

**Anadolu Isuzu Otomotiv
Sanayi ve Ticaret A.Ş. and
Its Subsidiary**

**Condensed Consolidated Financial Statements
for the Interim Period
1 January – 30 June 2019 and
Independent Auditor's Review Report**

**(CONVENIENCE TRANSLATION OF THE REPORT AND THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS 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 San. ve Tic. A.Ş.

Introduction

We have reviewed the accompanying condensed 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 2019 and the related condensed 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 Otomotiv Sanayi ve Ticaret A.Ş. and its subsidiaries as of 30 June 2019, 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



Kerem Öztürk
Partner

İstanbul, 7 August 2019

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**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AS AT 30 JUNE 2019 AND
AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Reviewed Current Period 30 June 2019	Audited Restated Prior Period 31 December 2018
ASSETS			
Current Assets		1,015,455,655	943,055,894
Cash And Cash Equivalents	4	253,025,781	96,506,029
Trade Receivables		224,978,290	249,815,860
Trade Receivables From Related Parties	6,22	41,318,530	8,021,207
Trade Receivables From Third Parties	6	183,659,760	241,794,653
Other Receivables			
Other Receivables From Third Parties		29,362,843	41,324,118
Inventories	7	451,416,089	478,046,804
Prepaid Expenses	14	22,925,366	22,340,495
Assets Related To Current Tax		402,330	835,831
Other Current Assets	14	33,344,956	54,186,757
Non-Current Assets		673,766,697	656,609,868
Other Receivables			
Other Receivables From Third Parties		186	186
Property, Plant And Equipment	8	555,626,446	560,648,627
Right-of-Use Assets	10	1,695,908	-
Intangible Assets		110,832,813	93,901,876
Goodwill		2,340,995	2,340,995
Other Intangible Assets	9	108,491,818	91,560,881
Prepaid Expenses	14	2,319,232	2,059,179
Deferred Tax Assets	21	3,292,112	-
TOTAL ASSETS		1,689,222,352	1,599,665,762

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AS AT 30 JUNE 2019 and
AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Reviewed Current Period 30 June 2019	Audited Restated Prior Period 31 December 2018
LIABILITIES			
Current Liabilities		968,752,763	920,275,876
Short-Term Borrowings	5	500,513,570	552,303,318
Short-Term Borrowings from Related Parties		471,632	-
Obligations under Finance Leases		471,632	-
Short-Term Borrowings from Third Parties		500,041,938	552,303,318
Bank Loans		499,863,959	552,303,318
Obligations under Finance Leases		177,979	-
Trade Payables		312,834,886	325,219,054
Trade Payables to Related Parties	6,22	208,468,037	109,509,356
Trade Payables to Third Parties	6	104,366,849	215,709,698
Other Payables		507,822	987,867
Other Payables to Related Parties	22	9,109	9,109
Other Payables to Third Parties		498,713	978,758
Payables Related to Employee Benefits		4,362,560	6,115,190
Deferred Income	14	130,653,096	20,414,477
Current Tax Liability		117,592	-
Short-Term Provisions		19,763,237	15,235,970
Short-Term Provisions for Employee Benefits	13	3,684,957	843,195
Other Short-Term Provisions	12	16,078,280	14,392,775
Non-Current Liabilities		192,886,000	134,751,823
Long-Term Borrowings	5	148,501,368	90,420,000
Long-Term Borrowings from Third Parties		148,501,368	90,420,000
Bank Loans		147,330,080	90,420,000
Obligations under Finance Leases		1,171,288	-
Liabilities arising from Contracts with Customers	14	18,368,816	13,492,820
Deferred Income	14	681,708	590,029
Long-Term Provisions for Employee Benefits	13	25,334,108	23,885,435
Deferred Tax Liability	21	-	6,363,539
EQUITY		527,583,589	544,638,063
Equity Attributable to Owners of the Company		527,583,589	544,638,063
Share Capital	15	84,000,000	84,000,000
Adjustments to Share Capital		30,149,426	30,149,426
Other Comprehensive Income (Expenses) That Will Not Be Reclassified in Profit or Loss		407,805,883	409,107,297
Revaluation and Remeasurement Earnings (Losses)		417,373,045	417,373,045
- Gain on Revaluation of Property, Plant and Equipment		(9,567,162)	(8,265,748)
- Remeasurement of Defined Benefit Plans (Losses)			
Restricted Reserves Appropriated from Profit		162,221,926	162,221,926
Prior Years' Profit/Losses		(140,840,586)	(60,331,986)
Net Profit/Loss for the Period		(15,753,060)	(80,508,600)
TOTAL LIABILITIES		1,689,222,352	1,599,665,762

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AND
AUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018
(Amounts expressed in Turkish Lira unless otherwise indicated.)

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	Notes	1 January- 30 June 2019	1 January- 30 June 2018	1 April- 30 June 2019	1 April- 30 June 2018
PROFIT OR LOSS					
Revenue	17	564,649,350	637,401,925	291,863,699	356,130,202
Cost of Sales (-)	17	(454,020,846)	(538,130,153)	(227,417,287)	(303,474,659)
GROSS PROFIT (LOSS)		110,628,504	99,271,772	64,446,412	52,655,543
Administrative Expenses (-)		(28,659,815)	(22,939,631)	(15,387,359)	(10,738,893)
Marketing Expenses (-)		(41,467,757)	(37,050,360)	(22,586,724)	(20,342,916)
Research and Development Expenses (-)		(1,345,468)	(1,575,980)	(170,893)	(808,155)
Other Income from Operating Activities	18	29,050,669	30,974,300	8,467,279	10,738,612
Other Expenses from Operating Activities (-)	18	(25,212,770)	(65,163,488)	(7,868,703)	(33,590,947)
OPERATING PROFIT (LOSS)		42,993,363	3,516,613	26,900,012	(2,086,756)
Income from Investing Activities		3,579	288,974	1,771	233,627
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		42,996,942	3,805,587	26,901,783	(1,853,129)
Finance Income	19	27,982,273	33,604,977	17,337,313	18,541,219
Finance Expenses (-)	20	(95,944,981)	(71,289,915)	(49,585,468)	(38,844,563)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(24,965,766)	(33,879,351)	(5,346,372)	(22,156,473)
Tax Income (Expense) From Continuing Operations		9,212,706	2,443,683	3,983,089	6,836,173
Current Tax (Expense) Income		(117,592)	(46,646)	(51,271)	(45,632)
Deferred Tax (Expense) Income		9,330,298	2,490,329	4,034,360	6,881,805
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(15,753,060)	(31,435,668)	(1,363,283)	(15,320,300)
PROFIT (LOSS) FOR THE YEAR		(15,753,060)	(31,435,668)	(1,363,283)	(15,320,300)
Profit (Loss) for the Year Attributable to Owners of The Company		(15,753,060)	(31,435,668)	(1,363,283)	(15,320,300)
Earnings (Losses) Per 100 Share from Continuing Operations	16	(0.1875)	(0.3742)	(0.0162)	(0.1824)
OTHER COMPREHENSIVE INCOME (EXPENSE)					
Items That Will Not Be Reclassified Subsequently to Profit or Loss					
Gain (Loss) on Remeasurement of Defined Benefit Plans	13	(1,626,767)	-	(1,402,724)	-
Gain (Loss) on Remeasurement of Property, Plant and Equipment, Tax Effect		325,353	-	280,550	-
OTHER COMPREHENSIVE INCOME (EXPENSE)		(1,301,414)	-	(1,122,174)	-
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(17,054,474)	(31,435,668)	(2,485,457)	(15,320,300)
Non-Controlling Interests		-	-	-	-
Owners of The Company		(17,054,474)	(31,435,668)	(2,485,457)	(15,320,300)

