ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2018 AND THE AUDITOR'S REVIEW REPORT

(CONVENIENCE TRANSLATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND THE AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH)

(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH)

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Anadolu Isuzu Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") as of 30 June 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Group management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Anadolu Isuzu Sanayi ve Ticaret A.Ş. and its subsidiaries as of 30 June 2018, and of their financial performance and their cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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

Burç Seven
Partner

İstanbul, 10 August 2018

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REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018
AND AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	30 June 2018	31 December 2017
ASSETS			
Current Assets		**965,917,031**	**818,303,047**
Cash and Cash Equivalents	**4**	75,683,599	98,468,892
Trade Receivables		*389,434,826*	*325,294,511*
Trade Receivables from Related Parties	**6,26**	1,796,713	2,344,615
Trade Receivables from Third Parties	**6**	387,638,113	322,949,896
Other Receivables			
Other Receivables from Third Parties	**7**	1,756,893	892,645
Inventories	**8**	380,935,193	337,266,267
Prepaid Expenses	**15**	55,364,392	15,287,737
Assets Related to Current Tax	**24**	820,086	927,758
Other Current Assets	**15**	61,922,042	40,165,237
Non-Current Assets		**641,585,985**	**635,180,946**
Other Receivables			
Other Receivables from Third Parties	**7**	186	186
Property, Plant And Equipment	**9**	564,545,490	569,283,614
Intangible Assets		*75,726,914*	*65,883,413*
Goodwill	**11**	2,340,995	2,340,995
Other Intangible Assets	**10**	73,385,919	63,542,418
Prepaid Expenses	**15**	1,313,395	13,733
TOTAL ASSETS		**1,607,503,016**	**1,453,483,993**

REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 AND AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	30 June 2018	31 December 2017
LIABILITIES			
Current Liabilities		**787,041,810**	**595,098,693**
Short-Term Borrowings	**5**	345,538,779	243,575,134
Trade Payables		*382,096,587*	*296,879,346*
Trade Payables to Related Parties	**6,26**	254,842,045	209,917,665
Trade Payables to Third Parties	**6**	127,254,542	86,961,681
Other Payables		*33,126,157*	*28,911,679*
Other Payables to Related Parties	**26**	9,109	9,109
Other Payables to Third Parties	**7**	33,117,048	28,902,570
Derivative Financial Instruments	**28**	77,937	-
Payables Related to Employee Benefits	**7**	4,444,565	4,531,279
Deferred Income	**15**	628,521	2,773,879
Current Tax Liabilities	**24**	46,646	-
Short-Term Provisions			
Short-Term Provisions For Employee Benefits	**14**	2,376,897	3,107,996
Other Short-Term Provisions	**13**	18,705,721	15,319,380
Non-Current Liabilities		**223,770,856**	**230,259,282**
Long-Term Borrowings	**5**	182,730,000	189,175,667
Deferred Income	**15**	686,966	642,247
Long-Term Provisions For Employee Benefits			
Long-Term Provisions	**14**	21,851,754	19,448,903
Deferred Tax Liabilities	**24**	18,502,136	20,992,465
EQUITY		**596,690,350**	**628,126,018**
Equity Attributable to Owners of the Company		**596,690,350**	**628,126,018**
Share Capital	**16**	84,000,000	84,000,000
Adjustments to Share Capital	**16**	30,149,426	30,149,426
Other Comprehensive Income (Expenses) That Will Not Be Reclassified Subsequently to Profit (Loss)	**16**	412,086,655	412,086,655
Restricted Reserves Appropriated from Profit	**16**	162,222,000	162,175,629
Prior Years' Profit or Losses	**16**	(60,332,063)	(11,897,328)
Net Profit or Loss for the Period	**16**	(31,435,668)	(48,388,364)
Non-Controlling Interests		**-**	**-**
TOTAL LIABILITIES		**1,607,503,016**	**1,453,483,993**

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

REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018 AND 2017

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

	Notes	1 January-30 June 2018	1 January-30 June 2017	1 April-30 June 2018	1 April-30 June 2017
PROFIT OR LOSS					
Revenue	**17**	637,401,925	351,012,613	356,130,202	186,883,593
Cost of Sales (-)	**17**	(538,130,153)	(300,042,025)	(303,474,659)	(162,551,406)
GROSS PROFIT (LOSS)		**99,271,772**	**50,970,588**	**52,655,543**	**24,332,187**
General Administrative Expenses (-)	**18**	(22,939,631)	(21,303,722)	(10,738,893)	(11,172,102)
Marketing Expenses (-)	**18**	(37,050,360)	(28,054,474)	(20,342,916)	(13,623,682)
Research and Development Expenses (-)	**18**	(1,575,980)	(1,205,529)	(808,155)	(631,210)
Other Income from Operating Activities	**20**	30,974,300	12,548,848	10,738,612	1,692,045
Other Expenses from Operating Activities (-)	**20**	(65,163,488)	(10,326,164)	(33,590,947)	3,656,845
OPERATING PROFIT (LOSS)		**3,516,613**	**2,629,547**	**(2,086,756)**	**4,254,083**
Income from Investing Activities	**21**	288,974	4,742	233,627	4,683
Expenses from Investing Activities (-)	**21**	-	(144,883)	-	(144,883)
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		**3,805,587**	**2,489,406**	**(1,853,129)**	**4,113,883**
Finance Income	**22**	33,604,977	18,804,728	18,541,219	5,367,094
Finance Expenses (-)	**23**	(71,289,915)	(47,536,257)	(38,844,563)	(16,216,992)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(33,879,351)**	**(26,242,123)**	**(22,156,473)**	**(6,736,015)**
Tax Income (Expense) From Continuing Operations		**2,443,683**	**7,203,907**	**6,836,173**	**2,245,914**
Current Tax (Expense)/Income	**24**	(46,646)	(90,778)	(45,632)	(32,956)
Deferred Tax (Expense)/Income	**24**	2,490,329	7,294,685	6,881,805	2,278,870
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(31,435,668)**	**(19,038,216)**	**(15,320,300)**	**(4,490,101)**
PROFIT (LOSS) FOR THE PERIOD		**(31,435,668)**	**(19,038,216)**	**(15,320,300)**	**(4,490,101)**
Profit (Loss) for the Period Attributable to:	**16**	**(31,435,668)**	**(19,038,216)**	**(15,320,300)**	**(4,490,101)**
Non-Controling Interests		-	-	-	-
Owners of the Company	**16**	(31,435,668)	(19,038,216)	(15,320,300)	(4,490,101)
Earnings (Losses) Per 100 Share from Continuing Operations	**25**	**(0.3742)**	**(0.2266)**	**(0.1824)**	**(0.0535)**
OTHER COMPREHENSIVE INCOME (EXPENSE)					
Items That Will Not Be Reclassified Subsequently to Profit or Loss					
Gain (Loss) on Remeasurement of Defined Benefit Plans	**14**	-	(4,154,043)	-	(4,256,382)
Gain (Loss) on Remeasurement of Defined Benefit Plans, Tax Effect	**24**	-	830,809	-	851,277
OTHER COMPREHENSIVE INCOME (EXPENSE)		**-**	**(3,323,234)**	**-**	**(3,405,105)**
TOTAL COMPREHENSIVE INCOME (EXPENSE)		**(31,435,668)**	**(22,361,450)**	**(15,320,300)**	**(7,895,206)**
Non-Controlling Interests		-	-	-	-
Owners of The Company		(31,435,668)	(22,361,450)	(15,320,300)	(7,895,206)

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

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

	Notes	1 January - 30 June 2018	1 January - 30 June 2017
Cash Flows from Operating Activities		**(42,573,547)**	**(10,451,787)**
Profit/(Loss) for the Period	**16**	**(31,435,668)**	**(19,038,216)**
Adjustments to Reconcile Profit/(Loss) for the Period		**83,018,476**	**36,340,043**
Adjustments for Depreciation and Amortization Expenses	**9,10**	16,820,203	11,811,550
Adjustments for (Reversal of) Provision for Employee Benefits	**14**	3,370,374	1,855,429
Adjustments for Tax (Income)/Expenses	**24**	(2,443,683)	(7,203,907)
Adjustments for Interest Income	**22**	(6,730,241)	(4,890,094)
Adjustments for Interest Expenses	**23**	18,226,891	14,332,687
Adjustments for Unrealized Currency Translation Differences		42,596,467	18,265,700
Other Adjustments to Reconcile Profit/(Loss)		11,467,439	2,028,537
Adjustments for Losses (Gains) on Disposal of Property, Plant and Equipment	**21**	(288,974)	140,141
Changes in Working Capital		**(92,368,746)**	**(26,264,839)**
Adjustments for Decrease (Increase) in Trade Receivables		(68,948,928)	56,511,717
Adjustments for Decrease (Increase) in Inventories	**8**	(43,668,926)	(71,882,330)
Adjustments for Decrease (Increase) in Other Operating Receivables	**7,15**	(62,590,036)	(29,648,594)
Adjustments for Increase (Decrease) in Trade Payables		83,221,613	11,712,224
Adjustments for Increase (Decrease) in Other Operating Payables		917,194	15,563,945
Decrease (Increase) in Other Assets Related with Operations		(1,299,663)	(8,521,801)
Cash Generated from Operations		**(40,785,938)**	**(8,963,012)**
Income Tax Returns (Paid)		(820,086)	(535,679)
Payments Related with Provision for Employee Benefits	**14**	(967,523)	(953,096)
Cash Flows from Investing Activities		**(21,636,606)**	**(13,676,367)**
Proceeds from Sale of Property, Plant and Equipment	**9,21**	385,478	10,897
Payments for Purchase of Property, Plant and Equipment	**9**	(5,455,420)	(2,456,791)
Payments for Purchase of Intangible Assets	**10**	(16,566,664)	(11,230,473)
Cash Flows from Financing Activities		**41,002,465**	**(3,123,127)**
Interest Received		6,307,845	4,963,070
Interest Paid		(17,986,412)	(12,020,917)
Proceeds from Borrowings		150,436,632	113,083,720
Repayments of Borrowings		(97,755,600)	(109,149,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		**(23,207,688)**	**(27,251,281)**
Cash and Cash Equivalents at The Beginning of the Period	**4**	**98,357,461**	**119,642,178**
Cash and Cash Equivalents at The End of the Period	**4**	**75,149,773**	**92,390,897**

