

# NEW HORIZONS STRONG PERFORMANCE

2018 ANNUAL REPORT



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“We will steadfastly maintain our efforts towards our goal of strong export growth in the 2019-2020 period. We are determined to expand the area which we export to with the addition of new markets, especially in Europe, and to reinforce the contribution which we offer to both the Turkish economy and our stakeholders.”

**Tuğrul Arıkan**  
General Manager



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**FOR MORE YOU CAN VISIT THE INVESTOR RELATIONS SECTION OF OUR WEBSITE**

<https://www.anadoluisuzu.com.tr/en/investor-relations>

# Highlights of 2018

**EUR 93 million**

New record in exports

**TL 1,118 million**

Healthy growth of sales revenues

**TL 81.8 million**

Improvement in EBITDA

**TL 48.7 million**

Increase in Operating Profit

## Strategy

Strong and Fast Growth in the Global Market

Towards New Horizons and New Businesses

Strong Customer Value Proposition and Market Positioning

Goal of Increasing Efficiency in All Processes from End-to-End

## INTRODUCTION

# Corporate Profile

## TOTAL NUMBER OF EMPLOYEES AT ANADOLU ISUZU

# 802

AS OF 2018

### ANADOLU ISUZU IN BRIEF

Anadolu Isuzu's sustainable growth path began in 1965.

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

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

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

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

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

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

Serving its customers in 63 provinces across Turkey through 102 authorized service points, Anadolu Isuzu has distributors in more than 30 countries abroad. As of the end of 2018, Anadolu Isuzu employed a total workforce of 802 people. Anadolu Isuzu shares have been trading on the BIST under the "ASUZU" ticker since 1997.

**FOR MORE INFORMATION PLEASE  
VISIT OUR WEBSITE:**

[www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr)

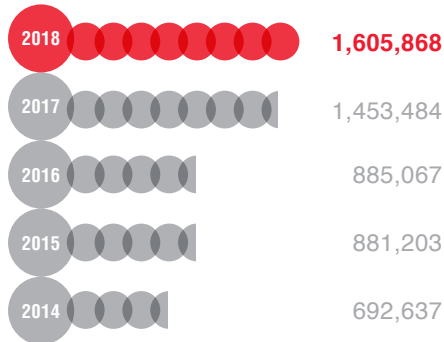


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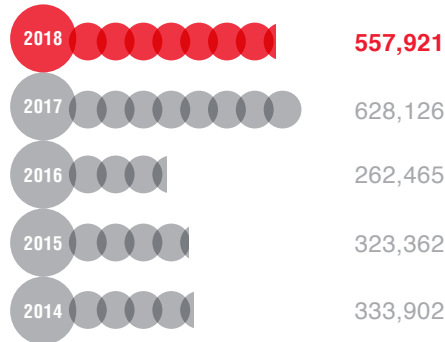


# 2018 Financial and Operational Highlights

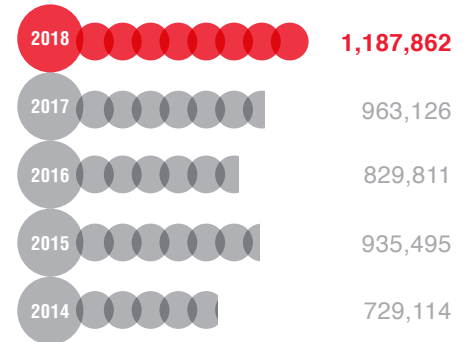
## TOTAL ASSETS (Thousand TL)



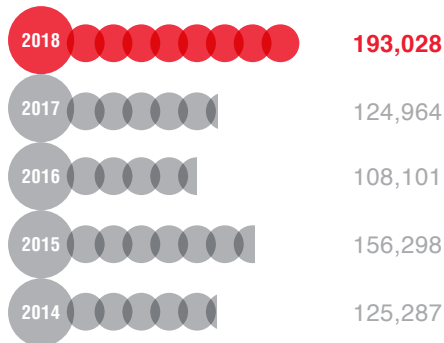
## EQUITY CAPITAL (Thousand TL)



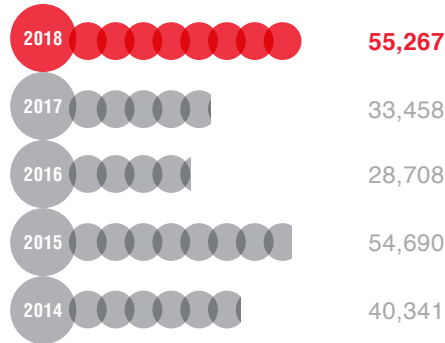
## NET SALES (Thousand TL)



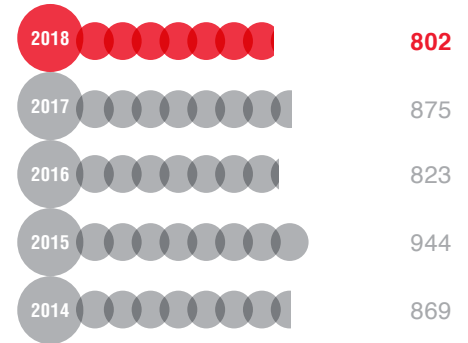
## GROSS PROFIT (Thousand TL)



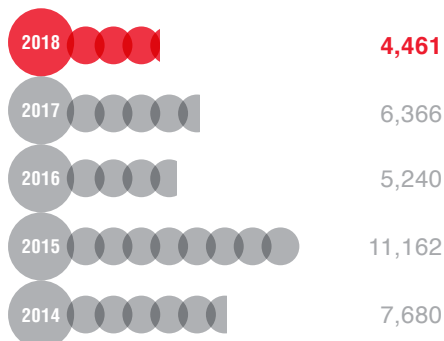
## INVESTMENT EXPENDITURES (Thousand TL)



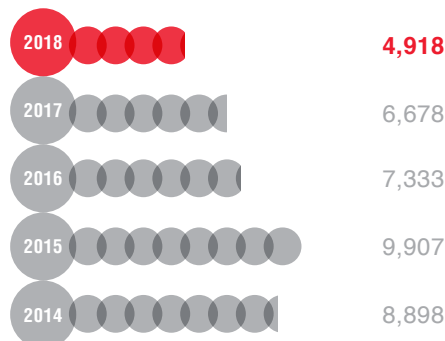
## NUMBER OF EMPLOYEES (People)