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AND
AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018
(Amounts expressed in Turkish Lira unless otherwise indicated.)**

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	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
Cash Flows from Operating Activities		257,174,473	(42,573,547)
Profit (Loss) for The Period		(15,753,060)	(31,435,668)
Adjustments to Reconcile Profit (Loss) for The Year		93,713,284	83,681,064
Adjustments Related to Depreciation and Amortization Expenses	8,9,10	20,021,311	16,820,203
Adjustments Related to Provision for Employee Benefits (Released)	13	1,609,402	3,370,374
Adjustments Related to Tax (Income)		(9,212,706)	(2,443,683)
Adjustments Related to Interest Incomes	19	(3,931,577)	(6,730,241)
Adjustments Related to Interest Expenses	20	48,070,467	18,226,891
Adjustments Related to Unrealized Currency Translation Differences		29,917,483	42,596,467
Provision for Impairment on Inventory	7	(181,092)	662,588
Other Adjustments to Profit/Loss Reconciliation		7,423,575	11,467,439
Adjustments Related to (Gain) on Disposal of Property, Plant and Equipment		(3,579)	(288,974)
Changes in Working Capital		181,404,075	(93,031,334)
Adjustments Related to Decrease (Increase) in Trade Receivables		21,322,909	(68,948,928)
Adjustments Related to Decrease (Increase) in Inventories	7	26,811,807	(44,331,514)
Adjustments Related to Decrease (Increase) in Other Receivables from Operations	14	32,651,704	(62,590,036)
Adjustments Related to Increase (Decrease) in Trade Payables		(13,975,173)	83,221,613
Adjustments Related to Increase (Decrease) in Other Payables from Operations		118,144,993	917,194
Adjustments Related to (Increase) in Other Assets from Operations		(3,552,165)	(1,299,663)
Cash Generated from Operations		259,364,299	(40,785,938)
Income Tax Returns (Paid)		(402,330)	(820,086)
Payments to Provision of Employee Benefits	13	(1,787,496)	(967,523)
Cash Flows from Investing Activities		(30,985,366)	(21,636,606)
Proceeds from Sale of Property, Plant and Equipment		10,890	385,478
Payments for Purchase of Property, Plant and Equipment	8	(4,888,648)	(5,455,420)
Payments for Purchase of Intangible Assets	9	(26,107,608)	(16,566,664)
Cash Flows from Financing Activities		(69,764,511)	41,002,465
Interest Received		3,836,423	6,307,845
Interest Paid		(50,986,810)	(17,986,412)
Proceeds from Loans		321,537,739	150,436,632
Cash Outflows from Repayment of Loans		(343,731,700)	(97,755,600)
Cash Outflows Related to Debt Payments due to Lease Contracts		(420,163)	-
Net Increase (Decrease) in Cash and Cash Equivalents		156,424,596	(23,207,688)
Cash and Cash Equivalents at The Beginning of The Period	4	96,481,488	98,357,461
Cash and Cash Equivalents at The End of The Period	4	252,906,084	75,149,773

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

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
INDEPENDENT AUDITOR'S REVIEW REPORT AND AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018**

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

Prior Period	Paid-in Capital	Adjustments to Share Capital	Total Paid in Capital	Gain/Losses on Revaluation and Remeasurement That Will Not Be Reclassified to Profit or Loss		Retained Earnings			Equity Attributable to Owners of The Company	Non-Controlling Interests	Total Equity
				Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior Years' Profit/Losses	Net Profit/Loss for The Period			
Balances as of 1 January 2018:	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:	84,000,000	30,149,426	114,149,426	417,373,045	(5,286,390)	162,222,000	(60,532,063)	(31,435,668)	596,690,350	-	596,690,350
Current Period											
Balances as of 1 January 2019:	84,000,000	30,149,426	114,149,426	417,373,045	(8,265,748)	162,221,926	(60,331,986)	(80,508,600)	544,638,063	-	544,638,063
Total Comprehensive Income (Expense)	-	-	-	-	(1,301,414)	-	-	(15,753,060)	(17,054,474)	-	(17,054,474)
Profit (Loss) for The Period	-	-	-	-	-	-	-	(15,753,060)	(15,753,060)	-	(15,753,060)
Other Comprehensive Income (Expense)	-	-	-	-	(1,301,414)	-	-	-	(1,301,414)	-	(1,301,414)
Transfers	-	-	-	-	-	-	(80,508,600)	80,508,600	-	-	-
Balances as of 30 June 2019:	84,000,000	30,149,426	114,149,426	417,373,045	(9,567,162)	162,221,926	(140,840,586)	(15,753,060)	527,583,589	-	527,583,589

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 A.Ş. (the "Company") was established in 1980. Principal activities of the Company are comprised mainly of manufacturing, assembling, import and sales of commercial vehicles and also procure and sales of related spare parts regarding to after sales service. The Company is registered to Capital Markets Board of Turkey and the percentage of 15 of the Company's shares have been traded on Borsa Istanbul A.Ş. since 1997.

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory which is established in Çayırova/Kocaeli. The average number of employees as of 30 June 2019 is 822 (31 December 2018: 802).

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 Tepelüstü Ümraniye, İstanbul.

The main shareholder and the controlling party of the Company is AG Anadolu Grubu Holding Anonim Şirketi.

As of 30 June 2019 and 31 December 2018, details about the company's subsidiary, which is subject to consolidation, is below:

Company Name	Principal Activity	Capital	30 June 2019 Participation Rate (%)	31 December 2018 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 1 January – 30 June 2019 approved by the Board of Directors on 7 August 2019 and signed by Independent Member of the Board of Director Ahmet Orhan ÖZER (Audit Committee Chairman) and Ahmet Murat SELEK (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Fatma Aksoy ÖZEK.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Basis of Preparation and Presentation of Interim Condensed Consolidated Financial Statements

The Group companies operating in Turkey prepare their accounting records and statutory financial statements in Turkish Lira in accordance with accounting and financial reporting standards approved by Capital Market Board (respectively CMB Financial Reporting Standards and CMB), Turkish Commercial Code (TCC), provisions of Tax Legislation and conditions of Uniform Chart of Accounts published by Ministry of Treasury and Finance. Subsidiaries and joint ventures operating abroad prepare their accounting records and statutory financial statements in accordance with the laws and regulations of the country in which they operate.

The consolidated financial statements are based on the statutory records of the Company and its subsidiaries and joint ventures, expressed in TL and prepared in accordance with CMB communiqués, subject to adjustments and reclassifications for the purpose of fair presentation of the financial position of the Group. The main adjustments are the application of consolidation accounting, recording business combinations, calculation of deferred tax, severance pay and other provisions. Financial assets and liabilities carried at fair value are prepared on historical cost basis, except for the assets and liabilities included in derivative financial instruments and business combinations.

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

In accordance with TAS 34 "Interim Financial Reporting", entities are permitted to prepare full set or condensed interim financial statements. Accordingly, the Group has preferred to prepare condensed consolidated interim financial statements in the interim periods. The interim (condensed consolidated) financial statements and the related notes to them are presented by including the information required by the CMB. In addition, in accordance with the Communiqué and its announcements, the collateral pledged mortgage table, foreign currency position table, total export and total import amounts and the hedged portion of the total foreign exchange liabilities are presented in the notes to the financial statements.