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

REVIEWED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY AS AT 30 JUNE 2018 AND 2017

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

					Other Comprehensive Income / Expenses Not to Be Reclassified to Profit or Loss			Retained Earnings				
Prior Period	**Notes**	**Paid-in Capital**	**Adjustments to Share Capital**	**Total Paid in Capital**	**Gain/Loss on Remeasurement of Revaluation of Non-Current Assets**	**Gain/Loss on Remeasurement of Defined Benefit Plans**	**Restricted Reserves Appropriated From Profit**	**Prior Years' Profit/ Losses**	**Net Profit/ Loss for The Period**	**Equity Attributable to Owners of the Company**	**Non-Controlling Interests**	**Total Equity**
Balances as of 1 January 2017:	**16**	**25,419,707**	**86,901,880**	**112,321,587**	-	**(1,963,156)**	**163,579,754**	**34,863,033**	**(46,336,647)**	**262,464,571**	-	**262,464,571**
Total Comprehensive Income/(Expense)		-	-	-	-	**(3,323,234)**	-	-	**(19,038,216)**	**(22,361,450)**	-	**(22,361,450)**
Profit (Loss) for The Period		-	-	-	-	-	-	-	(19,038,216)	(19,038,216)	-	(19,038,216)
Other Comprehensive Income/(Expense)		-	-	-	-	(3,323,234)	-	-	-	(3,323,234)	-	(3,323,234)
Transfers		**58,580,293**	**(56,752,454)**	**1,827,839**	-	-	**(1,404,125)**	**(46,760,361)**	**46,336,647**	-	-	-
Balances as of 30 June 2017:	**16**	**84,000,000**	**30,149,426**	**114,149,426**	-	**(5,286,390)**	**162,175,629**	**(11,897,328)**	**(19,038,216)**	**240,103,121**	-	**240,103,121**
Current Period												
Balances as of 1 January 2018:	**16**	**84,000,000**	**30,149,426**	**114,149,426**	**417,373,045**	**(5,286,390)**	**162,175,629**	**(11,897,328)**	**(48,388,364)**	**628,126,018**	-	**628,126,018**
Total Comprehensive Income/(Expense)		-	-	-	-	-	-	-	**(31,435,668)**	**(31,435,668)**	-	**(31,435,668)**
Profit (Loss) for The Period		-	-	-	-	-	-	-	(31,435,668)	(31,435,668)	-	(31,435,668)
Transfers		-	-	-	-	-	**46,371**	**(48,434,735)**	**48,388,364**	-	-	-
Balances as of 30 June 2018:	**16**	**84,000,000**	**30,149,426**	**114,149,426**	**417,373,045**	**(5,286,390)**	**162,222,000**	**(60,332,063)**	**(31,435,668)**	**596,690,350**	-	**596,690,350**

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory which is established in Çayırova/Kocaeli. As of 30 June 2018, the number of employees is 876 (31 December 2017: 875).

The Company, has been registered in Turkey, and the address of the Company is Fatih Sultan Mehmet Mahallesi Balkan Caddesi No: 58 Buyaka E Blok Tepeüstü Ümraniye, İstanbul.

As of 30 June 2018 and 31 December 2017, details about the Company's subsidiary, which is subject to consolidation, is stated below:

Company Name	Principal Activity	Capital	30 June 2018 Participation Rate (%)	31 December 2017 Participation Rate (%)
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of Spare Parts	716,000	100.00	100.00

Approval of Financial Statements

Consolidated financial statements for the period between 1 January – 30 June 2018 are authorized for issue by the Board of Directors on 10 August 2018 and are approved by the Independent Member of the Board of Directors Orhan ÖZER (Audit Committee Chairman), Independent Member of the Board of Directors Ahmet Murat SELEK (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Bora ÖNER.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Statement of Compliance in TAS

The acompanying consolidated financial statements are prepared in accordance with the requirements of the Capital Markets Board ("CMB"), Communiqué Serial: II, No. 14.1 on "Principles on Financial Reporting in Capital Market", which was published in the Official Gazette No. 28676 on 13 June 2013. The accompanying consolidated financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013.

The Company (and its subsidiary registered in Turkey), which operate in Turkey, keep their accounting books and their statutory financial statements in Turkish Lira in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Except for the financial assets and liabilities carried from their fair values, consolidated financial statements are prepared on historical cost basis in Turkish Lira. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements are based on the statutory financial statements of the Group's subsidiaries with certain adjustments and reclassifications for the purpose of fair presentation in accordance with TAS/TFRS. Such adjustments are primarily related to application of consolidation accounting, accounting for deferred taxes on temporary differences, accounting for employment termination benefits.

Currency Used

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in TL, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

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

2.1 Basis of presentation (cont'd)

2.1.2 Consolidation principles

Subsidiaries

Subsidiaries are companies in the Group's control. The Group's control 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 30 June 2018 and 31 December 2017.

	Voting Power Held By the Group (%)		Proportion of Ownership Interest (%)	
Subsidiary	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100.00	100.00	100.00	100.00

2.1.3 Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 " Financial Reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

2.1.4 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.

2.1.5 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 change in its prior year consolidated financial statements.

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

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

2.1 Basis of presentation (cont'd)

2.1.6 Amendments in International Financial Reporting Standards

a) Amendments to TFRSs that are mandatorily effective as of 2018

TFRS 9	Financial Instruments
TFRS 15	Revenue from Contracts with Customers
Amendments to TFRS 10 and TAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to TFRS 2	Classification and Measurement of Share-Based Payment Transactions
TFRS Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to TAS 40	Transfers of Investment Property
Annual Improvements to TFRS Standards 2014–2016 Cycle	TFRS 1 , TAS 28

TFRS 9 *Financial Instruments*

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

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

2.1 Basis of presentation (cont'd)

2.1.6 Amendments in International Financial Reporting Standards (cont'd)

a) Amendments to TFRSs that are mandatorily effective as of 2018 (cont'd)

TFRS 9 *Financial Instruments (cont'd)*

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Amendments to TFRS 9 have no material impact on Group's consolidated financial statements.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 Revenue, TAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on Clarifications to TFRS 15 in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

Amendments to TFRS 15 have no material impact on Group's consolidated financial statements.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10 and TAS 28 have no material impact on Group's consolidated financial statements.

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

2.1 Basis of presentation (cont'd)

2.1.6 Amendments in International Financial Reporting Standards (cont'd)

a) Amendments to TFRSs that are mandatorily effective as of 2018 (cont'd)

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Amendments to TFRS 2 have no material impact on the Group's consolidated financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;
- The entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

TFRS Interpretation 22 has no material impact on the Group's consolidated financial statements.

Amendments to TAS 40 Transfers of Investment Property

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to TAS 40 have no material impact on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.

- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to TFRS Standards 2014-2016 cycle have no material impact on the Group's consolidated financial statements.

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

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

2.1 Basis of presentation (cont'd)

2.1.6 Amendments in International Financial Reporting Standards (cont'd)

b) New and revised TFRSs in issue but not yet effective

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

TFRS 16	*Leases* [1]
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
TFRS Interpretation 23	*Uncertainty over Income Tax Treatments*[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

TFRS 16 Leases

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 "Leases". The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16's approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

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

2.2 Summary of Significant Accounting Policies

2.2.1 Cash and cash equivalents

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

2.2.2 Trade receivables and provision for allowance

Trade receivables as a result of providing goods or services by the Group directly to a debtor are carried at amortised cost.

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

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.2 Trade receivables and provision for allowance (cont'd)

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

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

2.2.3 Inventories

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

2.2.4 Property, plant and equipment and related depreciation

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

Type	**Depreciation rates (%)**
Land Improvements	7-20
Buildings	2-10
Machinery and Equipment	10-25
Motor Vehicles	10-25
Fixtures and Furniture	10-20
Other Tangible Fixed Assets	10-20

Revaluation Method

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

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

2.2 Summary of Significant Accounting Policies (cont'd)

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

Revaluation Method (cont'd)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

As of 30 June 2018, depreciation has been calculated considering the remaining useful lives of the buildings that are subject to revaluation.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.2.5 Intangible assets and amortisation

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

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

2.2.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates".

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.7 Impairment of assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is presumed. The recoverable amount is presumed in each year-end for unusable intangible assets. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognised in the statement of income. Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

2.2.8 Bank loans and borrowing costs

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

2.2.9 Income Taxes

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

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

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

2.2.10 Provision for employee benefits

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.11 Provisions

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

2.2.12 Research and development expenses

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

2.2.13 Warranty provision expenses

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

2.2.14 Related parties

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

2.2.15 Foreign currency transactions

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

2.2.16 Earnings per share

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

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

2.2.17 Revenue recognition

Adoption of TFRS 15 Revenue from Contracts with Customers

Impact of the Financial Statements

As a result of beginning the application for IFRS 15, some changes have happened in the accounting policies starting from 1 January 2018. As per the scope of rulings of the standard, the Group's extended warranty service sales for the commercial vehicle sales need to be recognised in statement of profit or loss for the period.

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.17 Revenue recognition (cont'd)

Adoption of TFRS 15 Revenue from Contracts with Customers (cont'd)

The Group assessed the impact of IFRS 15, Revenue from Contracts with Customers for the period beginning from 1 January 2018. This standard is effective from 1 January 2018 and replaces the guidance in "TAS 18, Revenue". There isn't any material impact to be presented on the consolidated statement of profit or loss of the Group related to this standard as of 30 June 2018.