## NUMBER OF PRODUCTS



## NUMBER OF SALES



<b>FINANCIAL METRICS (TL)</b>	<b>2018</b>	<b>2017</b>
Sales	1,187,862,785	963,126,462
Gross Profit	193,028,440	124,964,542
Operating Profit	48,670,438	2,108,003
EBITDA	81,824,403	28,818,636
Profit Before Tax	-80,679,954	-68,292,697
Net Profit (Controlling shares)	-67,225,774	-48,388,364

<b>PROFITABILITY</b>	<b>2018</b>	<b>2017</b>
Gross Profit Margin	16.30	13.00
Operating Margin	4.10	0.20
Net Profit Margin	-5.70	-5.00
Return on Equity	-12.00	-7.70
Operational Expenses/Net Sales	12.20	12.80
Financial Expenses/Net Sales	-10.90	-7.30
EBITDA Margin	6.90	3.00

<b>CURRENT RATIOS</b>	<b>2018</b>	<b>2017</b>
Current Ratio	1.04	1.38
Cash Ratio	0.11	0.17
Liquidity Ratio	0.51	0.81

<b>SOLVENCY RATIOS</b>	<b>2018</b>	<b>2017</b>
Trade Payables/Equity	57.40	47.30
Total Financial Liabilities/Equity	115.20	68.90
(Trade Payables+Total Financial Liabilities)/Equity	172.60	116.20
Total Liabilities/Total Assets	65.30	56.80
Equity/Total Assets	34.70	43.20

<b>MARKET VALUE (TL)</b>	<b>2018</b>	<b>2017</b>
ASUZU	519,120,000	764,400,000

### SHAREHOLDING STRUCTURE

The shareholding structure of Anadolu Isuzu as of 2018 year-end is as follows:

<b>SHAREHOLDER'S NAME</b>	<b>AMOUNT (TL)</b>	<b>SHARE (%)</b>
Anadolu Group	46,535,401.00	55.40
Isuzu Motors Ltd.	14,275,509.00	16.99
Itochu Corporation	10,706,534.00	12.74
Others	12,482,556.00	14.87
Total	84,000,000.00	100.00

# Highlights in 2018

## THE LARGEST EXPORT CONTRACT IN ANADOLU ISUZU'S HISTORY

Anadolu Isuzu won the EBRD tender for the delivery of 104 Citiport vehicles to the Constanta Municipality. With this contract, Anadolu Isuzu has undertaken the largest bus export contract signed to date with Romania, and indeed is the largest in the Company's own history. After winning this large tender, Anadolu Isuzu also won the tender opened by the Sibiu Municipality for 38 Citiport vehicles, and delivered the vehicles. As a result of these tenders, the number of vehicles for which the Company signed sales contracts in Romania - its biggest export market - reached 234.



## 2018 ISUZU NOVICITI LIFE EUROPE DEMO TOUR

Within the scope of the Europe Demo Tour 2018, which started on 6 September 2018, the new Novociti Life midibuses were presented to local authorities and public transportation companies in the 25 countries covered during the tour.



**ONE IN EVERY THREE MID-CLASS TRUCKS COMING ONTO THE ROADS IS AN ISUZU.**

## TURKEY'S FIRST DOMESTIC ELECTRIC TRUCK

The world launch of Turkey's first domestic electric truck was carried out in 2018 IAA Hannover Fair on 19 September 2018. The R&D work for the electric truck, which was one of the vehicles to make a strong impression in the fair, was 100% carried out by Turkish engineers together with the local project partners.

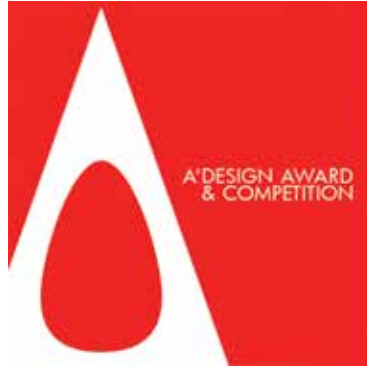
## ANADOLU ISUZU LAUNCHES FIVE NEW MODELS AT THE IAA HANNOVER FAIR

Anadolu Isuzu made the first demonstration of its five new vehicles at the IAA Hannover 2018 Commercial Vehicle Fair, which was closely followed worldwide. At the fair held between 20 and 27 September 2018, the Citiport 18, the Citiport 12 HyPer, the Novociti Life Premium, the Visigo HyPer, the Turquoise and Turkey's first 100% electric truck were introduced to potential customers.



### ANADOLU ISUZU WINS THREE DIFFERENT AWARDS IN THE A'DESIGN AWARDS & COMPETITION

Three different vehicles designed and manufactured at the Anadolu Isuzu plants in Turkey won one platinum and two gold design awards at the A'Design Award & Competition, one of the world's most prestigious design competitions, in 2018. Among the vehicles designed by the Turkish Engineers, the Visigo won the Platinum Award, while the Citiport and Novociti Life won the Gold one.



### A TOTAL OF 362 ISUZU NOVICITI LIFE VEHICLES DELIVERED TO DIFFERENT REGIONS OF THE COUNTRY

The Isuzu Novociti Life continued to receive a high volume of orders across Turkey in 2018. The Novociti Life received a total of 362 orders, including 80 from Bingöl, 87 from Sivas, 36 from Afyon, 130 from Hatay, 22 from Mardin, 4 from Istanbul, 2 from Diyarbakır and 1 from Muş.



### ANADOLU ISUZU ENTERS DEFENSE INDUSTRY BUSINESS LINE

Anadolu Isuzu started to operate in the defense industry in cooperation with the Czech Tatra Group. As part of the agreement, the production of vehicles offering superior performance in tough military conditions and challenging terrain conditions started under the Anadolu Defense brand.



### INTRODUCING AOS - ANADOLU ISUZU'S NEW BRAND

The new brand, AOS, which will be positioned in Anadolu Isuzu's international markets, was launched at the Busworld Fair in Moscow, Russia on 23-25 October, 2018 and was launched at the Euro Bus Expo Fair held in Birmingham in the UK between 30 October and 1 November 2018.

# Message from the Chairman of the Board of Directors



Since its establishment, the Anadolu Group has always attached the highest priority on contributing to the industrialization of our country and production which generates domestic value.