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

2.1 Basis of presentation (Cont'd)

2.1.1 Basis of Preparation and Presentation of Interim Condensed Consolidated Financial Statements (Cont'd)

The condensed consolidated interim financial statements of the Group do not include all necessary explanations and notes, and the accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at 31 December 2018.

Currency Used

The financial statements of the Group's each entity 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 each entity are expressed in TL, which is the functional currency of the Company and the currency used for presenting consolidated financial statements.

2.1.2 Consolidation principles

Subsidiaries

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

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

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

The table below sets out the subsidiaries and their ownership interests as of 30 June 2019 and 31 December 2018.

Subsidiary	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100.00	100.00	100.00	100.00

2.1.3 Adjustment of Financial Statements During High Inflation Periods

In accordance with CMB's decision numbered 11/357 on 17 March 2005, inflation accounting application has been abolished as of 1 January 2005 for the companies operating in Turkey and preparing financial statements in accordance with Turkey Accounting Standards. Accordingly, as of 1 January 2005 "Financial Reporting in Hyperinflationary Economies" (TAS 29) has not been 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.

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

2.1 Basis of presentation (Cont'd)

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 and significant differences are disclosed.

2.1.6 Amendments in Standards and Interpretations

New and revised but not yet effective Turkish Financial Reporting Standards

TFRS 16	<i>Leases</i>
Amendments to TAS 28	<i>Long-Term Interests in Associates and Joint Ventures</i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to TAS 19	<i>Amendments to Employee Benefits</i>
Annual Improvements to 2015-2017 Cycle	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i>

TFRS 16 Leases

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group is 1 January 2019.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

Within the scope of TFRS 16 the Group has not reassessed by making use of the practical expedient available on transition to TFRS 16, the contracts signed before 1 January 2019 and considered as leasing contract under TMS 17 and TFRS Interpretation 4.

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to manage the use of the defined asset.

The Group has applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating Leases

TFRS 16 changes how the Group accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

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

2.1 Basis of presentation (Cont'd)

2.1.6 Amendments in Standards and Interpretations (Cont'd)

IFRS 16 Leases (Cont'd)

Impact on Lessee Accounting (Cont'd)

Operating Leases (Cont'd)

On initial application of IFRS 16, for all leases (except as noted below), the Group has:

- a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Impact of IFRS 16 on the Group's financial statements as of 1 January 2019 is disclosed in "Impacts of Changed Accounting Policies".

Finance leases

The main differences between IFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17. The Group has not made any change in the presentation of equipment formerly shown under property, plant and equipment and leasing liabilities shown under financial liabilities.

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

This amendment clarifies that an entity applies IFRS 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.

IFRS Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation addresses the application of recognition and measurement provisions under TAS 12 when there is uncertainty over income tax treatments.

Amendments to TAS 19 Employee Benefits

The Amendments to TAS 19 *Employee Benefits* address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

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

2.1 Basis of presentation (Cont'd)

2.1.6 Amendments in Standards and Interpretations (Cont'd)

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

Other than TFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

2.2 Impacts of Changed Accounting Policies

The Group applied TFRS 16 “Leases” as of 1 January 2019, the date of initial application, which replaces TAS 17 “Leases”. The Group has not restated comparable amounts for the previous year using the simplified transition application. With this method, all right-of-use assets are measured at the amount of the lease payables (adjusted for the prepaid or accrued lease costs) at the time of application.

	TL
Operational lease commitments as of 31 December 2018 (not discounted)	3,855,730
Total lease liability under TFRS 16 (not discounted)	3,413,133
Short-term lease liabilities	1,763,436
Long-term lease liabilities	1,649,697

In the application of TFRS 16, the Group has recorded finance lease payables related to leases previously classified as “operational leases” under TAS 17 Leases. These payables are measured at the present value of the remaining lease payments and are discounted using the alternative borrowing rate of the lessee as of 1 January 2019. As of 1 January 2019, the weighted borrowing rate applied to the leased loans is 20% for TL and 4.8% for Euro.

During the initial application, the Group recognized a lease obligation for leases previously classified as operational leases in accordance with TAS 17. These liabilities are measured at the present value of the remaining lease payments discounted using the alternative borrowing interest rates as of 1 January 2019.

Finance Leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

As of 30 June 2019, when the existing conditions and circumstances of the Group’s present finance lease contracts, the amendment has no material impact on the consolidated financial statements of the Group.

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

2.2 Impacts of Changed Accounting Policies (Cont'd)

Finance Leases (Cont'd)

Impacts of application of TFRS 16 on the condensed consolidated statement of financial position as at 30 June 2019 are presented below:

	30 June 2019		
	Excluding TFRS 16 Impacts	TFRS 16 Impacts	Including TFRS 16 Impacts
Current Assets	1,015,455,655	-	1,015,455,655
Trade receivables	224,978,290	-	224,978,290
Other receivables	29,362,843	-	29,362,843
Prepaid expenses	22,925,366	-	22,925,366
Other current asset items	738,189,156	-	738,189,156
Non-Current Assets	672,070,789	1,695,908	673,766,697
Other receivables	186	-	186
Right-of-use assets	-	1,695,908	1,695,908
Prepaid expenses	2,319,232	-	2,319,232
Deferred tax asset	3,292,112	-	3,292,112
Other components of non-current assets	666,459,259	-	666,459,259
TOTAL ASSETS	1,687,526,444	1,695,908	1,689,222,352
Current Liabilities	968,103,152	649,611	968,752,763
Short-term borrowings	499,863,959	-	499,863,959
Obligations under finance leases	-	649,611	649,611
Other components of current liabilities	468,239,193	-	468,239,193
Non-Current Liabilities	191,714,712	1,171,288	192,886,000
Long-term borrowings	147,330,080	-	147,330,080
Obligations under finance leases	-	1,171,288	1,171,288
Other non-current liability items	44,384,632	-	44,384,632
EQUITY	527,708,580	(124,991)	527,583,589
Prior years' profit or losses	(140,840,586)	-	(140,840,586)
Net profit for the period	(15,628,069)	(124,991)	(15,753,060)
Other equity items	684,177,235	-	684,177,235
TOTAL LIABILITIES	1,687,526,444	1,695,908	1,689,222,352

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

2.2 Impacts of Changed Accounting Policies (Cont'd)

Finance Leases (Cont'd)

Impacts of application of TFRS 16 on the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2019 are presented below:

	30 June 2019		
	Excluding TFRS 16 Impacts	TFRS 16 Impacts	Including TFRS 16 Impacts
PROFIT OR LOSS			
Revenue	564,649,350	-	564,649,350
Cost of Sales (-)	(454,082,025)	61,179	(454,020,846)
GROSS PROFIT (LOSS)	110,567,325	61,179	110,628,504
Administrative Expenses (-)	(28,810,104)	150,289	(28,659,815)
Marketing Expenses (-)	(41,467,757)	-	(41,467,757)
Research and Development Expenses (-)	(1,345,468)	-	(1,345,468)
Other Income from Operating Activities	29,050,669	-	29,050,669
Other Expenses from Operating Activities (-)	(25,013,185)	(199,585)	(25,212,770)
OPERATING PROFIT (LOSS)	42,981,480	11,883	42,993,363
Income from Investing Activities	3,579	-	3,579
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)	42,985,059	11,883	42,996,942
Finance Income	27,982,273	-	27,982,273
Finance Expenses (-)	(95,808,107)	(136,874)	(95,944,981)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(24,840,775)	(124,991)	(24,965,766)
Tax Income (Expense) From Continuing Operations	9,212,706	-	9,212,706
Current Tax (Expense) Income	(117,592)	-	(117,592)
Deferred Tax (Expense) Income	9,330,298	-	9,330,298
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	(15,628,069)	(124,991)	(15,753,060)
PROFIT (LOSS) FOR THE PERIOD	(15,628,069)	(124,991)	(15,753,060)

2.2.1 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.