The sales-related warranties cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group continues to account for the warranty in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current accounting treatment.

Commercial vehicle and spare part sales

Revenues are recognized on an accrual basis at the time that the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group and the fair value of the consideration received or receivable is reasonable. The revenues of the Group comprise commercial vehicle sales and spare parts sales for these vehicles. Net sales were obtained by deducting returns and sales discounts from sales of goods.

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 difference is included in financial statements on accrual basis.

2.2.18 Reporting of cash flows

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.18 Reporting of cash flows (cont'd)

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

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

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

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

2.2.19 Contingent assets and liabilities

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

2.2.20 Government grants

Government grants are not recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs, which they are intended to compensate, on a systematic basis. Government grants and assistance received for R&D purposes of the Group are explained in Note 12.

2.2.21 TFRS 9 Financial Instruments

Impact of adoption

TFRS 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. Group has carried out valuation studies to determine the cumulative effect of the first transition and concluded that no changes should be made to the consolidated financial statements.

<u>Financial assets</u>

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Group measure trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset. When the Group uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date.

The Group reclassifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both a) the Group's business model for managing the financial assets and b) the contractual cash flow characteristics of the financial asset. When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. The Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 TFRS 9 Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortised cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
(b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become *credit-impaired financial assets*. For those financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognises a *modification gain or loss* in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 TFRS 9 Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial liabilities

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the issue of the financial liability.

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

(a) Financial liabilities at fair value through profit or loss: Such liabilities, including *derivatives* that are liabilities, are subsequently measured at fair value.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Group recognises any income on the transferred asset and any expense incurred on the financial liability.

(c) Contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Group does not reclassify any financial liability.

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 TFRS 9 Financial Instruments (cont'd)

Recognition and derecognition of financial assets and liabilities

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

2.2.22 Accounting policies, changes in accounting estimates and errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. If the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted. In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements.

With the 29 December 2017 dated resolution of the Board of Directors, it is decided that properties that were stated under "Property, Plant and Equipment" in the Group's financial statements and classified as lands and buildings that were carried at cost, will be evaluated and recognized with revaluation method as of the 31 December 2017 financial statements prepared according to Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS). In this scope, the effect of revaluation is represented in 31 December 2017 financial statements regarding the 5 February 2018 valuation reports prepared by SOM Gayrimenkul Değerleme ve Danışmanlık Hizmetleri A.Ş. TL 417,373,045 net amount of revaluation increase after tax is recognized in "Property, Plant and Equipment Revaluation Increase" under Equity.

2.2.23 Other accounting estimates

In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements except instances where the estimation of the effect related to upcoming periods are not possible.

a) Deferred tax assets can be recognised only when sufficient taxable profit is likely to occur in the upcoming periods. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 30 June 2018, the Group recognised deferred tax assets of TL 23,145,793 (31 December 2017: TL 26,080,108) based on total deductible financial losses of TL 113,167,105 (31 December 2017: TL 126,418,854) as sufficient taxable profit is likely to occur in the upcoming periods.

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

2.2.24 Subsequent events

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

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

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

NOTE 3 - SEGMENT REPORTING

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

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statement of cash flow as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	**31 December 2017**
Cash	91,186	130,494
Banks-Demand Deposits	8,387,419	19,257,596
Banks-Time Deposits (Up to 3 Months)	67,110,094	78,968,916
Other Cash and Cash Equivalents (*)	94,900	111,886
Total	**75,683,599**	**98,468,892**

(*) As of 30 June 2018 and 31 December 2017, the balance in other cash and cash equivalents consists of the assets in direct debit system.

There are no blocked deposits as of 30 June 2018 and 31 December 2017.

Cash and cash equivalents presented in the consolidated statement of cash flow as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	**30 June 2017**
Liquid Assets	75,683,599	92,554,338
Interest Accruals (-)	(533,826)	(163,441)
Total (Excluding interest accruals)	**75,149,773**	**92,390,897**

The details of time deposits are as follows:

	30 June 2018		**31 December 2017**	
	Amount in TL	**Annual Interest Rate (%)**	**Amount in TL**	**Annual Interest Rate (%)**
TL	39,341,704	15.60-17.98	53,952,431	7.00-15.50
USD	18,264,890	4.90	17,746,481	0.25-4.20
EUR	9,503,500	0.05-0.10	7,270,004	0.10
Total	**67,110,094**		**78,968,916**	

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

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

NOTE 5 - BORROWINGS

The detail of borrowings as of 30 June 2018 and 31 December 2017 are as follows:

Short-term Borrowings

	Annual Effective Interest Rate (%)		Original Currency		TL Equivalent	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Short-term Borrwings						
EUR	2.30	2.40	28,037,159	43,043,730	148,854,883	194,363,965
TL	16.02	12.97	196,683,896	49,211,169	196,683,896	49,211,169
Total					**345,538,779**	**243,575,134**

At reporting date, the Group's detail of interest rate sensitivity related to remaining periods of repricing of bank loans is as follows:

Period	30 June 2018	31 December 2017
Up to one month	150,044,732	10,019,792
Total	**150,044,732**	**10,019,792**

Long-term Borrowings

	Annual Effective Interest Rate (%)		Original Currency		TL Equivalent	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Long-term Borrowings						
EUR	4.15	2.92	25,000,000	11,333,333	132,730,000	51,175,667
TL	16.34	14.85	50,000,000	138,000,000	50,000,000	138,000,000
Total					**182,730,000**	**189,175,667**

Maturity date of long-term TL and EURO borrowings is in 2019 and 2020.

Financial net debt reconciliation as of 30 June 2018 is as follows:

Opening balance	**432,750,801**
Interest expense	18,226,891
Interest paid	(17,986,412)
Proceeds from borrowings	150,436,632
Repayments of borrowings	(97,755,600)
Currency translation difference	42,596,467
Closing balance	**528,268,779**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-term Trade Receivables	**30 June 2018**	**31 December 2017**
Trade Receivables from Third Parties	392,446,726	329,035,874
Trade Receivables from Related Parties	1,796,713	2,344,615
Discount Expenses (-)	(4,808,613)	(6,085,978)
Doubtful Receivables	175,000	175,000
Allowance for Doubtful Receivables (-)	(175,000)	(175,000)
Total	**389,434,826**	**325,294,511**

Movements of provision for doubtful receivables are as follows:

	2018	**2017**
Opening Balance – 1 January	**175,000**	**333,324**
Collections in the Period	-	(158,324)
Closing Balance – 30 June	**175,000**	**175,000**

Trade payables as of period ends are as follows:

Trade Payables	**30 June 2018**	**31 December 2017**
Trade Payables to Third Parties	128,523,570	87,612,457
Trade Payables to Related Parties	254,842,045	209,917,665
Discount Income (-)	(1,269,028)	(650,776)
Total	**382,096,587**	**296,879,346**

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other Short-term Receivables **Other Receivables from Third Parties**	**30 June 2018**	**31 December 2017**
Due from Personnel	1,575,441	615,767
Receivables from Tax Office (*)	172,261	262,841
Deposits and Guarantees Given	9,191	14,037
Total	**1,756,893**	**892,645**

(*) As of 30 June 2018, the amount of Group's receivables was TL 168,699 which consists of the receivables related to the minimum living allowance (31 December 2017: receivable amounting to TL 110,000 related to the VAT refund).

Other Long-term Receivables **Other Receivables from Third Parties**	**30 June 2018**	**31 December 2017**
Deposits and Guarantees Given	186	186
Total	**186**	**186**

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

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

	30 June 2018	31 December 2017
Other Short-term Payables		
Other Payables From Third Parties		
Payables Related to Employee Benefits	4,444,565	4,531,279
Advances Received	32,305,349	27,731,167
Tax And Funds Payables	767,330	1,138,780
Other Current Payables	44,369	32,623
Total	**37,561,613**	**33,433,849**

NOTE 8 - INVENTORIES

Inventory balances as of period ends are as follows:

	30 June 2018	31 December 2017
Raw Materials	136,004,916	133,664,449
Work in Process Goods	659,776	6,300,127
Finished Goods	110,596,559	111,315,468
Trade Goods	38,534,240	33,701,823
Other Inventory	1,279,937	1,199,293
Goods in Transit	95,329,676	51,892,430
	382,405,104	338,073,590
Impairment in Finished Goods and Trade Goods	(1,469,911)	(807,323)
Total	**380,935,193**	**337,266,267**

Movement of Provision for Inventory Impairment	2018	2017
Opening Balance – 1 January	807,323	1,214,070
Provision Released Due to Sales (-)	(149,020)	(419,425)
Current Period Impairment (+)	811,608	-
Closing Balance – 30 June	**1,469,911**	**794,645**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	TOTAL
Opening Balance as of 1 January 2018	**94,164,000**	**12,286,092**	**462,796,546**	**182,189,531**	**7,875,690**	**3,992,605**	**774,199**	**481,444**	**764,560,107**
Additions	-	-	17,200	2,837,032	1,019,280	13,060	-	1,568,848	**5,455,420**
Disposals	-	-	-	(418,070)	(209,387)	-	-	-	**(627,457)**
Closing Balance as of 30 June 2018	**94,164,000**	**12,286,092**	**462,813,746**	**184,608,493**	**8,685,583**	**4,005,665**	**774,199**	**2,050,292**	**769,388,070**
Accumulated Depreciation									
Opening Balance as of 1 January 2018	**-**	**(8,009,047)**	**(43,363,705)**	**(136,746,547)**	**(3,719,440)**	**(2,673,628)**	**(764,126)**	**-**	**(195,276,493)**
Charge for the Period	-	(223,982)	(4,563,362)	(4,407,559)	(761,387)	(139,316)	(1,434)	-	**(10,097,040)**
Disposals	-	-	-	385,851	145,102	-	-	-	**530,953**
Closing Balance as of 30 June 2018	**-**	**(8,233,029)**	**(47,927,067)**	**(140,768,255)**	**(4,335,725)**	**(2,812,944)**	**(765,560)**	**-**	**(204,842,580)**
Net Carrying Value									
Opening Balance as of 1 January 2018	**94,164,000**	**4,277,045**	**419,432,841**	**45,442,984**	**4,156,250**	**1,318,977**	**10,073**	**481,444**	**569,283,614**
Closing Balance as of 30 June 2018	**94,164,000**	**4,053,063**	**414,886,679**	**43,840,238**	**4,349,858**	**1,192,721**	**8,639**	**2,050,292**	**564,545,490**

Amounting to TL 7,091,814 of the depreciation expenses has been charged to cost of sales, and TL 177,745 to research and development expenses and TL 1,093,339 to marketing expenses, TL 533,143 to general administrative expenses and TL 1,200,999 to R&D capitalization are included as of 30 June 2018.