**Tuncay Özilhan**

The Chairman of the Board of Directors

The Anadolu Group will press ahead with its strategic investments which will contribute to our country and enhance Turkey's competitive power and, as always, act with a long-term perspective.

WE HAVE A PRESENCE NATIONWIDE AND

# in more than 40 countries,

WITH OUR POWERFUL PRODUCT PORTFOLIO  
AND AFTER-SALES SERVICE NETWORK.

For many years, we have designed and developed our vehicles ourselves, with a locality rate of up to 70%, produced them at our plant and exported them around the world. In this way, we play a highly important role in the Turkish automotive industry.

Dear stakeholders,

Since its establishment, the Anadolu Group has always attached the highest priority on contributing to the industrialization of our country and production which generates domestic value. Since 1965, we have been developing solutions for our customers in both the commercial and passenger vehicle categories with our vehicles and service providers through our vehicle development, production and sales experience in the automotive sector and with the support of our partnerships we have entered into with some of the world's leading engine manufacturers.

Anadolu Isuzu is proud to have one of Turkey's first approved R&D centers. Thanks to our investments in R&D - one of the areas we attach the most importance to - we maintained our patent leadership position in our sector in 2018. For many years, we have designed and developed our vehicles ourselves, with a locality rate of up to 70%, produced them at our plant and

exported them around the world. In this way, we play a highly important role in the Turkish automotive industry.

Our long-term business partnership with Isuzu has been continuing since 1983. With the know-how that we have gained over the years, we are now able to design and produce our own vehicles in Turkey. With our strong product portfolio, after-sales service quality and our extensive distributor network, both at home and abroad, we have a nationwide presence as well as being active in more than 40 countries around the world.

While we are proud of what we have achieved, our goal is to grow in new markets and new segments and for Anadolu Isuzu to be global commercial vehicle manufacturer. We have focused on providing quality and fast solutions that meet the needs of our business partners and customers fully with our experience in truck and bus production in all segments, including in the defense industry.

The Anadolu Group will press ahead with its strategic investments which will contribute to our country and enhance Turkey's competitive power and, as always, act with a long-term perspective.

On behalf of myself and the Board of Directors, I would like to express my sincere gratitude to our dear colleagues, who have enabled us to reach our current position, our business partners for their valuable contributions to our success, our dealers and our distributors, our customers and our shareholders, who have never abandoned their trust in us.

I express my wish that 2019 will be a beneficial year for our Company, our Group and our country.

With love and respect,

**Tuncay Özilhan**

The Chairman of the Board of Directors

# Message from the President of the Automotive Group



Anadolu Isuzu increased its real operating profit to TL 50 million in 2018 and, in parallel with its strategic goals, achieved export revenue over USD 100 million for the first time in its history.

**Bora Koçak**

President of the Automotive Group

Dear shareholders, business partners and employees,

As the risks hanging over the global economy become more apparent, volatility in Turkey's financial markets in Turkey - especially in the second half of 2018 - along with the sudden movements in exchange rates, cash pressures, and increased borrowing costs - took their toll on companies. In parallel with these dynamics, Anadolu Isuzu wrote a net loss of TL 67 million in 2018 as a result of the foreign exchange losses on the Company's financial liabilities. On the other hand, we have re-orientated our focus towards export operations, in line with the change in strategic direction which we took a few years ago. Consequently, we achieved record revenue over USD 100 million, marking 73% YoY growth in US dollar terms. We therefore concluded 2018, which was a difficult year, with more than TL 1 billion in revenue and a record

operating profit. This was achieved with the double-digit growth in our export markets.

In the domestic markets, the measures taken and the proactive policies implemented helped to rebalance the exchange rate as well as bringing about a limited decline in interest rates in the last quarter of 2018. With the support of provisional tax cuts, domestic demand recovered slightly while the Turkish lira appreciated in the last two months of the year. The general view is that Turkey's economy will undergo a rebalancing process in the first two quarters of 2019, before starting to recover in the second half of the year.

## **MOVING TO THE FUTURE WITH RESOLUTE STEPS...**

Anadolu Isuzu determined the strategic theme of 2018 as growth in exports based on new horizons, increased efficiency and strong foundations. Our company achieved its objectives with the steps it took during the year, ensuring a tangible contribution to Turkey's economy while generating strong and lasting value for its stakeholders. At the same time, the domestic sales figures for 2018 indicate that Anadolu Isuzu maintained its market share.

## CONTINUED STRONG EXPORT GROWTH

In exports, where we target strong growth up until 2020, we maintained healthy progress in 2018 as well. After our record performance in 2017, our Company broke a new record in export sales in 2018, exporting 923 vehicles and achieving export revenues of USD 110 million. The European market was the region to account for the most growth.

With 32 distributors in more than 40 countries at the end of 2018, Anadolu Isuzu aims to increase its presence abroad even further in the medium and long term and support its export performance further.

## BIG STEPS FORWARD IN OUR VEHICLE DEVELOPMENT PROJECTS FOR THE DEFENSE INDUSTRY

Anadolu Isuzu has long had a presence in the defense industry in the armored personnel transport vehicles segment, and has recently focused on developing heavy duty trucks with rubber tires for logistic purposes. With these vehicles, which we have developed based on our extensive knowledge and years of experience in the truck segment in Turkey, we aim to contribute to the national economy with the export of defense vehicles in the medium term, in addition to serving our country's defense needs through a combination of domestic and national solutions.

## STRIVING TO FURTHER STRENGTHEN SHAREHOLDER VALUE

Anadolu Isuzu, which is a public company, considers developing shareholder value as one of its main goals.

It gives me a great pleasure to indicate that the investments we have undertaken in Turkey's industry and the decisive steps we have taken in this direction contribute to our brand and shareholder value at least as much as our operational and financial performance.

The tremendous importance we attach to R&D, our breakthroughs and the projects in the field of electric vehicles and the initiatives we have taken in the defense industry all represent valuable steps which will contribute to raising the overall value and reputation of our Company to a higher level on a global scale.

## INVESTING IN PEOPLE IS OUR UNWAVERING PRIORITY.

We consider our human resources to be our most important asset and the architects of our strategic transformation goals. As we focus on the future, we are committed to developing our human resources and equipping them with current competencies in parallel with our strategies which we believe will carry us to the future. We aim to add value to our Anadolu Isuzu corporate brand with innovative management practices in the field of human resources.