Significant accounting errors are applied retrospectively and financial statements of prior period are restated.

As a result of the assessments made in 2019, the management of the Company determined that there is a need for adjustments in some records due to the use of incorrect exchange rates in the transactions related to a foreign sales project realized in 2018. The effects of these errors on the consolidated financial statements have been evaluated and the errors determined as a result of these evaluations have been corrected retrospectively. Accordingly, the consolidated financial statements as of 31 December 2018 and the consolidated statement of profit or loss are restated as follows.

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

2.2 Impacts of Changed Accounting Policies (Cont'd)

2.2.1 Changes in Accounting Estimates and Errors (Cont'd)

Statement of Financial Position as at 31 December 2018	Previously Reported	Effect of Adjustment	Restated
Inventories	481,922,342	(3,875,538)	478,046,804
Other Current Assets	67,446,358	(2,326,914)	65,119,444
Deferred Income	20,745,708	2,315,363	23,061,071
Other Short-Term Provisions	14,392,775	4,932,133	19,324,908
Deferred Tax Liability	6,530,661	(167,122)	6,363,539
Net Profit/Loss for the Period	(67,225,774)	(13,282,826)	(80,508,600)

Statement of Profit or Loss as at 31 December 2018	Previously Reported	Effect of Adjustment	Restated
Cost of Sales (-)	(994,834,345)	(8,807,671)	(1,003,642,016)
Other Expenses from Operations (-)	(118,462,259)	(4,642,277)	(123,104,536)
Deferred Tax Income	13,716,965	167,122	13,884,087
Net Profit/Loss for the Period	(67,225,774)	(13,282,826)	(80,508,600)

2.2.2 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. During assessment, future profit projections and applicable approaches of unused losses within the scope of tax legislation has been taken into consideration. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 30 June 2019, the Group has financial loss that can be offset amounting to TL 135,748,945 (31 December 2018: 132,421,362). Deferred tax asset amounting to TL 26,409,458 (31 December 2018: TL 26,996,644) over TL 129,485,428 of these losses has been recognized as it is probable that sufficient taxable profit will occur in subsequent 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.
- c) Useful lives of property, plant and equipment:
The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The Company may shorten or prolong the useful lives and related depreciation of property, plant and equipment by taking into consideration the intended use of property, plant and equipment, technological progress according to their types and other factors.
- d) Revaluation of land improvements and buildings:
Land improvements, evaluation of buildings and machinery have been made by taking into consideration the current market conditions. As a result of the revaluation, provision for impairment of the fixed assets with fair value lower than the cost value is made.

The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The revaluation fund which is composed of the difference between the book value and the fair value is offset with deferred tax and shown under the equity as revaluation fund. Revaluation is performed periodically.

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

2.2 Impacts of Changed Accounting Policies (Cont'd)

2.2.1 Changes in Accounting Estimates and Errors (Cont'd)

e) Estimated impairment of goodwill

The Group annually tests goodwill for impairment. The recoverable amounts of cash generating units are determined based on the calculations of value in use. The estimation usage required by these calculations is disclosed in Note 12.

2.2.3 Events after the reporting period

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

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

NOTE 3 –SEGMENT REPORTING

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

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of the ends of the periods are as follows:

	<u>30 June 2019</u>	<u>31 December 2018</u>
Cash	66,516	135,442
Banks-Demand Deposits	9,205,949	10,910,388
Banks-Time Deposits (up to 3 months)	243,511,741	85,072,854
Other Liquid Assets (*)	241,575	387,345
Total	253,025,781	96,506,029

(*) As of 30 June 2019 and 31 December 2018, balance in "Other Liquid Assets" line item consists of the Group's assets in Direct Debit System of the bank.

There are no restricted deposits as of 30 June 2019 and 31 December 2018.

Cash and cash equivalents presented in the consolidated cash flow statements as of 30 June 2019 and 31 December 2018 are as follows:

	<u>30 June 2019</u>	<u>31 December 2018</u>
Liquid Assets	253,025,781	96,506,029
Interest Accruals (-)	(119,697)	(24,541)
Total (Excluding Interest Accruals)	252,906,084	96,481,488

NOTE 4 - CASH AND CASH EQUIVALENTS (Cont'd)

The details of time deposits are as follows:

	<u>30 June 2019</u>		<u>31 December 2018</u>	
	<u>(Amount in TL)</u>	<u>Annual Interest Rate (%)</u>	<u>Amount in TL</u>	<u>Annual Interest Rate (%)</u>
TL	10,677,309	22-23.50	46,747,044	15.00-23.49
Euro	232,834,432	0.10-1.25	38,325,810	0.05-1.00
Total	243,511,741		85,072,854	

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

NOTE 5 - FINANCIAL LIABILITIES

	<u>30 June 2019</u>	<u>31 December 2018</u>
Bank loans	499,863,959	552,303,318
Payables due to leases	649,611	-
Short-term borrowings	500,513,570	552,303,318
Bank loans	147,330,080	90,420,000
Payables due to leases	1,171,288	-
Long-term borrowings	148,501,368	90,420,000
Total borrowings	649,014,938	642,723,318

As of 30 June 2019 and 31 December 2018, details of the bank loans are as follows:

Short-Term Borrowings

	<u>Annual Weighted Average Interest Rate (%)</u>		<u>Original Currency</u>		<u>TL Equivalent</u>	
	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
Short—Term Bank Loans						
Euro	4.43	4.71	44,863,273	27,318,167	293,885,842	164,673,908
TL	20.08	23.03	205,978,117	387,629,410	205,978,117	387,629,410
Total					499,863,959	552,303,318

As at the reporting date, the Group's sensitivity analysis for interest related to the remaining period for the repricing of the bank loans is as follows:

Period	<u>30 June 2019</u>	<u>31 December 2018</u>
Loans with maturity up to 1 month	461,922	84,649,083
Total	461,922	84,649,083

NOTE 5 - FINANCIAL LIABILITIES (Cont'd)

Long-Term Borrowings

	<u>Annual</u> <u>Weighted Average</u> <u>Interest Rate</u> <u>(%)</u>		<u>Original</u> <u>Currency</u>		<u>TL</u> <u>Equivalent</u>	
	<u>30 June</u> <u>2019</u>	<u>31 December</u> <u>2018</u>	<u>30 June</u> <u>2019</u>	<u>31 December</u> <u>2018</u>	<u>30 June</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Long-Term Bank Loans						
Euro	4.23	4.85	14,400,000	15,000,000	94,330,080	90,420,000
TL	19.75	-	53,000,000	-	53,000,000	-
Total					147,330,080	90,420,000

Maturity breakdown of the loans is as follows:

	<u>30 June 2019</u>	<u>31 December 2018</u>
2019	293,962,814	552,303,318
2020	307,048,790	90,420,000
2021	30,788,289	-
2022	15,394,146	-
Total	647,194,039	642,723,318

Financial net debt reconciliation as of 30 June 2019 and 31 December 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Opening balance - 1 January	642,723,318	432,750,801
Interest expense	47,933,594	18,226,891
Interest paid	(50,986,810)	(17,986,412)
New loans	321,537,739	150,436,632
Loans repaid	(343,731,700)	(97,755,600)
Exchange difference	29,717,898	42,596,467
Closing balance - 30 June	647,194,039	528,268,779