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (cont'd)

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	TOTAL
Opening Balance as of 1 January 2017	**1,292,239**	**12,212,028**	**82,068,647**	**184,928,916**	**7,089,454**	**4,476,234**	**774,199**	**578,207**	**293,419,924**
Additions	-	18,120	23,320	1,451,590	816,403	-	-	147,358	2,456,791
Disposals	-	-	-	(6,004,903)	-	(182,433)	-	-	(6,187,336)
Closing Balance as of 30 June 2017	**1,292,239**	**12,230,148**	**82,091,967**	**180,375,603**	**7,905,857**	**4,293,801**	**774,199**	**725,565**	**289,689,379**
Accumulated Depreciation									
Opening Balance as of 1 January 2017	-	**(7,564,532)**	**(40,621,417)**	**(137,124,706)**	**(4,757,483)**	**(2,926,451)**	**(761,258)**	-	**(193,755,847)**
Charge for the Period	-	(221,759)	(1,368,312)	(4,158,030)	(508,728)	(136,666)	(1,434)	-	(6,394,929)
Disposals	-	-	-	5,854,223	-	182,075	-	-	6,036,298
Closing Balance as of 30 June 2017	-	**(7,786,291)**	**(41,989,729)**	**(135,428,513)**	**(5,266,211)**	**(2,881,042)**	**(762,692)**	-	**(194,114,478)**
Net Carrying Value									
Opening Balance as of 1 January 2017	**1,292,239**	**4,647,496**	**41,447,230**	**47,804,210**	**2,331,971**	**1,549,783**	**12,941**	**578,207**	**99,664,077**
Closing Balance as of 30 June 2017	**1,292,239**	**4,443,857**	**40,102,238**	**44,947,090**	**2,639,646**	**1,412,759**	**11,507**	**725,565**	**95,574,901**

Amounting to TL 4,768,690 of the depreciation expenses has been charged to cost of sales, and TL 127,765 to research and development expenses and TL 516,689 to marketing expenses, TL 376,525 to general administrative expenses and TL 604,960 to R&D capitalization are included as of 30 June 2017.

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

NOTE 10 - INTANGIBLE ASSETS

30 June 2018

Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Opening Balance as of 1 January 2018	**370,007**	**73,279,357**	**18,324,258**	**24,870,334**	**116,843,956**
Additions	-	-	132,506	16,434,158	**16,566,664**
Closing balance as of 30 June 2018	**370,007**	**73,279,357**	**18,456,764**	**41,304,492**	**133,410,620**
Accumulated Amortization					
Opening Balance as of 1 January 2018	**(95,518)**	**(42,363,735)**	**(10,842,285)**	**-**	**(53,301,538)**
Charge for the Period	(13,967)	(5,218,051)	(1,491,145)	-	**(6,723,163)**
Closing balance as of 30 June 2018	**(109,485)**	**(47,581,786)**	**(12,333,430)**	**-**	**(60,024,701)**
Carrying Value					
Opening Balance as of 1 January 2018	**274,489**	**30,915,622**	**7,481,973**	**24,870,334**	**63,542,418**
Closing balance as of 30 June 2018	**260,522**	**25,697,571**	**6,123,334**	**41,304,492**	**73,385,919**

(*) As of 30 June 2018, TL 40,734,742 of the "Construction in Progress" is related to R&D projects and the remaining part related to other intangible assets.

Amounting to TL 5,311,984 of the depreciation expenses of intangible assets has been charged to cost of sales, and TL 217,714 to research and development expenses and TL 164,624 to marketing expenses, TL 276,420 to general administrative expenses and TL 752,421 to R&D capitalization as of 30 June 2018.

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

NOTE 10 – INTANGIBLE ASSETS (cont'd)

30 June 2017

Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Opening Balance as of 1 January 2017	**367,311**	**61,404,133**	**12,099,141**	**19,037,099**	**92,907,684**
Additions	2,696	-	1,111,534	10,116,243	**11,230,473**
Closing balance as of 30 June 2017	**370,007**	**61,404,133**	**13,210,675**	**29,153,342**	**104,138,157**
Accumulated Amortization					
Opening Balance as of 1 January 2017	**(67,598)**	**(33,328,537)**	**(8,822,102)**	**-**	**(42,218,237)**
Charge for the Period	(13,953)	(4,453,919)	(948,749)	-	**(5,416,621)**
Closing balance as of 30 June 2017	**(81,551)**	**(37,782,456)**	**(9,770,851)**	**-**	**(47,634,858)**
Carrying Value					
Opening Balance as of 1 January 2017	**299,713**	**28,075,596**	**3,277,039**	**19,037,099**	**50,689,447**
Closing balance as of 30 June 2017	**288,456**	**23,621,677**	**3,439,824**	**29,153,342**	**56,503,299**

(*) As of 30 June 2017, TL 25,125,377 of the "Construction in Progress" is related to R&D projects and the remaining part related to other intangible assets.

NOTE 11 - GOODWILL

As of 30 June 2018, there is goodwill amounting to TL 2,340,995 (31 December 2017: 2,340,995).

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

In 2018, TL 365,613 was collected as cash in relation to R&D activities provided by TUBITAK. In the first six months of 2017, TL 104,583 cash support from TUBITAK has been collected for R&D activities.

The Group can deduct R&D expenses in its tax calculations in the amount of TL 62,702,024 as of 30 June 2018. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008, R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% (TL 41,480,482 as of 31 December 2017).

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.

The Group spent TL 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.

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short-term Provisions	**30 June 2018**	**31 December 2017**
Warranty Provisions	12,324,665	11,642,227
Provision for Lawsuits	4,517,820	3,567,284
Provision for Premium and Commission	1,863,236	109,869
Total	**18,705,721**	**15,319,380**

Movements of provisions during the period are as follows:

	Warranty Provisions	**Provision for lawsuits**	**Provision for premium and comission**	**Total**
Opening Balance as at 1 January 2018	11,642,227	3,567,284	109,869	**15,319,380**
Additions During the Period	6,115,397	1,782,205	1,863,236	**9,760,838**
Less: Paid During the Period (-)	(5,432,959)	(400,897)	(109,869)	**(5,943,725)**
Reversal of Provision (-)	-	(430,772)	-	**(430,772)**
Closing Balance as at 30 June 2018	**12,324,665**	**4,517,820**	**1,863,236**	**18,705,721**

	Warranty Provisions	**Provision for lawsuits**	**Provision for employee rights and cost**	**Provision for premium and comission**	**Total**
Opening Balance as at 1 January 2017	12,338,519	1,710,144	-	-	**14,048,663**
Additions During the Period	3,738,325	492,299	957,476	1,280,228	**6,468,328**
Less: Paid During the Period (-)	(5,330,153)	-	-	-	**(5,330,153)**
Reversal of Provision (-)	-	(154,408)	-	-	**(154,408)**
Closing Balance as at 30 June 2017	**10,746,691**	**2,048,035**	**957,476**	**1,280,228**	**15,032,430**

Lawsuits against the Group:

Amount of provisions allocated for the lawsuits which were filed against the Group as of 30 June 2018 and have not ended as of the balance sheet date equals TL 4,517,820 (31 December 2017: TL 3,567,284).

Mortgages and Guarantees on Assets

There are not any mortgages and guarantees on assets.

Total Insurance Coverage on Assets:

Total insurance coverage on assets is TL 812,185,520 as of 30 June 2018 (31 December 2017: TL 892,934,291).

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

Type	**30 June 2018**	**31 December 2017**
Letters of Guarantee Given	84,436,855	116,292,868
Total	**84,436,855**	**116,292,868**

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

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Collaterals, pledges and mortgages "CPM" given by the Company as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
A. CPMs given in the name of its own legal personality	**84,436,855**	**116,292,868**
i. Collateral	84,436,855	116,292,868
ii. Mortgage	-	-
B. CPMs given on behalf of fully consolidated companies	-	-
C. CPMs given in the normal course of business activities on behalf of third parties		
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given in favor of the parent Company	-	-
ii. Total amount of CPMs given in favor of other Group companies not in the scope of B and C above	-	-
iii. Total amount of CPMs given in favor of third party companies not in scope of C above	-	-
Total	**84,436,855**	**116,292,868**

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 30 June 2018 (0% as of 31 December 2017).

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.

NOTE 14 - EMPLOYEE BENEFITS

Short-term Provisions for Employee Benefits	30 June 2018	31 December 2017
Provision for Wage Difference related to the Collective Labour Agreement	-	2,452,546
Provision for Unused Vacation	1,287,848	655,450
Provision for Other Employee Rights and Earnings	1,089,049	-
	2,376,897	**3,107,996**

Short-term provisions for employee benefits consist of provisions that were calculated and unpaid as of the end of period.