## TOWARDS A FUTURE OF NEW OPPORTUNITIES

We think that 2019 and beyond will be marked by fluctuations in the global and national economy.

In such an environment, as we strive to continue to achieve new breakthroughs in new regions, enter new business lines and new segments, simultaneously reinforcing our presence in the domestic market where we have traditionally been strong, our goal is to carry our Company to the future with a healthy financial structure by managing risks correctly. 2019 will be a year in which we will focus on financial efficiency by reducing our Company's working capital need by reducing our inventories.

OUR TOTAL VEHICLE PRODUCTION STOOD AT 4,461  
OUR TOTAL SALES STOOD AT

**4,918**  
VEHICLES.

As one of the leading and most respected players in the automotive sector, our Company will continue to deploy its strengths and competencies intensively in order to generate lasting value and to contribute to the national economy.

We look to the future with confidence as a member of the Anadolu Group, which realizes its investments and projects with a long-term perspective and with the confidence it has built up in the national market.

I would like to express my gratitude to our valued shareholders and customers for the confidence they have placed in our Company and our brands, and to our business partners and employees in Turkey and around the world, who we work together with hand in hand to achieve success. I hereby express my gratitude for their work for the Anadolu Isuzu brand. I hereby express my wish that 2019 turns out to be a beneficial and successful year for both our Company and our country.

**Bora Koçak**

President of the Automotive Group

## INTRODUCTION

# Message from the General Manager



Offering high quality, safe, environmentally friendly and comfortable commercial vehicles to markets in Turkey and the world for over a half a century, Anadolu Isuzu continued to improve the shareholder value with the performance it achieved in 2018, and continued to move forward towards new horizons.

**Tuğrul Arıkan**  
General Manager

Dear stakeholders,

## STRONG FOUNDATIONS, A HEALTHY PERFORMANCE

Anadolu Isuzu is a well-established and respected industrial company that has witnessed the milestones of the Turkish automotive industry. Our Company, which set out as one of the key players in the development of domestic industry, has gone from strength to strength by taking on important roles in the unique dynamics of each period, extending from import substitution to the transition to a liberal economy and now, the development and production of electric vehicles.

Advancing to the future on the basis of strong foundations and extensive knowledge of the sector, Anadolu Isuzu continued to produce results consistent with the goal of sustainable operational success in 2018. Anadolu

Isuzu successfully managed the period of global economic volatility, which hit Turkey's economy in the summer of 2018 in a period marked by a rapid fall in the value of the currency, higher interest rates and inflation, with its proactive, flexible and agile stance. Under the challenging market conditions of 2018, our Company has successfully continued to move forward without deviating from its growth strategy with its robust financial structure, corporate forecasting capabilities, diversified product and market portfolio, marketing competencies and the unwavering support of its shareholders.

Our Company, which was able to rapidly counteract the contraction in the domestic market with its export performance, increased its sales volume by 23% when compared to the previous year and achieved sales revenues of TL 1,188 million. Its asset size stood at TL

1,606 million, increasing by 10% during the year.

With the superior performance it realized in the export channel in 2018, Anadolu Isuzu broke the previous historic record it set in 2017, and reached export sales of USD 110 million, marking an increase of 73% when compared to 2017 in US dollar terms.

While our total investment expenditures stood at TL 55 million in 2018, our expenditures in the field of R&D, which we deem to be vital in terms of our sustainable growth and competitiveness, approached TL 30 million.

Our gross profit increased by 54% when compared to 2017 to reach TL 193 million. Our real operating profit, which had stood at TL 2.1 million in the previous year, surged to TL 48.7 million in 2018.

## OUR TOTAL SALES REVENUES REACHED TL 1,188 MILLION IN 2018, WITH GROWTH OF 23%

In 2018, our Company produced 4,461 vehicles, commanding market shares of 22.2% in the midibus segment, 10.4% in the pick-up segment, 9.9% for trucks, 6.9% for the 3.5 tons LGV category and 3.6% for buses in the Turkish market. The number of vehicles we exported increased by 54% compared to the previous year, to reach 923.

### GREAT HOPES, AMBITIOUS GOALS

Anadolu Isuzu, which has always foreseen changes in the global and national market long ahead of time, and sets out its medium term strategies in line with the market realities, has placed priority on developing its presence in the global commercial vehicle market, especially the region of Europe neighboring Turkey, with an ambitious approach.

This strategic preference, which has been embodied in our export performance over the last two years, points to how astute our future plans have proven to be, as well as the sustainability of our roadmap is.

While activities within the scope of our export strategy intensified in 2018, Anadolu Isuzu sold commercial vehicles and spare parts to nearly 30 countries. Our strong development in various regions, especially the European market, offers us encouragement and brings us a sense of pride.

In 2018, Anadolu Isuzu caught the wave of a rising trend in international sales in both the bus and midibus product groups. The Citiport, Novo and NovoCiti Life models were our flagship products and the driving force behind this surge in international sales. On the other hand, Anadolu Isuzu still held the title of leading exporter in the midibus segment in 2018, ahead of its competitors.

We have deepened our cooperation with our international distributor and service provider network in 2018, having developed our international customer portfolio, and have stepped up our efforts to enter new markets.

Our results in the European and Middle Eastern markets offer a glimpse of the future growth and new gains we will achieve. On the other hand, market research and opportunities for cooperation to enter new markets, particularly in the Americas, are also being studied intensively.

We will continue to expand our presence in international markets, which we are developing with a long-term perspective and solid steps, by focusing on high customer satisfaction and efficiency.

We have ambitious hopes and goals, and plan to develop our contribution to Turkey's economy and our stakeholders in all aspects.

I would like to take this opportunity to extend my gratitude to the entire Anadolu Isuzu team, our business partners and valued customers who have built up our export performance in what we consider to be a major milestone of 2018.

Dear stakeholders,

After having summarized the performance of our Company in 2018, I would like to share my views on the future of the automotive industry, the position we aim to reach and the strengths we have.

### CORRECTLY ASSESSING THE WINDS OF CHANGE

The world economy and global markets are in a process of rapid flux. Big data, smart mobility and smart cities, industry 4.0, sustainability and digitalization are the mega trends that will shape our future.

Our sector, the automotive industry, is also one of the key players in this change. Autonomous driving, hybrid and electric vehicles and smart cities stand out as the most exciting new concepts in our sector, where technology has rapidly evolved to new levels. These developments are now no longer something we can only dream about, and electric vehicles are already a part of daily life. In the near future, we will be seeing driverless vehicles and smart public transport applications in traffic.