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-Term Trade Receivables	<u>30 June 2019</u>	<u>31 December 2018</u>
Trade Receivables from Third Parties	186,441,995	246,151,053
Trade Receivables from Related Parties (Note 22)	41,318,530	8,021,207
Rediscount Expenses (-)	(2,782,235)	(4,356,400)
Doubtful Receivables	175,000	175,000
Allowance for Doubtful Receivables (-)	(175,000)	(175,000)
Total	224,978,290	249,815,860

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Cont'd)

Movements of provision for doubtful receivables are as follows:

	<u>2019</u>	<u>2018</u>
Opening Balance – 1 January	175,000	175,000
Collections in the Period	-	-
Closing Balance – 30 June	175,000	175,000

Trade payables at period ends are as follows:

Trade Payables	<u>30 June 2019</u>	<u>31 December 2018</u>
Trade Payables to Third Parties	106,580,937	218,486,019
Trade Payables to Related Parties (Note 22)	208,468,037	109,509,356
Rediscount on Trade Payables (-)	(2,214,088)	(2,776,321)
Total	312,834,886	325,219,054

NOTE 7- INVENTORIES

Inventory balances as of period ends are as follows:

	<u>30 June 2019</u>	<u>31 December 2018</u>
Raw materials	129,201,937	156,880,979
Work in process goods	760,917	1,162,353
Finished goods	163,973,311	183,893,976
Trade goods	46,848,775	46,084,610
Other inventories	2,335,188	1,799,729
Goods in transit	108,907,373	89,017,661
Impairment in Finished Goods and Trade Goods	(611,412)	(792,504)
Total	451,416,089	478,046,804

Movement of Provision for Inventory Impairment	<u>2019</u>	<u>2018</u>
Opening Balance – 1 January	792,504	807,323
Provision Released due to Sale (-)	(318,261)	(149,020)
Current Period Impairment (+)	137,169	811,608
Closing Balance – 30 June	611,412	1,469,911

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 8- PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress	TOTAL
Opening Balance as at 1 January 2019	94,164,000	12,302,856	463,090,612	191,661,678	7,405,001	4,039,037	774,199	1,063,375	774,500,758
Additions	-	81,000	-	3,200,181	703,693	102,921	-	800,853	4,888,648
Disposals	-	-	-	(29,883)	-	-	-	-	(29,883)
Closing Balance as at 30 June 2019	94,164,000	12,383,856	463,090,612	194,831,976	8,108,694	4,141,958	774,199	1,864,228	779,359,523
Accumulated Depreciation									
Opening Balance as at 1 January 2019	-	(8,457,257)	(52,493,027)	(144,569,431)	(4,615,565)	(2,949,856)	(766,995)	-	(213,852,131)
Charge for the year	-	(226,053)	(4,577,358)	(4,383,626)	(573,248)	(141,909)	(1,324)	-	(9,903,518)
Disposals	-	-	-	22,572	-	-	-	-	22,572
Closing Balance as at 30 June 2019	-	(8,683,310)	(57,070,385)	(148,930,485)	(5,188,813)	(3,091,765)	(768,319)	-	(223,733,077)
Net Carrying Value									
Opening Balance as at 1 January 2019	94,164,000	3,845,599	410,597,585	47,092,247	2,789,436	1,089,181	7,204	1,063,375	560,648,627
Closing Balance as at 30 June 2019	94,164,000	3,700,546	406,020,227	45,901,491	2,919,881	1,050,193	5,880	1,864,228	555,626,446

For the period ended 30 June 2019, depreciation expenses of TL 14,183,993 has been included in cost of sales, TL 494,351 in research and development expenses, TL 1,205,613 in marketing expenses, TL 1,862,571 in general administrative expenses, TL 2,274,783 in capitalization of research and development.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 8- PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Motor Vehicles	Furniture and Fixtures	Other Property, Plant and Equipment	Construction in Progress	TOTAL
Opening Balance as at 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 at 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 at 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 year	-	(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 at 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 at 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 at 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

For the period ended 30 June 2018, depreciation expenses of TL 7,091,814 has been included in cost of sales, TL 177,745 in research and development expenses, TL 1,093,339 in marketing expenses, TL 533,143 in general administrative expenses, TL 1,200,999 in capitalization of research and development.

NOTE 8- PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Depreciation is calculated using the straight-line method based on the economic useful lives of each asset in order to bring the cost of each asset to its cost value.

Type	Depreciation rates (%)
Land Improvements	7-20
Buildings	2-10
Plant, Machinery and Equipment	10-25
Motor Vehicles	10-25
Furniture and Fixtures	10-20
Other Property, Plant and Equipment	10-20

NOTE 9 –INTANGIBLE ASSETS

30 June 2019

	Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Opening Balance as at 1 January 2019		808,220	102,847,686	22,275,566	32,706,177	158,637,649
Additions		-	-	1,544,627	24,562,981	26,107,608
Closing balance as at 30 June 2019		808,220	102,847,686	23,820,193	57,269,158	184,745,257
<u>Accumulated Amortization</u>						
Opening Balance as at 1 January 2019		(125,887)	(53,116,665)	(13,834,216)	-	(67,076,768)
Charge for the Period		(28,575)	(7,119,020)	(2,029,076)	-	(9,176,671)
Closing balance as at 30 June 2019		(154,462)	(60,235,685)	(15,863,292)	-	(76,253,439)
<u>Net Carrying Value</u>						
Opening Balance as at 1 January 2019		682,333	49,731,021	8,441,350	32,706,177	91,560,881
Closing balance as at 30 June 2019		653,758	42,612,001	7,956,901	57,269,158	108,491,818

(*) As of 30 June 2019, TL 56,238,813 of "Construction in Progress" is related to research and development projects, the remaining amount is related to investments in other property, plant and equipment.

NOTE 9 – INTANGIBLE ASSETS (Cont'd)

30 June 2018

	Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Opening Balance as at 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 at 30 June 2018		370,007	73,279,357	18,456,764	41,304,492	133,410,620
Accumulated Amortization						
Opening Balance as at 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 at 31 December 2018		(109,485)	(47,581,786)	(12,333,430)	-	(60,024,701)
Net Carrying Value						
Opening Balance as at 1 January 2018		274,489	30,915,622	7,481,973	24,870,334	63,542,418
Opening Balance as at 30 June 2018		260,522	25,697,571	6,123,334	41,304,492	73,385,919

(*) As of 30 June 2019, TL 40,734,742 of "Construction in Progress" is related to research and development projects, the remaining amount is related to investments in other intangible assets.

NOTE 10 – RIGHT-OF-USE ASSETS

The Group has started to apply TFRS 16 Leases Standard for the first time on 1 January 2019. For the leases that were previously classified as operational leases in accordance with TAS 17, the condensed consolidated financial statements reflect a right-of-use asset on an amount equal to the lease obligation, prepaid or adjusted for the amount of all accrued lease payments as of 1 January 2019.

The balances of the right-of-use assets as of 30 June 2019 and depreciation expenses in the relevant period are as follows:

Cost Value	Right-of-Use Assets
Opening Balance as at 1 January 2019	3,413,133
Additions	(776,103)
Closing Balance as at 30 June 2019	2,637,030
Accumulated Amortization	
Opening Balance as at 1 January 2019	-
Charge for the Period	(941,122)
Closing Balance as at 30 June 2019	(941,122)
Net Carrying Value	
Opening Balance as at 1 January 2019	3,413,133
Closing Balance as at 30 June 2019	1,695,908

NOTE 11- GOVERNMENT GRANTS AND INCENTIVES

The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2019, is the TL 259,917 The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2018 was TL 484,841.