Long-Term Provisions for Employee Benefits	30 June 2018	31 December 2017
Provision for Employment Termination Benefits	**21,851,754**	**19,448,903**

Within the framework of current laws in Turkey, it is obligatory to make the severance pay of each employee who has completed one year service period, has been paid off regardless of any related reason, has been called-up for military service along with men who have completed 25-year service period, women who have completed 20-year service period or those who have completed age of retirement (58 for women, 60 for men). Because there is not any funding obligation for the severance pay provision in Turkey, any special fund is not allocated in the financial statements.

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TL 5,434.42 (1 July 2017: TL 4,732.48) applicable as of 1 July 2018 has been regarded for the calculation of the Group's provision of severance pay.

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

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

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

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

NOTE 14 - EMPLOYEE BENEFITS (cont'd)

	30 June 2018	31 December 2017
Annual Net Discount Rate (%)	4.21	4.21
Turnover Rate to Estimate the Probability of Retirement (%)	4.40	3.98

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:

	2018	2017
Opening Balance – 1 January	**19,448,903**	**13,931,309**
Service cost	2,964,763	1,594,735
Interest cost	405,611	260,694
Actuarial loss	-	4,154,043
Retirement payment paid	(967,523)	(953,096)
Closing Balance – 30 June	**21,851,754**	**18,987,685**

NOTE 15 - OTHER ASSETS AND LIABILITIES

Prepaid Expenses	30 June 2018	31 December 2017
Advances Given	52,815,968	10,334,103
Prepaid Insurance Expenses	1,092,854	84,319
Prepaid Advertisement Expenses	258,487	455,026
Prepaid Subscription Expenses	18,966	24,691
Prepaid Commission Expenses	-	3,904,729
Prepaid Other Expenses	1,178,117	484,869
Total	**55,364,392**	**15,287,737**

Other Current Assets	30 June 2018	31 December 2017
Deferred VAT	61,480,225	39,804,274
Other Current Assets	441,817	360,963
Total	**61,922,042**	**40,165,237**

Prepaid Expenses	30 June 2018	31 December 2017
Other Expenses	1,313,395	13,733
Total	**1,313,395**	**13,733**

Deferred Income (Short-Term)	30 June 2018	31 December 2017
Deferred Income (*)	628,521	2,773,879
Total	**628,521**	**2,773,879**

(*) The amount of cash incentives received for the Company's R&D activities, and which should be transferred to the statement of profit or loss for upcoming months as of 30 June 2018, is TL 414,557 (31 December 2017: R&D cash support income that will be transferred to the statement of profit or loss for upcoming months is TL 419,046).

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

NOTE 15 - OTHER ASSETS AND LIABILITIES (cont'd)

Deferred Income (Long-Term)	30 June 2018	31 December 2017
Deferred Income (*)	686,966	642,247
Total	**686,966**	**642,247**

(*) The amount which will be transferred to the statement of profit or loss related to the upcoming years from the cash support received for R&D activities of the Company as of 30 June 2018 is TL 686,965 (31 December 2017: TL 562,948).

NOTE 16 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital / Elimination Adjustments

As of 30 June 2018 the share capital of the Company is TL 84,000,000 (31 December 2017: TL 84,000,000).

In the current period, the Group's share capital has been increased from TL 25,419,707 (TL 56,752,454 of which is from the capital adjustment difference, 1,827,839 of which is from restricted reserves appropriated from profit and prior years' profit/loss calculations) to 84,000,000 by providing from internal resources.

This share capital is divided into 8,400,000,000 in total, including 4,515,314,511 A Group registered shares, 2,498,204,373 B Group registered shares, 1,386,481,116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

30 June 2018

SHAREHOLDERS	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
AG ANADOLU GRUBU HOLDİNG A.Ş.	44,844,772	-	1,690,629	46,535,401	**55.40**
ISUZU MOTORS LTD.	-	14,275,509	-	14,275,509	**16.99**
ITOCHU CORPORATION TOKYO	-	7,948,322	-	7,948,322	**9.46**
ITOCHU CORPORATION İSTANBUL	-	2,758,212	-	2,758,212	**3.28**
OTHER	308,373		12,174,183	12,482,556	**14.87**
TOTAL	**45,153,145**	**24,982,043**	**13,864,812**	**84,000,000**	**100.00**

31 December 2017

SHAREHOLDERS	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
AG ANADOLU GRUBU HOLDİNG A.Ş.	44,844,772	-	1,690,629	46,535,401	**55.40**
ISUZU MOTORS LTD.	-	14,275,509	-	14,275,509	**16.99**
ITOCHU CORPORATION TOKYO	-	7,948,322	-	7,948,322	**9.46**
ITOCHU CORPORATION İSTANBUL	-	2,758,212	-	2,758,212	**3.28**
OTHER	308,373	-	12,174,183	12,482,556	**14.87**
TOTAL	**45,153,145**	**24,982,043**	**13,864,812**	**84,000,000**	**100.00**

The amount TL 84,000,000 corresponding to the share capital of the company, is fully paid up as free from any misleading transactions. The Company is not included in registered capital system.

Privileges Granted to the Share Groups

The Company directed by 14 board of directors selected amongs shareholders by General Asembly in accordance with TTC.

4 members of board of directors are selected amongs candidates that Group B shareholders nominated, 8 members of board of directors are selected amongs candidates that Group A shareholders nominated and 2 members of board of directors are selected amongs candidates who will be nominated as independent member of board of directors by General Assembly.

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

NOTE 16 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

30 June 2018

Paid-in Capital	84,000,000
Capital Inflation Adjustment Difference	30,149,426
Restricted Reserves Appropriated from Profit	162,222,000
Prior Years Profit/(Loss)	(60,332,063)
Gains/(Losses) on Revaluation And Remeasurement	412,086,655
Net Profit (Loss) for The Period	(31,435,668)
Shareholders' Equity Attributable to Equity Holders of the Group	**596,690,350**
Non-Controlling Interests	**-**
Total Shareholders' Equity	**596,690,350**

31 December 2017

Paid-in Capital	84,000,000
Capital Inflation Adjustment Difference	30,149,426
Restricted Reserves Appropriated from Profit	162,175,629
Prior Years Profit/(Loss)	(11,897,328)
Gains/(Losses) on Revaluation And Remeasurement	412,086,655
Net Profit/(Loss) For the Period	(48,388,364)
Shareholders' Equity Attributable to Equity Holders of the Group	**628,126,018**
Non-Controlling Interests	**-**
Total Shareholders' Equity	**628,126,018**

Restricted Reserves Appropriated From Profit

Restricted reserves appropriated from profit are comprised of legal reserves and other reserves.

	30 June 2018	**31 December 2017**
Legal Reserves	23,784,752	23,738,381
Real Estate Sale Profit Exemption	138,437,248	138,437,248
Total	**162,222,000**	**162,175,629**

The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In addition, the Group's profit on the sale of real estate, which is considered to be within the scope of Article 5/e of Corporate Income Tax Law No. 5520, is classified under this accounting category as a "Real estate sale profit exemption". As of 30 June 2018, the Group's total restricted reserves are TL 162,222,000 (31 December 2017: TL 162,175,629).

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

NOTE 16 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

Retained earnings

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

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

	30 June 2018	31 December 2017
Extraordinary reserves	9,661,446	9,661,446
Inflation difference of legal reserves	24,820,415	24,820,415
Prior Years' Profit/(Losses)	(94,813,924)	(46,379,189)
Total	**(60,332,063)**	**(11,897,328)**

Quoted companies make profit distributions as follows:

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

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

Group's retained earnings is TL 60,332,063 based on the financial statements prepared in according with TAS/TFRS Financial Reporting Standard for the period ended 30 June 2018.

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

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

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

NOTE 17 - REVENUE AND COST OF SALES

Revenue	**1 January 2018 30 June 2018**	**1 January 2017 30 June 2017**	**1 April 2018 30 June 2018**	**1 April 2017 30 June 2017**
Domestic Sales	392,268,692	286,108,880	256,529,031	165,119,952
Foreign Sales	287,130,020	89,633,615	128,968,930	33,562,280
Other Income	3,290,543	2,346,529	1,821,033	1,180,673
Sales Total (Gross)	**682,689,255**	**378,089,024**	**387,318,994**	**199,862,905**
Sales Discounts (-)	(45,287,330)	(27,076,411)	(31,188,792)	(12,979,312)
Sales (Net)	**637,401,925**	**351,012,613**	**356,130,202**	**186,883,593**
Cost of Sales	**(538,130,153)**	**(300,042,025)**	**(303,474,659)**	**(162,551,406)**
Gross Operating Profit	**99,271,772**	**50,970,588**	**52,655,543**	**24,332,187**

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

NOTE 17 - REVENUE AND COST OF SALES

Cost of sales are summarised as follows;

	1 January 2018 30 June 2018	1 January 2017 30 June 2017	1 April 2018 30 June 2018	1 April 2017 30 June 2017
Direct Raw Material and Supplies Costs	349,174,775	273,799,428	204,508,015	129,738,348
Direct Labor Expenses	26,061,348	16,934,985	14,803,292	8,713,883
Depreciation and Amortization Expenses	12,403,799	9,424,875	7,370,863	4,702,508
Other Production Costs	6,758,736	5,039,411	3,314,921	2,233,177
Other Expenses	**394,398,658**	**305,198,699**	**229,997,091**	**145,387,916**
Change in Finished Goods and Work in Process Goods	34,657,407	(28,584,316)	37,350,305	5,045,782
Cost of Trade Goods Sold	108,798,592	23,112,920	35,912,962	11,990,894
Cost of Other Sales	275,496	314,722	214,301	126,814
Total Cost of Sales	**538,130,153**	**300,042,025**	**303,474,659**	**162,551,406**