## Message from the General Manager

The investments we have undertaken in Turkey's industry and the decisive steps we have taken in this direction contribute to our brand and shareholder value at least as much as our operational and financial performance.

In this process of change, the most important duties and responsibilities for leading manufacturers such as Anadolu Isuzu are to assess the winds of change in a timely and correct manner and to serve as a guiding hand in shaping the future by deploying their strengths and resources on an optimal scale.

I am delighted to note that Anadolu Isuzu is the leader of the Turkish automotive sector by far in terms of patents, with a total of 276 patents. With its identity of being the only producer that holds the Isuzu IMM Quality and Production certificate outside Asia, and especially with the advanced R&D structuring, Anadolu Isuzu has the power to correctly adapt to the changes in the markets and to increasingly reflect its potential to its performance.

We launched Turkey's first electric truck, which stands out among the projects for the development of more efficient and environmentally friendly new generation commercial vehicles, at the Hannover Fair for the first time in the world in 2018. The launch brought us great excitement as it represented a strong example of our technological progress. This innovative vehicle, a product of our R&D Center, is a source of national pride in demonstrating the labor, intellectual prowess and skill of Turkish engineers.

For the coming period, we have defined various segments as important growth areas, such as public transportation, the defense industry and electric vehicles, and we see them as the business lines in which Anadolu Isuzu will grow rapidly.

Anadolu Isuzu is determined to intensify its efforts in the field of innovation and R&D and to become a commercial vehicle manufacturer that sets trends. Our Company has the shareholder support and internal energy to achieve and move beyond this goal.

Our strong suppliers are an important assurance when achieving these high goals. We enjoy extensive support from our suppliers in all work, both in R&D and in operational efficiency.

### OUR HUMAN RESOURCES ARE THE ARCHITECTS OF OUR FUTURE

Accepting the establishment of a strong performance culture in the field of human resources as an unwavering objective, Anadolu Isuzu is committed to maintaining and developing a work environment in which universal employee rights are protected, which complies fully with legislation regulating working life, where talent at all levels is developed, where equal opportunity is provided for both the men and women working for us, and which offers the best standards for OHS issues.

At the end of 2018, more than 800 people were working for us. The individual satisfaction, welfare and future of each and every one of our employees are as valuable to us as our corporate success.

On the axis of our human resources, we consider employee satisfaction as a parameter which needs to be carefully monitored. In this respect, bringing management systems into operation which enables employees to participate increasingly in the decision-making processes within the scope of kaizen and lean management practices, and the increasing use of performance appraisal systems in our work cycle, stand as valuable achievements in our view.

Our Company, which accepts its human resources as the backbone of the success formula in achieving the goals of the future, will continue to focus on this field and to continue to develop its human resources and to invest in their competencies.

### IN 2019...

Our main objective for the year 2019, a period in which we anticipate some periodic volatility in market conditions, is to manage domestic and foreign market demand with a balanced and risk management oriented approach.



**WE ACCEPT HUMAN RESOURCES  
AS THE BACKBONE OF THE  
SUCCESS**

**FORMULA IN ACHIEVING THE  
GOALS OF THE FUTURE.**

We will steadfastly maintain our efforts towards our goal of strong export growth in the 2019-2021 period. We are determined to expand the area which we export to with the addition of new markets, especially in Europe, and to reinforce the contribution which we offer to both the Turkish economy and our stakeholders.

As a member of the Anadolu Group, which connects Anatolia to the world and the world to Anatolia, we are firmly bound to the common values we share. Accountability, accuracy, transparency, reliability and responsibility to the society we belong to constitute our main business principles.

I would especially like to thank our employees, who stand shoulder to shoulder with us on our road to growth, drawing on the strength of our principles and who contribute to our performance with their devoted working hours, as well as our shareholders, domestic and foreign customers and suppliers. On behalf of myself and the management team at Anadolu Isuzu, and I would like to extend my respect to them all.

**Tuğrul Arıkan**  
General Manager



# Anadolu Isuzu from Past to Present

- 1965**  
Foundation of Çelik Montaj company
- 1981**  
Registration of Anadolu Otomotiv Industry title
- 1983**  
Signature of technical assistance agreement with Isuzu
- 1984**  
Start of truck manufacturing with Isuzu Motors Ltd
- 1985**  
Launching of the first vehicle NPR 59 produced with Japanese license
- 1986**  
Signature of partnership agreement between Isuzu, Itochu and Anadolu Endüstri Holding; Establishment of the first Turkish-Japanese partnership in the automotive sector
- 1996**  
ISO-9002 certificate received and foundation of new factory has been started.
- 1997**  
The Company's shares started to be traded in Borsa İstanbul.
- 1999**  
The new factory in Gebze Şekerpinar commenced production. NQR truck production has started.
- 2000**  
TURKUAZ bus production has started.
- 2002**  
NQR 3 axle truck production has started.
- 2008**  
The Memorandum, which confirms the intention to develop the cooperation between Isuzu Motors and Anadolu Isuzu, was signed in Japan. The production of first 9 meter bus model Citimark was initiated. IMM (Isuzu Manufacturing Management), globally shared manufacturing system of Isuzu, started to be implemented in AIOS truck factory.
- 2009**  
25<sup>th</sup> anniversary of vehicle production in Turkey with Isuzu was celebrated. NOVO, NOVO LUX and NOVO ULTRA, our new buses in the Euro 4 emission class, were introduced. NLR, NLR LONG, NNR, NNR LONG, NPR, NPR LONG and NPR HP, our N-Series vehicles in the Euro 4 class, were introduced. Anadolu Isuzu has gained the right to be the R&D Center.
- 2016**  
Specially designed for service and school transport, the NOVO S was promoted. Within the framework of EU regulations, the transition was carried out from Euro 5 to Euro 5b+emission standards in the light duty truck segment and from Euro 5 to Euro 6 in the truck and bus segments. Anadolu Isuzu's new, independent R&D center was officially opened.
- 2017**  
Anadolu Isuzu lodged the highest number of patent applications of any company in Turkey in the first half of the year. Numerous launches were completed during the year including the introduction of a public transportation vehicle and smart mobility system, as well as the New Isuzu D-Max. The IMM Certification has been updated to cover all production at Anadolu Isuzu. BBC Top Gear awarded D-Max with the Pick Up of the Year award.