The Group has R&D expenses which can be utilized for tax calculations with an amount of TL 132,109,441 as of 30 June 2019. 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 101,193,233 as of 31 December 2018).

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

Regarding the TL 6,939,744 spent as of 30 June 2019 in accordance with Incentive Certificate the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short-term Provisions	30 June 2019	31 December 2018
Warranty Provisions	7,875,392	9,647,216
Provision for Lawsuits	4,384,411	4,355,690
Provision for Premium and Commission	3,818,477	389,869
Total	16,078,280	14,392,775

Movements of provisions during the period are as follows:

	Warranty Provisions	Provision for Lawsuits	Provision for Premium and Commission	Total
Opening Balance as at 1 January 2019	9,647,216	4,355,690	389,869	14,392,775
Additions During The Period	5,746,589	1,272,993	3,818,477	10,838,059
Paid During the Period (-)	(7,518,413)	(1,244,272)	(389,869)	(9,152,554)
Closing Balance as at 30 June 2019	7,875,392	4,384,411	3,818,477	16,078,280

	Warranty Provisions	Provision for Lawsuits	Provision for Premium and Commission	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
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

Lawsuits against the Group:

As of 30 June 2019, there are 77 lawsuits against the Group that are continuing, with reemployment and other employment termination benefit claims upon cancellation of termination of employment contract. Provision has been made for lawsuit amounting to TL 4,383,411 calculated by the evaluations by lawyers related to the lawsuits (As of 31 December 2018, provision for lawsuits amount to TL 4,355,690).

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

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 1,032,943,537 as of 30 June 2019 (31 December 2018: TL 812,616,800).

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

Type	30 June 2019	31 December 2018
Letters of Guarantee Given	287,027,423	158,145,516
Total	287,027,423	158,145,516

Collaterals, pledges and mortgages "CPM" given by the Company as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
A. CPMs given in the name of its own legal personality	287,027,423	158,145,516
i. Letter of Guarantee	287,027,423	158,145,516
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 on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	287,027,423	158,145,516

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 13 – EMPLOYEE BENEFITS

Short-term Provisions for Employee Benefits	30 June 2019	31 December 2018
Provision for Wage Differential in Collective Labour Agreement	1,698,585	-
Provision for Unused Vacation	1,986,372	843,195
	3,684,957	843,195

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 2019	31 December 2018
Provision for Employment Termination Benefits	25,334,108	23,885,435
	25,334,108	23,885,435

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.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 13 – EMPLOYEE BENEFITS (Cont'd)

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 6,379.86 (1 January 2019 TL 6,017.60) applicable as of 1 July 2019 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:

	<u>30 June 2019</u>	<u>31 December 2018</u>
Annual Net Discount Rate (%)	3.64	4.13
Turnover Rate to Estimate the Probability of Retirement (%)	3.99	4.73

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

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

	<u>2019</u>	<u>2018</u>
Opening Balance – 1 January	23,885,435	19,448,903
Service cost	1,120,406	2,964,763
Interest cost	488,996	405,611
Gain/(Loss) on Remeasurement of Defined Benefit Plans	1,626,767	-
Retirement payment paid	(1,787,496)	(967,523)
Closing Balance – 30 June	25,334,108	21,851,754

NOTE 14- OTHER ASSETS AND LIABILITIES

Prepaid Expenses	<u>30 June 2019</u>	<u>31 December 2018</u>
Advances Given	17,935,169	20,516,548
Prepaid Insurance Expenses	1,254,850	181,116
Prepaid Subscription Expenses	62,445	27,240
Prepaid Other Expenses	3,672,902	1,615,591
Total	22,925,366	22,340,495

Other Current Assets	<u>30 June 2019</u>	<u>31 December 2018</u>
Deferred VAT	32,855,742	53,375,930
Other Current Assets	489,214	810,827
Total	33,344,956	54,186,757

Prepaid Expenses	<u>30 June 2019</u>	<u>31 December 2018</u>
Prepaid Expenses	2,319,232	2,059,179
Total	2,319,232	2,059,179

NOTE 14- OTHER ASSETS AND LIABILITIES (Cont'd)

Deferred Income (Short-Term)	30 June 2019	31 June 2018
Order Advances Received (*)	129,758,209	6,309,007
Deferred Income	894,887	14,105,470
Total	130,653,096	20,414,477

* The Company has won the tender initiated by Tbilisi Transport Company belonging to Tbilisi Municipality and the Company signed a contract on 02 May 2019 related to delivery of public transportation vehicle amounting to Euro 16,9 Million with GT Group LLC, the distributor in Georgia, and the whole tender cost were received as advance. Deliveries related to the concerned order will be completed within 2019.

Deferred Income (Long-Term)	30 June 2019	31 December 2018
Deferred Income	681,708	590,029
Total	681,708	590,029

Liabilities Arising from Contracts with Customers (Long-Term)	30 June 2019	31 December 2018
Deferred maintenance and repair income	18,368,816	13,492,820
Total	18,368,816	13,492,820

NOTE 15- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital / Elimination Adjustments

As of 30 June 2019 the share capital of the Company is TL 84,000,000 (31 December 2018: TL 84,000,000).

In 2017, 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, TL 1,827,839 of which is from restricted reserves appropriated from profit and prior years' profit/loss calculations) to TL 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 2019

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

NOTE 15- SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

31 December 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

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.

NOTE 16 – EARNINGS / LOSS PER SHARE

	1 January 2019- 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Net (Loss) for the Period	(15,753,060)	(31,435,668)	(1,363,283)	(15,320,300)
Number of Weighted Average Shares with Nominal Value of 1 Kurus	8,400,000,000	8,400,000,000	8,400,000,000	8,400,000,000
(Loss) per 100 Shares (TL)	(0.1875)	(0.3742)	(0.0162)	(0.1824)

NOTE 17- REVENUE AND COST OF SALES

Revenue	1 January 2019- 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Domestic Sales	211,028,482	392,268,692	118,257,536	256,529,031
Foreign Sales	372,582,145	287,130,020	180,310,473	128,968,930
Other Income	8,040,928	3,290,543	4,684,790	1,821,033
Sales Total (Gross)	591,651,555	682,689,255	303,252,799	387,318,994
Sales Discounts	(27,002,205)	(45,287,330)	(11,389,100)	(31,188,792)
Sales (Net)	564,649,350	637,401,925	291,863,699	356,130,202
Cost of Sales	(454,020,846)	(538,130,153)	(227,417,287)	(303,474,659)
Gross Profit	110,628,504	99,271,772	64,446,412	52,655,543
Cost of Sales	1 January 2019- 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Raw Materials and Supplies Expenses	340,775,517	349,174,775	193,548,625	204,508,015
Direct Labour Expenses	23,912,417	26,061,348	12,696,014	14,803,292
Depreciation and Amortization Expenses	14,183,993	12,403,799	7,070,170	7,370,863
Other Production Costs	6,182,282	6,758,736	3,080,144	3,314,921
Total Cost of Production	385,054,209	394,398,658	216,394,953	229,997,091
Change in Goods Inventory	32,703,253	34,657,407	(8,106,275)	37,350,305
Cost of Trade Goods Sold	35,202,486	108,798,592	18,539,512	35,912,962
Cost of Other Sales	1,060,898	275,496	589,097	214,301
Total Cost of Sales	454,020,846	538,130,153	227,417,287	303,474,659

