by 10%;		
1- USD currency net asset/liability	714,822	(714,822)
2- Hedged items (-)	-	-
3- Net effect of USD (1+2))	**714,822**	**(714,822)**
If EUR appreciated/(depreciated) against TRY by 10%;		
4- EUR currency net asset/liability	(20,250,564)	20,250,564
5- Hedged items (-)	-	-
6- Net effect of EUR(4+5)	**(20,250,564)**	**20,250,564**
If Other appreciated/(depreciated) against TRY by 10%;		
7- Other currency net asset/liability	(13,959,728)	13,959,728
8- Hedged items (-)	-	-
9- Net effect of Other (7+8)	**(13,959,728)**	**13,959,728**
TOTAL (3+6+9)	**(33,495,470)**	**33,495,470**

Sensitivity analysis of foreign exchange
31 December 2015

		Profit/Loss
	Appreciation of foreign currency	**Depreciation of foreign currency**
If US$ 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- Hedged items (-)	-	-
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

	31 December 2016					31 December 2015				
	TRY Amount	**USD**	**EUR**	**JPY**	**Other**	**TRY Amount**	**USD**	**EUR**	**JPY**	**Other**
1. Trade receivables	48,410,898	1,532	12,986,959	7,500,000	-	17,213,460	13,256	5,048,858	47,000,000	-
2a. Monetary financial assets	25,397,466	2,029,712	4,829,684	10,990,259	1,592	9,638,540	26,994	2,990,397	2,075,456	1,812
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	1,458,573	-	-	48,578,616		762,646	-	-	31,673,994	-
4. Total current assets (1+2+3)	**75,266,937**	**2,031,244**	**17,816,643**	**67,068,875**	**1,592**	**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)	**75,266,937**	**2,031,244**	**17,816,643**	**67,068,875**	**1,592**	**27,614,646**	**40,250**	**8,039,255**	**80,749,450**	**1,812**
10. Trade payables	153,536,752	39	3,212,679	4,716,666,020	-	144,873,664	1,464,773	790,305	5,735,668,108	-
11. Financial liabilities	64,906,036	-	17,495,360	-	-	128,189,741	-	40,341,686	-	-
12a. Other monetary liabilities	6,283,847	-	1,693,805	-	-	1,513,441	200	476,101	-	-
12b. Other non-monetary liabilities.	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	**224,726,635**	**39**	**22,401,844**	**4,716,666,020**	**-**	**274,576,846**	**1,464,973**	**41,608,092**	**5,735,668,108**	**-**
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	185,495,000	-	50,000,000	-	-	54,019,200	-	17,000,000	-	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
17. Total non-current liabilities (14+15+16)	**185,495,000**	**-**	**50,000,000**	**-**	**-**	**54,019,200**	**-**	**17,000,000**	**-**	**-**
18. Total liabilities (13+17)	**410,221,635**	**39**	**72,401,844**	**4,716,666,020**	**-**	**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)	**(334,954,698)**	**2,031,205**	**(54,585,201)**	**(4,649,597,145)**	**1,592**	**(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)	**(336,413,271)**	**2,031,205**	**(54,585,201)**	**(4,698,175,761)**	**1,592**	**(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	**184,384,900**					**79,235,341**				
24. Import	**351,000,461**					**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

	31 December 2016	31 December 2015
Financial assets with fixed rates		
Financial assets	113,246,533	75,274,455
Cash and cash equivalents	(344,026,753)	(116,240,146)
Financial liabilities with variable rates		
Financial assets	-	-
Financial liabilities	(26,218,605)	(156,256,013)

As of 31 December 2016, if the market interest rate had increased/decreased by 1% with all other variables held constant, income before taxes for the period would have been higher/lower by TRY1,262,186 (31 December 2015: TRY1,562,560).

(f) Funding risk

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

(g) Credit risk management

Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 31 December 2016 are TRY48,410,898 and there is no geographical concentration (31 December 2015: TRY17,213,460).

	Receivables							
	Trade Receivables		Other Receivables			Deposits in		
31 December 2016	**Related**	**Other**	**Related**	**Other**	**Notes**	**Banks**	**Notes**
Maximum credit risk exposed as of the date of reporting (A+B+C+D+E)	**254,444**	**288,858,763**	**-**	**1,023,205**		**115,263,332**	
- The part of maximum risk secured by guarantee etc.	-	288,858,763	-	-	**7**	-	
A. Net book value of financial assets which are undue or which is not impaired	**254,444**	**280,271,392**	**-**	**1,023,205**	**7-8-27**	**115,263,332**	**4**
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired.	-	-	-	-	-	-	
C. Net book value of assets, overdue but not impaired	-	**8,587,371**	-	-	-	-	
- Secured by guarantee and etc.	-	8,587,371	-	-		-	
D. Net book value of assets decrease in value	-	-	-	-		-	
- Overdue (gross book value)	-	*(333,324)*	-	-	**7**	-	
- Impairment (-)	-	*333,324*	-	-	**7**	-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements containing credit risk off the balance sheet	-	-	-	-		-	

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2015	Related	Other	Related	Other	Notes	Deposits in Banks	Notes
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;

	Receivable				
31 December 2016	**Trade Receivable**	**Other Receivable**	**Bank Deposit**	**Derivative Instruments**	**Other**
1-30 days overdue	7,728,634	-	-	-	-
1-3 months overdue	858,737	-	-	-	-
3-12 months overdue	-	-	-	-	-
1-5 years overdue	-	-	-	-	-
More than 5 years overdue	-	-	-	-	-
Assets covered portion with guarantee letter etc.	**8,587,371**	**-**	**-**	**-**	**-**

	Receivable				
31 December 2015	**Trade Receivable**	**Other Receivable**	**Bank Deposit**	**Derivative Instruments**	**Other**
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**	**-**	**-**	**-**	**-**

Impairment 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.

31 December 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	370,245,358	392,890,956	49,282,983	113,374,577	230,233,396	-
Trade Payables	211,966,288	212,600,842	130,742,406	81,858,436		-
Other Liabilities	11,045,048	11,045,048	11,045,048	-	-	-
Non-derivative financial liabilities	**593,256,694**	**616,536,846**	**191,070,437**	**195,233,013**	**230,233,396**	**-**

Derivative financial liabilities

The Group had no derivative financial liabilities as of 31 December 2016.

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	-
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**	**-**

Derivative financial liabilities

The Group had no derivative financial liabilities as of 31 December 2016.

NOTE 29 - FINANCIAL INSTRUMENTS

(Fair value and hedging disclosures)

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

Objectives of Financial Risk Management

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

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

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

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

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

Derivative financial instruments

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

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

NOTE 30 - SUBSEQUENT EVENTS

With the board of directors' decision dated 3 January 2017, resignation of Tülay Aksoy which took place on 2 January 2017 was accepted; and Talip Altuğ AKSOY was assigned as a member of the board of directors as of 3 January 2017, as per Article 363 of the Turkish Commercial Code, and his assignment will be submitted to the first General Assembly for approval.

On 2 February 2017 the Capital Markets Board approved the board of directors decision dated 22 December 2016 regarding the "capital contribution and amendment of the articles of association", an application to amend the articles of association to increase the main capital of TRY25,419,706.54 by 230.45228% to TRY84,000,000. The said decision about this free-of-charge capital contribution will be discussed and submitted for approval at the Ordinary General Assembly planned for April.

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