NOTE 18 - ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) Research and Development Expenses	1 January 2018 30 June 2018	1 January 2017 30 June 2017	1 April 2018 30 June 2018	1 April 2017 30 June 2017
Personnel Expenses	(340,137)	(74,025)	(240,619)	(6,754)
Trade Goods Quality Enhancement Expenses	(600,449)	(424,662)	(241,622)	(214,352)
Depreciation and Amortization Expenses (Notes 9-10)	(395,459)	(346,619)	(199,810)	(178,832)
Other	(239,935)	(360,223)	(126,104)	(231,272)
Total Research and Development Expenses	**(1,575,980)**	**(1,205,529)**	**(808,155)**	**(631,210)**
b) Marketing Expenses				
Domestic Sales Expense	(911,506)	(969,655)	(699,670)	(777,110)
Export Expense	(3,928,844)	(2,426,306)	(1,667,216)	(1,239,336)
Personnel Expenses	(7,757,957)	(5,869,807)	(4,174,546)	(2,803,180)
Advertisement Expenses	(3,898,418)	(2,857,570)	(2,422,264)	(1,526,724)
Guarantee Expenses	(6,111,614)	(3,737,763)	(3,508,888)	(723,742)
Freight and Transportation Expenses	(4,586,073)	(4,545,013)	(2,254,753)	(2,097,263)
Royalty Expenses	(2,469,496)	(2,617,511)	(1,387,114)	(1,310,224)
Depreciation and Amortization Expenses (Notes 9-10)	(1,257,963)	(545,689)	(786,745)	(281,835)
Other	(6,128,489)	(4,485,160)	(3,441,720)	(2,864,268)
Total Marketing Expenses	**(37,050,360)**	**(28,054,474)**	**(20,342,916)**	**(13,623,682)**
c) General Administrative Expenses				
Personnel Expenses	(7,976,863)	(6,524,987)	(1,804,507)	(3,211,326)
Provision for Employee Termination Benefits	(315,923)	(1,855,429)	(1,737,130)	(1,590,270)
Business and Service Expenses	(8,536,847)	(8,062,927)	(4,106,769)	(3,944,371)
Depreciation and Amortization Expenses (Notes 9-10)	(809,563)	(789,414)	(459,055)	(397,427)
Insurance Expenses	(1,151,167)	(890,807)	(580,721)	(450,875)
Other	(4,149,268)	(3,180,158)	(2,050,711)	(1,577,833)
Total General Administrative Expenses	**(22,939,631)**	**(21,303,722)**	**(10,738,893)**	**(11,172,102)**

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

NOTE 19 - EXPENSES BY NATURE

	1 January 2018 30 June 2018	1 January 2017 30 June 2017	1 April 2018 30 June 2018	1 April 2017 30 June 2017
Direct Raw Material and Supplies Costs	349,174,775	273,799,428	204,508,015	129,738,348
Cost of Trade Goods Sold	108,798,592	23,112,920	35,912,962	11,990,894
Cost of Other Goods Sold	275,496	314,722	214,301	126,814
Change in Goods Inventory	34,657,407	(28,584,316)	37,350,305	5,045,782
Other Expenses	42,712,106	34,557,755	22,487,552	16,957,369
Personnel Expenses	42,452,229	31,259,233	22,760,095	16,325,414
Depreciation and Amortisation Expenses	14,866,784	11,106,597	8,816,473	5,560,601
Other Production Expenses	6,758,735	5,039,411	3,314,920	2,233,178
Total Expenses	**599,696,124**	**350,605,750**	**335,364,623**	**187,978,400**

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	1 January 2018 30 June 2018	1 January 2017 30 June 2017	1 April 2018 30 June 2018	1 April 2017 30 June 2017
Foreign Exchange Income on Trade Receivables and Payables	12,378,674	5,087,836	7,048,395	726,656
Sales Support Income	8,279,569	-	797,296	-
Discount Income on Trade Payables	7,420,930	3,706,137	582,895	(39,519)
Export S.P.S.F Support	346,749	225,301	285,917	45,037
Tübitak R&D Incentive	246,084	251,822	141,323	131,140
Service Income	192,556	44,130	168,436	20,780
Rent Income	57,085	20,827	47,281	10,471
Insurance Indemnity Income	1,746	19,174	-	(21,076)
Non-Contingent Provisions	-	158,323	-	(34,000)
Other Income	2,050,907	3,035,298	1,667,069	852,556
Total	**30,974,300**	**12,548,848**	**10,738,612**	**1,692,045**
Other Expenses from Operating Activities:				
Foreign Exchange Expense on Trade Receivables and Payables	(58,410,102)	(6,581,951)	(32,574,250)	3,282,885
Discount Income on Trade Receivables	(5,459,389)	(3,705,888)	(697,139)	333,983
Donations	(32,100)	(80,861)	(20,100)	(33,250)
Other Expenses	(1,261,897)	42,536	(299,458)	73,227
Total	**(65,163,488)**	**(10,326,164)**	**(33,590,947)**	**3,656,845**

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

NOTE 21 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	**1 January 2018 30 June 2018**	**1 January 2017 30 June 2017**	**1 April 2018 30 June 2018**	**1 April 2017 30 June 2017**
Gain on Sale of Machinery and Equipment	288,974	4,742	233,627	4,683
Total	**288,974**	**4,742**	**233,627**	**4,683**

Expenses from Investing Activities	**1 January 2018 30 June 2018**	**1 January 2017 30 June 2017**	**1 April 2018 30 June 2018**	**1 April 2017 30 June 2017**
Loss on Sale of Machinery and Equipment	-	(144,883)	-	(144,883)
Total	**-**	**(144,883)**	**-**	**(144,883)**

NOTE 22 - FINANCE INCOME

Finance Income	**1 January 2018 30 June 2018**	**1 January 2017 30 June 2017**	**1 April 2018 30 June 2018**	**1 April 2017 30 June 2017**
Interest Income	5,395,356	3,187,635	2,759,423	1,760,373
Delay Interest Income	1,334,885	1,702,459	638,130	639,810
Foreign Exchange Gain	26,874,736	13,914,634	15,143,666	2,966,911
Total	**33,604,977**	**18,804,728**	**18,541,219**	**5,367,094**

NOTE 23 - FINANCE EXPENSES

Finance Expenses:	**1 January 2018 30 June 2018**	**1 January 2017 30 June 2017**	**1 April 2018 30 June 2018**	**1 April 2017 30 June 2017**
Foreign Exchange Losses	(51,696,446)	(30,701,008)	(28,700,031)	(8,817,386)
Interest Expense	(16,970,220)	(13,083,466)	(9,054,244)	(6,797,683)
Forward Purchase Expense	(1,256,671)	(1,249,221)	(302,408)	(723,569)
Expense from Derivative Transactions	(78,619)	(2,017,999)	(78,619)	(6,468)
Other Finance Expenses	(1,287,959)	(484,563)	(709,261)	128,114
Total	**(71,289,915)**	**(47,536,257)**	**(38,844,563)**	**(16,216,992)**

NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

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

Account	**1 January 2018 30 June 2018**	**1 January 2017 30 June 2017**	**1 April 2018 30 June 2018**	**1 April 2017 30 June 2017**
Current Income Tax Provision (-)	(46,646)	(90,778)	(45,632)	(32,956)
Deferred Tax Income (Expense)				
- Consolidated Statement of Profit or Loss	2,490,329	7,294,685	6,881,805	2,278,870
Total Tax Income / (Expense)	**2,443,683**	**7,203,907**	**6,836,173**	**2,245,914**
Tax Income / (Expense) – Consolidated Statement of Other Comprehensive Income	-	830,809	-	851,277
Total Tax Income / (Expense)	**2,443,683**	**8,034,716**	**6,836,173**	**3,097,191**

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

NOTE 24 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

	30 June 2018	31 December 2017
Current Corporate Tax Provision	46,646	136,265
Less: Prepaid Taxes and Funds	(866,732)	(1,064,023)
Tax Payable / (Refund)	**(820,086)**	**(927,758)**

As of 30 June 2018, the amount of corporate tax paid in advance is amounted to TL 820,086 which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation.

i) Provision for Current Period Tax

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

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

Consolidation principle is not utilized to prepare financial statements related to tax that is effective in Turkey.

The effective tax rate in 2018 is 22% (2017: %20).

The corporate tax is determined as 22% of corporate taxpayers' earnings in 2018, 2019 and 2020 accounting periods by temporary Article 10 added in Corporate Tax Law.

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

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

Income Withholding Tax:

In addition to corporate tax, companies should also calculate income withholding tax on any dividends and income distributed. The rate of income tax withholding is 15%.

ii) Deferred Tax:

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

Timing differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Timing differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and liabilities, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset. Corporate tax rate used in the calculation of deferred taxes is 22% for temporary differences ending in 2018, 2019 and 2020, and 20% for other long-term temporary differences.

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

NOTE 24 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

	30 June 2018		31 December 2017	
	Cumulative Temporary Differences	Deferred Tax Assets / (Liabilities)	Cumulative Temporary Differences	Deferred Tax Assets / (Liabilities)
Inventories	1,317,829	289,922	6,836,094	1,503,941
Non-Current Assets (Net)	(517,112,256)	(64,769,896)	(520,585,471)	(65,464,539)
Provision for Employment Termination Benefits	21,851,754	4,370,351	19,448,903	3,889,781
Guarantee Provisions	12,324,665	2,711,426	11,642,227	2,561,290
R&D Discount	62,702,024	12,540,405	41,480,482	8,296,096
Tax Losses Carried Forward (*)	113,167,105	23,145,793	126,418,854	26,080,108
Discount Expenses/Income (Net)	3,414,739	751,243	5,374,801	1,182,456
Lawsuit Provisions	4,517,820	993,920	3,567,285	784,803
Other (Net)	6,657,722	1,464,700	789,085	173,599
Total		**(18,502,136)**		**(20,992,465)**

(*) It is estimated that the financial losses will be recovered in the next 4 years.