NOTE 18- OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	1 January 2019- 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Foreign Exchange Income on Trade Receivables and Payables	16,198,639	12,378,674	6,407,060	7,048,395
Discount Income on Trade Payables	6,620,744	7,420,930	64,159	582,895
Sale Support Income	1,059,142	8,279,569	281,669	797,296
Service Income	1,308,715	192,556	612,709	168,436
Export D.F.I.F Support	418,038	346,749	30,992	285,917
Rent Income	326,150	57,085	214,612	47,281
Tubitak R&D Incentive	206,388	246,084	116,190	141,323
Insurance Indemnity Income	-	1,746	-	-
Other Income	2,912,853	2,050,907	739,888	1,667,069
Total	29,050,669	30,974,300	8,467,279	10,738,612

Other Expense from Operating Activities:	1 January 2019- 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Foreign Exchange Expense on Trade Receivables and Payables	(18,226,735)	(58,410,102)	(7,325,628)	(32,574,250)
Discount Income on Trade Receivables	(5,677,024)	(5,459,389)	(34,674)	(697,139)
Donations and Contributions	(15,480)	(32,100)	(11,100)	(20,100)
Other Expenses	(1,293,531)	(1,261,897)	(497,301)	(299,458)
Total	(25,212,770)	(65,163,488)	(7,868,703)	(33,590,947)

NOTE 19- FINANCE INCOME

Finance Income:	1 January 2019 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Interest Income	2,089,883	5,395,356	1,280,553	2,759,423
Delay Interest Income	1,841,694	1,334,885	859,311	638,130
Foreign Exchange Gain	24,050,696	26,874,736	15,197,449	15,143,666
Total	27,982,273	33,604,977	17,337,313	18,541,219

NOTE 20- FINANCE EXPENSES

Finance Expense:	1 January 2019 30 June 2019	1 January 2018- 30 June 2018	1 April 2019- 30 June 2019	1 April 2018- 30 June 2018
Foreign Exchange Losses	(43,687,092)	(51,696,446)	(24,921,281)	(28,700,031)
Interest Expense	(47,276,944)	(16,970,220)	(21,969,392)	(9,054,244)
Forward Purchase Expense	(793,523)	(1,256,671)	(416,390)	(302,408)
Expense from Derivative Transactions	-	(78,619)	-	(78,619)
Other Finance Expenses	(4,187,422)	(1,287,959)	(2,278,405)	(709,261)
Total	(95,944,981)	(71,289,915)	(49,585,468)	(38,844,563)

NOTE 21- TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

i) Provision for Current Tax

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

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

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

The effective tax rate in 2019 is 22% (2018: 22%).

ii) Deferred Tax

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, 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.

	<u>30 June 2019</u>		<u>31 December 2018</u>	
	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets / (Liabilities)</u>	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets / (Liabilities)</u>
Inventories	654,725	144,040	739,530	162,697
Non-Current Assets (Net)	(512,423,832)	(63,832,211)	(517,378,544)	(64,823,153)
Provision for Employment Termination Benefits	25,334,108	5,066,822	23,885,435	4,777,087
Guarantee Provisions	7,875,392	1,732,586	9,647,216	2,122,388
R&D Discount	132,109,441	28,714,191	101,193,234	20,238,647
Current Year Financial Loss (*)	129,485,428	26,409,458	129,485,428	26,409,458
Rediscount Expenses/Income (Net)	517,891	113,936	1,461,611	321,554
Lawsuit Provisions	4,384,411	964,570	4,355,690	958,252
Other (Net)	18,085,094	3,978,720	15,770,600	3,469,531
Total		3,292,112		(6,363,539)

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

NOTE 22- 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 2019

Balances with Related Parties	Receivables		Payables	
	Trade		Trade	Non-Trade
Isuzu Motors Ltd. Tokyo	40,876,704		37,854	-
Anadolu Motor Üretim ve Paz. A.Ş.	346,648		-	-
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş.	91,653		-	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	3,525		-	-
Itochu Corporation Tokyo	-	201,372,248		-
Isuzu Motors International Operation Thailand	-	4,411,222		-
Itochu Corporation Shanghai	-	1,666,101		-
Efestur Turizm İşletmeleri A.Ş.	-	454,172		-
Çelik Motor Ticaret A.Ş.	-	308,659		-
AEH Sigorta Acenteliği A.Ş.	-	117,017		-
Oyex Handels Gmbh	-	50,677		-
Migros Ticaret A.Ş.	-	46,563		-
AG Anadolu Grubu Holding A.Ş.	-	3,524		-
Shareholders balance	-	-		9,109
Total	41,318,530	208,468,037		9,109

31 December 2018

Balances with Related Parties	Receivables		Payables	
	Trade		Trade	Trade
Itochu Corporation Tokyo	6,589,810	107,332,716		-
Isuzu Motors International Operation Thailand	1,088,993			-
Anadolu Motor Üretim ve Paz. A.Ş.	217,279			-
Çelik Motor Ticaret A.Ş.	61,918			-
Anadolu Bilişim Hizmetleri A.Ş.	50,945			-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	12,262			-
Itochu Corporation Shanghai	-	1,523,031		-
Migros Ticaret A.Ş.	-	367,531		-
Efestur Turizm İşletmeleri A.Ş.	-	123,061		-
Isuzu Motors Ltd. Tokyo	-	69,803		-
Oyex Handels GMBH	-	48,344		-
AEH Sigorta Acenteliği A.Ş.	-	31,735		-
AG Anadolu Grubu Holding A.Ş.	-	7,291		-
Adel Kalemcilik San. ve Tic. A.Ş.	-	5,519		-
Isuzu Motors Co. Thailand Ltd.	-	325		-
Shareholders balance (*)	-	-		9,109
Total	8,021,207	109,509,356		9,109

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

NOTE 22- RELATED PARTY DISCLOSURES (Cont'd)

b) Related Party Transactions:

1 January-30 June 2019

	<u>Goods and Services Sales</u>	<u>Fixed Asset Sales</u>	<u>Other</u>	<u>Total Income/ Sales</u>
<u>Sales to Related Parties</u>				
Isuzu Motors Ltd. Tokyo	48,252,304	-	-	48,252,304
Itochu Corporation Tokyo	2,086,876	-	-	2,086,876
Isuzu Motors International Operation Thailand	906,287	-	-	906,287
Anadolu Motor Üretim ve Paz. A.Ş.	540,132	-	-	540,132
Çelik Motor Ticaret A.Ş.	444,713	-	-	444,713
Itochu Fransa	257,989	-	-	257,989
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş	104,622	-	-	104,622
AG Anadolu Grubu Holding A.Ş.	9,769	8,200	-	17,969
Isuzu Motors Germany GmbH	1,453	-	-	1,453
Anadolu Bilişim Hizmetleri A.Ş.	-	-	8,200	8,200
Total	52,604,145	8,200	8,200	52,620,545