**1987**

Start of the manufacturing of the midibus and the small bus which were the designs of AIOS (Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.)

**1989**

Municipality type vehicle production has started.

**1991**

NKR-WIDE light truck production has started.

**1994**

Export operations have started.

**1995**

The Company name changed as Anadolu Isuzu. Usage of total quality management systems was activated. The share of Japanese partners reached 35%.

**2003**

Bus export to European Union began. ISO 9000:2000 quality certificate was acquired.

**2004**

The 20<sup>th</sup> anniversary of Isuzu brand in Turkey was celebrated. Sales of D-Max pick-up have begun. The 80,000<sup>th</sup> Isuzu was unloaded from Isuzu production line.

**2005**

The 2,000<sup>th</sup> TURKUAZ bus was unloaded from the production line. N-Series truck and light duty trucks were renewed. D-Max pick-up was renewed. ROYAL bus took the name of ROYBUS with its turbo engine.

**2006**

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

**2007**

Euro 4 engine started to be used on TURKUAZ model which was exported to EU member countries. Front and rear appearance designs were renewed. The launching of first 9 meter bus model CITIMARK was made. Exterior and interior designs of D-Max 4x4 and 4x2 were renewed. The 100,000<sup>th</sup> Isuzu vehicle was unloaded from the production line.

**2010**

In the truck segment of Anadolu Isuzu 3 new models of NPR; NPR 8, NPR 10 and NPR 3D were launched. NPR's capacity was increased from 7.5 tons to 8 tons.

**2011**

9.5 meter long new public transportation vehicle CITIBUS was launched.

**2013**

New bus model VISIGO and renewed NOVO model midibus were launched.

**2014**

The first domestic D-Max model pick-up was manufactured. 12 meter long new public transportation vehicle CITIPOINT was launched.

**2015**

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

**2018**

Focusing on new regions, business lines and segments, Anadolu Isuzu achieved its highest international sales figure in the last 24 years in 2018, with export sales of EUR 93 million. The Company, which launched its Anadolu Otomotiv Sanayi (Anadolu Automotive Industry) brand, won the Platinum Award with the Visigo, the Gold Award with the Citiport and Novociti Life, and brought three awards to Turkey in the A-design Award&Competition, which is one of the world's most prestigious design awards. Anadolu Isuzu embarked on its strategic cooperation with the Czech Tatra Group and started to operate in the defense industry under the Anadolu Defense brand.

Anadolu Isuzu, the patent leader of the Turkish automotive sector, brought the domestically produced 4x2 D-Max to the market and launched the world's first electric truck.

# Shareholders of Anadolu Isuzu

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

**THE ANADOLU GROUP:  
THE SHINING BRIDGE THAT CONNECTS  
ANATOLIA TO THE WORLD AND THE  
WORLD TO ANATOLIA**

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



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



ANADOLU GROUP

A well-established presence in Turkey, the Anadolu Group generates value for Turkey and the world and provides services with nearly 80 companies, employing over 80,000 people in 66 production plants at 9 different industries in 19 countries:

- Anadolu Efes in the Beer Group
- Coca-Cola İçecek in the Soft Drinks Group
- Migros in the Migros Group
- Anadolu Isuzu, Çelik Motor (Steel Engine), Anadolu Motor (Engine) and Anadolu Landini in the Automotive Group
- Adel Kalemcilik (stationary and office supplies), Faber-Castell Anadolu (Russia), McDonald's and Efestur (tour operator) in the Retail Group
- Anadolu Caucasian Energy Investments, Aslancık Electricity Generation, AES Electricity Energy Wholesale in the Energy Group
- Anadolu Etap in the Agriculture Group
- AND Real Estate in the Real Estate Group

In addition to the Group companies, the Company continues its social responsibility activities with its social organizations - the Anadolu Foundation, the Anadolu Medical Center and the Anadolu Efes Sports Club - working to an awareness of its duty to contribute to society in the fields of education, health and sports.

In 2018, the Group's pro-forma revenue stood at TL 42.1 billion. Trading on the BIST with its 6 companies, the Anadolu Group is one of Turkey's leading holding companies.

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

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

## THE ANADOLU GROUP OPERATES IN COOPERATION WITH THE WORLD'S BIGGEST BRANDS

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

# Shareholders of Anadolu Isuzu



**Isuzu Motors Ltd.:** A global leader in the field of commercial vehicles and diesel engines, Isuzu Motors Ltd. began operations in 1916.

**ISUZU MOTORS LIMITED: A GLOBAL LEADER IN THE FIELD OF COMMERCIAL VEHICLES AND DIESEL ENGINES**

**ISUZU MOTORS LTD. BEGAN OPERATIONS IN 1916.**

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

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

**ISUZU MOTORS LTD IS AN R&D AND CUSTOMER FOCUSED COMPANY.**

Isuzu Motors Ltd., whose main philosophy is to provide high-quality products and services to its customers and to develop new technologies that will contribute to the needs of the industry, produced Japan's first air-cooled diesel engine 100 years ago. It has always set itself apart with its pioneering, innovative structure that is highly pro-active.

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

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

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

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

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



**THE ITOCHU CORPORATION: A GLOBAL GIANT WHO'S ROOTS GO BACK TO 1858**

**GOOD FOR THE SELLER, THE BUYER AND THE COMMUNITY**

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

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

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

**A SOLUTION PARTNER UNDERTAKING DUTIES IN MAJOR PROJECTS IN TURKEY**

Providing support as a solution partner to mega projects around the world, the Itochu Corporation is specialized in creating financial resources. Contributing to the progress of developing countries,



the Company has played a role in implementation of mega projects in Turkey such as the Golden Horn (Haliç) Bridge, the Fatih Sultan Mehmet Bridge and the Bursa Thermal Power Plant.

The Itochu Corporation reinforces its presence with experience going back a century and a half, its international perspective and strength. The company undertakes infrastructure projects in

developing countries under its mission of respecting the individual, the society and the future with the commitment of global benefit. It undertakes important tasks in the continuous development of societies and individuals through social responsibility projects.

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



# Anadolu Isuzu's Product Portfolio

## PICK-UPS

### VERSATILE D-MAX

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

## TRUCKS

### A WIDE PRODUCT RANGE

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



## LIGHT TRUCKS

### STANDING BY THE SIDE OF SMEs

Anadolu Isuzu light trucks, which offer comfort to customers in every segment, especially SMEs in both transportation and in use, consist of four models which are popular with customers.