Movement of Deferred Tax Assets / (Liabilities)	1 January 2018- 30 June 2018	1 January 2017- 30 June 2017
Opening Balance	(20,992,465)	14,163,694
Deferred Tax (Expenses)/Income Charged to Statement of Profit or Loss	2,490,329	7,294,685
Deferred Tax (Expenses)/Income Charged to Statement of Other Comprehensive Income	-	830,809
Closing Balance	**(18,502,136)**	**22,289,188**

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

Reconciliation of Tax Provision:	1 January 2018 30 June 2018	1 January 2017 30 June 2017
Income / (Loss) from Continuing Operations	**(33,879,351)**	**(26,242,123)**
Corporate Tax (20% or 22%)	7,453,457	5,248,425
Tax Effects of:		
-R&D Deductions	4,244,308	1,926,025
-R&D Support Income	49,217	50,364
-Carry Forward Tax Losses Written Off	(8,759,710)	-
-Other	(543,589)	(20,907)
Income Tax Income/(Expense) Recognised in Profit or Loss	**2,443,683**	**7,203,907**

(*) As of 30 June 2018, The Group has written off deferred tax assets amounting to TL 8,759,710 from deductible tax losses amounting to TL 39,816,865 that are included as of 31 December 2017.

NOTE 25 - EARNINGS PER SHARE

	1 January 2018 30 June 2018	1 January 2017 30 June 2017	1 April 2018 30 June 2018	1 April 2017 30 June 2017
Net Profit (Loss) for the Period	(31,435,668)	(19,038,216)	(15,320,300)	(4,490,101)
Weighted Average Number of Shares with Nominal Value of 1 Piastre	8,400,000,000	8,400,000,000	8,400,000,000	8,400,000,000
Income / (Loss) Per 100 Share with Nominal Value of TL 1 Each	**(0.3742)**	**(0.2266)**	**(0.1824)**	**(0.535)**

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

NOTE 26 - RELATED PARTY DISCLOSURES

a) Related Party Balances:

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

30 June 2018

	Receivables	Payables	
Related Parties	**Trade**	**Trade**	**Non-Trade**
Adel Kalemcilik San. ve Tic. A.Ş.	-	1,151	-
AEH Sigorta Acenteliği A.Ş.	-	5,077	-
AG Anadolu Grubu Holding A.Ş.	-	23,541	-
Anadolu Bilişim Hizmetleri A.Ş.	-	2,201	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	-	3,388	-
Anadolu Motor Üretim ve Paz. A.Ş.	46,058	-	-
Çelik Motor Ticaret A.Ş.	-	106,315	-
Efestur Turizm İşletmeleri A.Ş.	-	158,996	-
Isuzu Motors Co. Thailand Ltd.	-	154,122	-
Isuzu Motors International Operation Thailand	771,994	9,452,048	-
Isuzu Motors Ltd. Tokyo	978,661	2,001,778	-
Itochu Corporation Tokyo	-	241,607,646	-
Migros Ticaret A.Ş.	-	5,458	-
Itochu Corporation Shangai	-	1,320,324	-
Payables to Shareholders (*)	-	-	9,109
Total	**1,796,713**	**254,842,045**	**9,109**

(*) Non-Trade Payables to shareholders are presented under other payables.

31 December 2017

	Receivables	Payables	
Related Parties	**Trade**	**Trade**	**Non-Trade**
Adel Kalemcilik Tic. ve San. A.Ş.	-	13,393	-
AEH Sigorta Acenteliği A.Ş.	-	38,275	-
Anadolu Endüstri Holding A.Ş.	3,353	-	-
Anadolu Bilişim Hizmetleri A.Ş.	-	66,986	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	101,872	-	-
Anadolu Motor Üretim ve Paz. A.Ş.	-	29,977	-
Çelik Motor Ticaret A.Ş.	-	784,259	-
Efestur Turizm İşletmeleri A.Ş.	-	142,632	-
Isuzu Motors Co. Thailand Ltd.	-	6,170	-
Isuzu Motors International Operation Thailand	529,465	3,936,174	-
Isuzu Motors Ltd. Tokyo	673,618	3,013,604	-
Itochu Corporation Tokyo	1,036,307	201,553,790	-
Migros Ticaret A.Ş.	-	332,405	-
Payables to Shareholders (*)	-	-	9,109
Total	**2,344,615**	**209,917,665**	**9,109**

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

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

NOTE 26 - RELATED PARTY DISCLOSURES

b) Purchases from Related Parties and Sales to Related Parties:

1 January-30 June 2018

Sales to Related Parties	Goods and Service Sales	Other Income	Total Revenues/Sales
Anadolu Motor Üretim ve Pazarlama A.Ş.	52,670	-	**52,670**
Çelik Motor Ticaret A.Ş.	105,340	15,037	**120,377**
Isuzu Motors International Operation Thailand	2,028,370	-	**2,028,370**
Isuzu Motors Ltd. Tokyo	8,282,224	-	**8,282,224**
Itochu Corporation Tokyo	7,611,211	-	**7,611,211**
Total	**18,079,815**	**15,037**	**18,094,852**

1 January-30 June 2017

Sales to Related Parties	Goods and Service Sales	Other Income	Total Revenues/Sales
Anadolu Endüstri Holding A.Ş.	135	-	**135**
Isuzu Motors Co. Thailand Ltd.	1,311	-	**1,311**
Isuzu Motors International Operation Thailand	187,642	-	**187,642**
Isuzu Motors Ltd. Tokyo	2,738,199	-	**2,738,199**
Itochu Corporation Tokyo	1,241,705	-	**58,294**
Total	**4,168,992**	**-**	**2,985,581**

1 January-30 June 2018

Purchases from Related Parties	Goods and Services Purchases	Fixed Assets Purchases	Other	Total Expenses/ Purchases
Adel Kalemcilik Tic. ve San. A.Ş.	8,439	-	-	8,439
Anadolu Bilişim Hizmetleri A.Ş.	458,671	-	-	458,671
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	9,072	5,536	-	14,608
AG Anadolu Grubu Holding A.Ş.	3,202,137	-	-	3,202,137
Anadolu Motor Üretim ve Paz. A.Ş.	60,034	-	-	60,034
Anadolu Sağlık Merkezi İktisadi İşletmesi	378	-	-	378
Çelik Motor Ticaret A.Ş.	1,003,307	-	80,975	1,084,282
Efestur Turizm İşletmeleri A.Ş.	2,042,851	-	-	2,042,851
Isuzu Motors Co. Thailand Ltd.	338,410	-	-	338,410
Isuzu Motors International Operation Thailand	60,806,911	-	-	60,806,911
Isuzu Motors Ltd. Tokyo	3,933,041	-	-	3,933,041
Isuzu Motors Germany GMBH	47,899			47,899
Itochu Corporation Tokyo	107,638,600	-	-	107,638,600
Migros Ticaret A.Ş.	100,591	-	-	100,591
Kipa Ticaret A.Ş.	160	-	-	160
Total	**179,650,501**	**5,536**	**80,975**	**179,737,012**

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

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

b) Purchases from Related Parties and Sales to Related Parties (cont'd)

1 January -30 June 2017

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

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. The Group did not donate to Anadolu Eğitim ve Sosyal Yardım Vakfı in 2018 (2017: None).

d) Key Management Compensation:

	1 January 2018 30 June 2018	**1 January 2017 30 June 2017**
Salaries and other short-term benefits	2,796,630	2,603,437
Total	**2,796,630**	**2,603,437**

The benefits provided to top management (General managers and Directors) include salaries, bonuses, premiums, and the employer's share of social security.

NOTE 27 – NATURE AND LEVEL OF RİSKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The Group's equity comprised of cash and cash equivalents in Note 4 and equity items in Note 16.

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

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

NOTE 27 – NATURE AND LEVEL OF RİSKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(a) Capital risk management (cont'd)

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 statement of financial position).

	30 June 2018	31 December 2017
Net Debt	834,681,767	631,161,255
Total Equity	596,690,350	628,126,018
Debt/Total Equity	**1.4**	**1.00**

Increase of the rate of net debts to equity compared to prior year arise from the periodical increase in using credits.

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

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

(b) Price risk

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

(c) Market risk

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

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

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

(d) Foreign exchange risk

Foreign currency transactions may result in foreign currency fluctuation risk.

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

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

NOTE 27 – NATURE AND LEVEL OF RİSKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(d) Foreign exchange risk (cont'd)

Statement of Foreign Exchange Rate Sensitivity Analysis

30 June 2018

	Profit / Loss	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**
In Case of US Dollar Increases in 10% against TL		
1 - US Dollar Net Asset / (Liability)	1,829,342	(1,829,342)
2- US Dollar Hedges (-)	-	-
3- Net Effect of US Dollar (1+2)	**1,829,342**	**(1,829,342)**
In Case of Euro Increases in 10% against TL		
4 - Euro Net Asset / (Liability)	(30,385,236)	30,385,236
5 - Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	**(30,385,236)**	**30,385,236**
In Case of Other Exchange Rates Increases in 10% against TL		
7- Other Exchange Rates Net Asset / (Liability)	(12,179,485)	12,179,485
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	**(12,179,485)**	**12,179,485**
TOTAL (3+6+9)	**(40,735,379)**	**40,735,379**

Statement of Foreign Exchange Rate Sensitivity Analysis

30 June 2017

	Profit / Loss	
	Appreciation of Foreign Currency	**Appreciation of Foreign Currency**
In Case of US Dollar Increases in 10% against TL		
1 - US Dollar Net Asset / (Liability)	1,954,182	(1,954,182)
2- US Dollar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	**1,954,182**	**(1,954,182)**
In Case of Euro Increases in 10% against TL		
4 - Euro Net Asset / (Liability)	(30,026,594)	30,026,594
5 - Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	**(30,026,594)**	**30,026,594**
In Case of Other Exchange Rates Increases in 10% against TL		
7- Other Exchange Rates Net Asset / (Liability)	(8,111,042)	8,111,042
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	**(8,111,042)**	**8,111,042**
TOTAL (3+6+9)	**(36,183,454)**	**36,183,454**