1 January-30 June 2018

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

1 January-30 June 2019

	<u>Goods and Services Sales</u>	<u>Fixed Asset Sales</u>	<u>Other</u>	<u>Total Expenses/ Purchases</u>
<u>Purchases from Related Parties</u>				
Itochu Corporation Tokyo	76,386,409	-	-	76,386,409
Isuzu Motors Ltd. Tokyo	5,549,926	-	-	5,549,926
Isuzu Motors International Operation Thailand	5,239,587	-	-	5,239,587
AG Anadolu Grubu Holding A.Ş.	3,708,952	7,159	-	3,716,111
Efestur Turizm İşletmeleri A.Ş.	2,260,804	-	-	2,260,804
Itochu Shanghai Ltd	2,127,212	-	-	2,127,212
Çelik Motor Ticaret A.Ş.	996,861	-	-	996,861
Anadolu Bilişim Hizmetleri A.Ş.	305,706	9,400	-	315,106
Migros Ticaret A.Ş.	176,715	-	-	176,715
Isuzu Motors Co. Thailand Ltd.	122,841	-	-	122,841
Anadolu Motor Üretim ve Paz. A.Ş.	26,745	415	-	27,160
Adel Kalemcilik Tic. ve San. A.Ş.	7,666	-	-	7,666
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	7,404	-	-	7,404
Anadolu Sağlık Merkezi İktisadi İşletmesi	974	-	-	974
Anadolu Landini Traktör Üretim ve Pazarlama A.Ş	-	3,403	-	3,403
Total	96,917,802	20,377	-	96,938,179

NOTE 22- RELATED PARTY DISCLOSURES (cont'd)

1 January-30 June 2018

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

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the 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. Donation was not made to Anadolu Eğitim ve Sosyal Yardım Vakfı by the Group in 2019 (Donation was not made in 2018).

d) Key management compensation:

	<u>1 January 2019-30 June 2019</u>	<u>1 January 2018-30 June 2018</u>
Salaries and other short-term benefits	3,895,435	2,796,630
Total	3,895,435	2,796,630

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

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The Group's equity comprised of cash and cash equivalents in Note 4 and equity items in Note 15.

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.

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(a) Capital risk management (Cont'd)

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

The Group uses financial instruments (including derivative financial instruments) against parity changes and may be a party to the transactions related to the purchase and sale of such instruments with respect to the elimination of 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 management

Foreign currency transactions may result in foreign currency risk.

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

Statement of Foreign Exchange Rate Sensitivity Analysis

30 June 2019

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
In case of US Dollar increases in 10% against TL;		
1 - US Dolar Net Asset / (Liability)	(49,559)	49,559
2- US Dolar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	(49,559)	49,559
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / (Liability)	(15,746,251)	15,746,251
5- Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	(15,746,251)	15,746,251
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset / (Liability)	(9,721,899)	9,721,899
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	(9,721,899)	9,721,899
TOTAL (3+6+9)	(25,517,709)	25,517,709

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

(d) Foreign exchange risk management (Cont'd)

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2018

	Profit / Loss	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dollar increases in 10% against TL;		
1 - US Dolar Net Asset / (Liability)	(400,151)	400,151
2- US Dolar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	(400,151)	400,151
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / (Liability)	(26,061,449)	26,061,449
5- Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	(26,061,449)	26,061,449
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset / (Liability)	(6,138,265)	6,138,265
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	(6,138,265)	6,138,265
TOTAL (3+6+9)	(32,599,865)	32,599,865

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
 INDEPENDENT AUDITOR'S REVIEW REPORT NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE ACCOUNTING PERIOD
 ENDED 30 JUNE 2019

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)

(d) Foreign exchange risk management (cont'd)

	Statement of Foreign Currency Position						Other TL	
	30 June 2019			31 December 2018			Amount of Foreign	
	TL Amount	US Dollar	Euro	Yen	TL Amount	US Dollar	Euro	Currency
1. Trade Receivables	112,842,776	201,177	10,737,168	766,672,986	57,451,889	265,471	3,093,161	-
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	241,523,369	168,677	36,254,465	761,267	47,088,238	85,856	6,848,211	300,383
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	5,341,260
3. Other Current Assets	10,884,317	-	-	-	6,567,529	-	-	-
4. Current Assets (1+2+3)	365,250,462	369,854	46,991,633	767,434,253	111,107,656	351,327	9,941,372	300,383
5. Trade Receivables	-	-	-	-	-	-	-	49,318,487
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-current Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	365,250,462	369,854	46,991,633	767,434,253	111,107,656	351,327	9,941,372	300,383
10. Trade Payables	224,348,896	455,968	10,687,708	2,797,663,615	180,454,842	1,111,940	10,847,512	2,257,101,986
11. Financial Liabilities	293,885,842	-	44,863,273	-	161,751,331	-	26,833,333	-
12a. Monetary Other Liabilities	-	-	-	-	735,681	-	122,044	-
12b. Non-Monetary Other Liabilities	7,862,746	-	1,078,162	15,005,155	3,744,449	-	372,473	31,530,528
13. Current Liabilities (10+11+12)	526,097,484	455,968	56,629,143	2,812,668,770	2,549,755	1,111,940	38,175,362	2,288,632,514
14. Trade Payable	-	-	-	-	-	-	-	-
15. Financial Liabilities	94,330,080	-	14,400,000	-	90,420,000	-	15,000,000	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Non-current Liabilities (14+15+16)	94,330,080	-	14,400,000	-	90,420,000	-	15,000,000	-
18. Total Liabilities (13+17)	620,427,564	455,968	71,029,143	2,812,668,770	2,549,755	1,111,940	53,175,362	2,288,632,514
19 Off-balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)	-	-	-	-	-	-	-	-
19a Amount of Active Foreign Derivative Currency Off-Balance Sheet	-	-	-	-	-	-	-	-
19b Amount of Passive Foreign Derivative Currency Off-Balance Sheet	-	-	-	-	-	-	-	-
20. Net Foreign Currency Assets (Liabilities) Position (9-18+19)	(255,177,102)	(86,114)	(24,037,510)	(2,045,234,517)	11,826,775	(760,613)	(43,233,990)	(2,288,332,131)
21. Monetary Items Net Foreign Currency Assets / (Liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(258,198,673)	(86,114)	(59,213,813)	(2,030,229,362)	942,458	(760,613)	(42,861,517)	(2,256,801,603)
22. Fair Value of Financial Instruments Used for Currency Hedge	-	-	-	-	-	-	-	40,853,151
23. Hedged Foreign Currency Assets	-	-	-	-	-	-	-	-
24. Hedged Foreign Currency Liabilities	-	-	-	-	-	-	-	-
25. Export	372,582,145	-	-	-	528,831,949	-	-	-
26. Import	172,710,024	-	-	-	521,332,895	-	-	-

NOTE 23- 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 (deposit etc.) are respectively shown at Note 5 and Note 4.

As of 30 June 2018, if the market interest rate had increased/decreased by 1% with all other variables held constant, income before taxes for the period would have been higher/lower by TL 1,235,315 (31 December 2018: higher/lower by TL 80,542).

(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

Holding financial instruments also carries the risk of the other party's not meeting the requirements of the agreement. 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 has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration.

Aging studies and estimations of the Group management as to the collectability of the receivables have been used in the impairment analysis related to the receivables.

The Group tries to manage its liquidity risk by monitoring the cash flows on a regular basis and maintaining sufficient funds and borrowing reserves by matching the maturities 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 high-quality credit facilities.

The risk of meeting existing and probable future liabilities is managed by maintaining the availability of 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.

Derivative Financial Liabilities

The Group does not have any derivative financial liabilities as of 30 June 2019.

Fair Value and Hedging Disclosures

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

Objectives of financial risk management

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

NOTE 23- NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Fair Value and Hedging Disclosures (Cont'd)

Objectives of financial risk management (Cont'd)

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

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

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

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

Derivative Financial Instruments

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

The Group does not have forward exchange from derivative financial instruments as of 30 June 2019 and 31 December 2018.

NOTE 24- EVENTS AFTER THE REPORTING PERIOD

None.