## MIDIBUSES BUSES

### EFFICIENCY AND PROFITABILITY

Anadolu Isuzu produces midibuses and buses offering solutions for the needs of public transportation, tourism, school and personnel transportation sectors. Isuzu buses are designed and produced to provide an efficient and profitable business model for the operator and comfortable and safe carriage for passengers and vehicle personnel.

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



Anadolu Isuzu offers its customers a combination of comfort, safety and driving pleasure with its product range, offering a strong value proposition.

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



**NPR**  
**NPR Long**  
**NPR10**  
**NPR10 Long**  
**NPR10 XLong**

**NPR3D**  
**TORA**  
**TORA Long**  
**NQR 90**  
**SEYİT**

**HEAVY DUTY TRUCKS FOR CHALLENGING MILITARY CONDITIONS**

Anadolu Isuzu manufactures trucks that are suitable for challenging military conditions. Military trucks offered under the Anadolu Defense brand provide performance under very challenging terrain conditions with their modular infrastructure ranging from 4x4 to 20x20.

**NLR**  
**NLR Long**

**N-Wide**  
**N-Wide Long**



**Turkuaz / Turquoise**  
**Novo / Novo S**  
**Novo Lux / Novo Ultra**

**Novo Citi**  
**Novo Citi Life**

**Citiport 18**  
**Citiport 12**  
**Citiport Hyper**

**Visigo**  
**Visigo Hyper**  
**Visigo Interurban**



# Strong and Bold D-Max

Production of the 7<sup>th</sup> generation Isuzu D-Max, the first and only pick-up produced in Turkey, got underway in 2018. The new Isuzu D-Max, which now comes with new hardware, traction system and gear options, features a powerful 1.9-liter Isuzu engine.

## THE ISUZU D-MAX FOR ALL CHALLENGING ROAD CONDITIONS

The new version of the domestic pick-up, the Isuzu D-Max, which first started to roll off the production lines at Anadolu Isuzu's plant in 2014, comes fitted with two different traction systems (4x2 and 4x4), two different gear options (6 forward manual and 6 forward automatic) and four different hardware options (V-GO, V-LIFE, V-JOY and V-CROSS).

Offered to the Turkish market in 2004, a total of 34,196 D-Max vehicles were sold by the end of 2018.

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

## CARRIAGE AND TRACTION CAPACITIES OF THE D-MAX

The Isuzu D-Max has a carriage capacity ranging from 976 to 1,371 kg depending on the model of the vehicle. Traction capacities reach 2,500 kg in the 4x2 models and 3,500 kg in the 4x4 models.

## VERSATILE D-MAX

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

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

With its equipment and technical features, the D-Max offers comfortable

**The 7<sup>th</sup> generation domestic production model, the 4x2 D-Max, fitted with a wide range of hardware options, was offered to customers in 2018.**

driving for all conditions with maximum safety.

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

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

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

## SUPERIOR ENGINEERING FEATURES

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

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



## VERSATILE D-MAX

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



# The Truck Group

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

## TORA

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

## NPR

With a useful chassis length of 4.2 m and maximum gross vehicle weight of 7,500 kg, the NPR responds to the needs of its drivers with a new generation Isuzu engine with high fuel economy despite its high performance. With 150 PS of power and a torque of 375 Nm, the Isuzu engine stands out with its low fuel consumption.

## NPR LONG

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



## A WIDE RANGE OF PRODUCTS AND AN EXTENSIVE AFTER SALES NETWORK

Anadolu Isuzu offers a wide range of truck groups consisting of different features, shaped according to customer needs and expectations. Anadolu Isuzu trucks, distinguished with an extensive after-sales network and affordable spare part costs, have attracted wide customer acclaim with the advantages they offer.



# HIGH TRANSPORTATION CAPACITY AND SUPERIOR MANEUVERING CAPABILITY

The Anadolu Isuzu truck group offers an array of important features, from comfort, capacity and efficiency in transportation to durability and safety. The Anadolu Isuzu trucks provide an increasing level of added value to companies in terms of transportation costs.



# The Truck Group

## NPR10

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

## NPR10 LONG

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

## NPR10 XLONG

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

## NPR3D

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

High payload capacity thanks to its third axle, maximum gross vehicle weight of 12,500 kg, 190 PS power engine and 510 Nm torque, full-air, dual circuit disc brake system, Electronic Brakeforce Limitation System that brake system adjusting pressure according to load, automatic brake lining adjustment and safety systems such as AEBS, ABS, ASR, ESC.



# The Light Truck Group

Anadolu Isuzu light trucks offer a number of novelties including the Isuzu engine, with its higher torque and power, the increased payload capacity, low fuel consumption, automatic clutch adjuster and an exhaust system that does not require additional additives (AdBlue).



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

## **N-WIDE**

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

## **N-WIDE LONG**

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

## **NLR**

As well as a special design enabling parking in narrow streets and small spaces, the NLR also offers the user convenience during loading and unloading.

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

With its superior climbing capability reaching 29%, the NLR reduces the ramp effect to a minimum thanks to the advantage provided with the 120 PS power and 300 Nm of torque.

## **NLR LONG**

The NLR LONG commands a lofty position with its world class technology. The vehicle is equipped with a Commonrail Turbo Diesel Intercooler engine of 120 PS, which provides the required level of traction and protects the environment. In addition to its agile structure, the vehicle also has a useful chassis length of 4.3 m, meeting the volume requirements of both individual and fleet users.



## EFFICIENCY IN TRANSPORTATION, COMFORT IN USE

Anadolu Isuzu light goods vehicles can cater to customers from every segment with both efficiency in transportation and comfort in use. The Anadolu Isuzu light goods vehicles offer efficiency in transportation and comfort in use for customers in all segments, especially SMEs. The light goods vehicles produced by Anadolu Isuzu meet the volume needs of individual and fleet users in addition to their agile structures.



# Buses and Midibuses

## VISIGO

Anadolu Isuzu's 9.5 meters midicoach, VISIGO, VISIGO, has gained great popularity both at domestic and foreign markets with its aesthetic interior/exterior design and a level of comfort which is above its class. With a passenger capacity up to 39 seats, it offers an ideal solution for small tour groups looking for luxury travel.