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

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Statement of Foreign Currency Position

	30 June 2018					31 December 2017				
	TL Amount	US Dollar	Euro	Yen	Other	TL Amount	US Dollar	Euro	Yen	Other
1. Trade Receivables	167,885,155	209,077	29,492,908	23,801,852	9,369,210	60,206,193	150,538	12,537,794	20,155,554	2,499,396
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	34,595,615	4,048,397	2,043,859	128,402,336	1,316	35,051,422	4,712,493	3,815,962	1,358,245	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	
4. Current Assets (1+2+3)	**202,480,770**	**4,257,474**	**31,536,767**	**152,204,188**	**9,370,526**	**95,257,615**	**4,863,031**	**16,353,756**	**21,513,799**	**2,499,396**
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	**202,480,770**	**4,257,474**	**31,536,767**	**152,204,188**	**9,370,526**	**95,257,615**	**4,863,031**	**16,353,756**	**21,513,799**	**2,499,396**
10. Trade Payables	307,441,464	246,375	31,811,622	3,297,646,716	1,834,218	220,354,405	1,636	34,052,343	1,726,554,667	1,684,870
11. Financial Liabilities	134,697,016	-	25,370,492	-	-	194,363,967	-	43,043,731	-	-
12a. Monetary Other Liabilities	20,808,215	-	3,919,275	-	-	14,973,669	-	3,316,060	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**462,946,695**	**246,375**	**61,101,389**	**3,297,646,716**	**1,834,218**	**429,692,041**	**1,636**	**80,412,134**	**1,726,554,667**	**1,684,870**
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	146,887,868	-	27,666,667	-	-	51,175,665	-	11,333,333	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
17. Non-current Liabilities (14+15+16)	**146,887,868**	-	**27,666,667**	-	-	**51,175,665**	-	**11,333,333**	-	-
18. Total Liabilities (13+17)	**609,834,563**	**246,375**	**88,768,056**	**3,297,646,716**	**1,834,218**	**480,867,706**	**1,636**	**91,745,467**	**1,726,554,667**	**814,526**
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-	-	-	-	-	-	-	-
19.A Amount of Active Foreign Derivative Currency Off-Balance Sheet	-	-	-	-	-	-	-	-	-	-
19.B Amount of Passive Foreign Derivative Currency Off-Balance Sheet	-	-	-	-	-	-	-	-	-	-
20. Net Foreign Currency Assets (Liabilities) Position (9-18+19)	**(407,353,793)**	**4,011,099**	**(57,231,289)**	**(3,145,442,528)**	**7,536,308**	**(385,610,091)**	**4,861,395**	**(75,391,711)**	**(1,705,040,868)**	**814,526**
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	**(407,353,793)**	**4,011,099**	**(57,231,289)**	**(3,145,442,528)**	**7,536,308**	**(385,610,091)**	**4,861,395**	**(75,391,711)**	**(1,705,040,868)**	**814,516**
22. Fair Value of Financial Instruments Used For Currency Hedge						-				
23. Hedged Foreign Currency Assets	-					-				
24. Hedged Foreign Currency Liabilities	-					-				
25. Export	**287,130,020**					**230,532,668**				
26. Import	**257,902,822**					**507,815,364**				

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

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

e) Interest rate risk

The Group is exposed to interest rate risk due to variable and fixed interest rates. Group's financial liabilities and assets with fixed and variable interest rates are respectively shown at Note 5 and Note 4.

Interest Rate Position Table

	30 June 2018	31 December 2017
Financial assets with fixed rates		
Financial assets	67,110,094	78,968,916
Cash and cash equivalents	(514,082,528)	(414,653,046)
Financial liabilities with variable rates		
Financial assets	-	-
Financial liabilities	(14,186,251)	(18,097,754)

As of 30 June 2018, if the market interest rate had increased/decreased by 100 basis point with all other variables held constant, period income before tax and consolidated equity of participations of the Group would have been higher/lower by TL 141,863 (31 December 2017: TL 180,978).

(f) Funding risk

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

(g) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's collection risk is mainly derived from trade receivables. Trade receivables are evaluated by the management of the Group depending on their past experiences and current economic conditions and are presented in financial statements when necessary allowances for doubtful receivables are provided.

Most of trade receivables are comprised of receivables from costumers who have given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, the Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 30 June 2018 are TL 167,885,155 and there is no geographical concentration (31 December 2017: TL 60,206,193).

30 June 2018	Receivables						
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other	Notes	Deposits at Banks	Notes
Maximum Credit Risk Exposed as of Balance Sheet Date (A+B+C+D+E)	**1,796,713**	**389,434,826**	**-**	**1,757,079**		**75,497,513**	
- Secured Portion of The Maximum Credit Risk by Guarantees	-	389,434,826	-	-	**6**	-	
A. Net Book Value Of Financial Assets Which Are Undue or Which Is Not Impaired	**1,796,713**	**341,176,662**		**1,757,079**	**6-7-26**	**75,497,513**	**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	**-**	**48,258,164**	**-**	**-**		**-**	
- Secured by Guarantee, etc.	-	48,258,164	-	-		-	
D. Net Book Value of Assets Decrease in Value	**-**	**-**	**-**	**-**		**-**	
- Overdue (Gross Book Value)	-	(175,000)	-	-	**6**	-	
- Impairment (-)	-	175,000	-	-	**6**	-	
- 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 (TL) unless otherwise indicated)

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

31 December 2017	Receivables						
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other	Notes	Deposits at Banks	Notes
Maximum Credit Risk Exposed as of Balance Sheet Date (A+B+C+D+E)	**2,344,615**	**322,949,896**	**-**	**892,831**		**98,226,512**	
- Secured Portion of The Maximum Credit Risk by Guarantees	-	322,949,896	-	-	**6**	-	
A. Net Book Value Of Financial Assets Which Are Undue or Which Is Not Impaired	**2,344,615**	**319,920,819**	**-**	**892,831**	**6-7-26**	**98,226,512**	**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	-	**3,029,077**	-	-		-	
- Secured by Guarantee, etc.	-	3,029,077	-	-		-	
D. Net Book Value of Assets Decrease in Value	-	-	-	-		-	
- Overdue (gross book value)	-	(175,000)	-	-	**6**	-	
- Impairment (-)	-	175,000	-	-	**6**	-	
- 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;

	Receivables				
30 June 2018	**Trade Receivables**	**Other Receivables**	**Deposits at Banks**	**Derivatives**	**Other**
Past due up to 30 days	43,432,348	-	-	-	-
Past due 1 - 3 months	4,825,816	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	**48,258,164**	**-**	**-**	**-**	**-**

	Receivables				
31 December 2017	**Trade Receivables**	**Other Receivables**	**Deposits at Banks**	**Derivatives**	**Other**
Past due up to 30 days	2,726,169	-	-	-	-
Past due 1 - 3 months	302,908	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	**3,029,077**	**-**	**-**	**-**	**-**

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

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

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk management

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

Liquidity Risk Tables

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and having the availability and flexibility of funding through an adequate amount of (committed) credit facilities.

The risk of meeting existing and probable future liabilities is managed only by means of having access to sufficient number of trustable creditors.

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

30 June 2018

Non-Derivative Financial Liabilities

Contract Terms	Carrying Value	Total Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank Loans	432,750,801	473,282,703	16,106,256	251,958,970	205,217,477	-
Trade Payables	296,879,346	297,589,044	98,634,100	198,954,944	-	-
Other Payables	33,442,958	33,442,958	33,442,958	-	-	-
Non-Derivative Financial Liabilities	**763,073,105**	**804,314,705**	**148,183,314**	**450,913,914**	**205,217,477**	**-**

Derivative Financial Liabilities

30 June 2018

Contract Terms	Carrying Value	Total Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Cash Inflows	16,007,238	16,199,917	16,199,917	-	-	-
Cash Outflows	(16,277,854)	(16,277,854)	(16,277,854)	-	-	-
Derivative Financial Liabilities	**270,616**	**(77,937)**	**(77,937)**	**-**	**-**	**-**

31 December 2017

Non-Derivative Financial Liabilities

Contract Terms	Carrying Value	Total Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank Loans	432,750,801	473,282,703	16,106,256	251,958,970	205,217,477	-
Trade Payables	296,879,346	297,589,044	98,634,100	198,954,944	-	-
Other Payables	33,442,958	33,442,958	33,442,958	-	-	-
Non-Derivative Financial Liabilities	**763,073,105**	**804,314,705**	**148,183,314**	**450,913,914**	**205,217,477**	**-**

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

NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Derivative financial liabilities

The Group does not have derivative financial liabilities as of 31 December 2017.

NOTE 28 - FINANCIAL INSTRUMENTS

(Fair value and hedge accounting)

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

The Group has EUR / USD forward transaction for EUR 3,015,000 as of 30 June 2018. As of 31 December 2017, there are no forward foreign exchange contracts from derivative financial instruments.

30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	-	16,199,917	-	16,199,917
Liabilities	-	(16,277,854)	-	(16,277,854)
Net	-	(77,937)	-	(77,937)

NOTE 29 – EVENTS AFTER REPORTING PERIOD

It has been announced with the special circumstances disclosure made by the Constanza Municipality (Romania) dated 18 September 2017 that the Group has been the lowest bidder for the tender regarding the purchase of E6 diesel fueled bus, together with the maintenance, repair and training services included in the scope of warranty.

Upon the investigation of the tender bids, the contracting authority has notified that the proposal of the Group is suitable and the agreement together with the additional purchase option has been signed on 13 July 2018. The tender cost is RON 82,568,062 and as per the exchange rate at the time of the contract, is equivalent to approximately TL 99 Million.