## VISIGO INTERURBAN

Sharing the same platform with Visigo, VISIGO INTERURBAN version offers solutions to meet the needs of the personnel transportation sector rather than tourism, with its different interior design and more economical level of comfort. VISIGO INTERURBAN version is registered as a Class2 coach, so it can also carry standing passengers on suburban routes. VISIGO INTERURBAN provides access to disabled passengers through an additional middle door and a wheelchair lift.

Visigo models, lengths and engine powers:

- Visigo/9.5 m, 244 hp
- Visigo Hyper/9.5 m, 320 hp
- Visigo Interurban/9.5 m, 244 hp
- Visigo Interurban Hyper/9.5 m, 320 hp

## CITIPOINT 18 & CITIPOINT 12

CITIPOINT 18 is the largest bus produced by Anadolu Isuzu. It offers unique solutions for the needs of municipal and private public bus carriers serving the public transportation sector.

CITIPOINT 12, which won the "most ergonomic and comfortable vehicle in Europe" award in the Busworld Kortrijk 2015, stands apart from its peers with its aesthetic exterior design and spacious interior layout. The articulated Citiport 18 - the largest in the Citiport family - can carry up to 151 passengers. Citiport 12 is also available with a stronger engine version. Citiport 12 Hyper offers 340 hp with the same platform.

CITIPOINT models, lengths and engine powers:

- Citiport 18/18 m, 370 hp
- Citiport 12/12 m, 300 hp
- Citiport 12/Hyper 12 m, 340 hp
- Citiport 12/Euro 5 12 m, 289 hp
- Citiport 12/CNG 12 m, 300 hp

## CITIBUS

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

Citibus models, lengths and engine powers:

- Citibus/9.5 m, 205 hp
- Citibus Euro5/9.5 m, 204 hp

## TURKUAZ / TURQUOISE

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

Within the scope of special projects, TURKUAZ is also produced with the configurations that contain VIP features and with a wheelchair lift for disabled passengers.

Turkuaz/Turquoise models, lengths and engine powers:

- Turkuaz Euro5-6/7.7 m, 190 hp
- Turkuaz Interurban Euro5-6/7.7 m, 190 hp
- Turkuaz Euro2/7.7 m, 175 hp



# AESTHETIC DESIGN, HIGH PASSENGER COMFORT

Anadolu Isuzu's buses offer efficiency in transportation and comfort in use.

Its buses are popular in many areas ranging from public transportation to tourism.



## LOW FUEL CONSUMPTION AND LOW OPERATION COSTS

Anadolu Isuzu's midibuses appeal to customers from all segments with their low fuel consumption and low operation costs.

In addition to their agile structures, the midibuses meet the needs of individual and fleet customers and have become one of the most popular transportation solutions in the service sector.



# Buses and Midibuses

## NOVO / NOVO S

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

Novo models, lengths and engine powers:

- Novo Euro6/7.3 m, 190 hp
- Novo Euro5/7.3 m, 155 hp

## NOVO LUX / NOVO ULTRA

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

Novo Lux/Ultra models, lengths and engine powers:

- Novo Lux/Ultra Euro5-6/7.3 m, 190 hp
- Novo Ultra Interurban Euro6/7.3 m, 190 hp

## NOVOCITI

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

Novo Citi models, lengths and engine powers:

- Novo Citi Euro6/7.5 m, 190 hp
- Novo Citi Euro5/7.5 m, 155 hp

## NOVOCITI LIFE

Thanks to its compact size and its low floor platform, Novociti Life offers fuel efficiency, high-maneuverability and a barrier-free transportation solution for operators and municipalities.

7-8 meter public bus segment leader Anadolu Isuzu aims to continue its market leadership with its brand-new, 8 meter low floor bus, Novociti Life. Due to changing market conditions and customer needs, new Novociti Life is developed on a low floor platform with a rear engine, a new transmission and with higher passenger capacity compared to old Novociti.

Novociti Life length and engine power:

- Novociti Life/8 m, 186 hp



# The Economy in Turkey and the World

Exports created the most powerful anchor in the growth of Turkey's economy and increased their weight in the composition of growth in 2018.

## A NEW BALANCE OR SLIDING INTO RECESSION?

With the slowdown in international commercial activity in 2018, global growth projections for global markets were revised downwards. The Chinese economy, which had contributed the most to international commercial activity, set out the target of reducing indebtedness in 2018, and with emergent trade wars, this led to the lowest rate of growth in the last 28 years in China. While trade wars threaten the global economy, the increasing protectionist tendencies in foreign trade, tightening monetary policies, geopolitical risks and the Brexit process have all raised uncertainty surrounding global economic policies, which will also stand out as the risk factors in global markets again in 2019.

According to its latest report, the IMF projects a growth rate of 3.5% for 2019 amid the ongoing concerns in the global economy.

## INTEREST RATES RISE GLOBALLY

Most of the changes in global policy rates were upward ones in 2018. In 2018, the Fed increased the interest rates four times, each by 25 basis points. In this process, the policy rate increased from a 1.25-1.50% range to a range of 2.25-2.50%.

While the European Central Bank left interest rates unchanged, it reduced its monthly bond purchases from EUR 30

billion to EUR 15 billion as of September, and ended the support program at the end of the year.

## SLOWDOWN IN ECONOMIC ACTIVITY

Turkey's economy was affected by the rise in borrowing costs which accompanied the normalization steps taken by developed countries in their monetary policies, the impact of which was felt through a contraction in global liquidity, in addition to the geopolitical developments in the Middle East region neighboring our country.

The decision to hold an election, announced in April, the deterioration in relations between Turkey and the US, and sanctions imposed by the USA in the form of additional customs tariffs put pressure on the currency and pushed inflation higher during the year. The USD/TL exchange rate which increased by 39% during year from 3.77 at the beginning of the year to 5.26 at the end, while the annual rate of inflation increased from 11.9% to 20.3% due to high dependence on imported inputs. Even though the exchange rate and inflation started to settle in the last quarter, the uncertainty surrounding the global economy and geopolitical risk factors kept the currency under pressure, while the cautious approach to inflation is expected to balance the upward pressure.

In the wake of the strong growth recorded in 2017, Turkey's economy

began to slow from the second quarter of 2018. This was reflected to the growth figures, with economic growth recorded at 7.2% in the first quarter and 5.3% in the second quarter - but declining to just 1.6% in the third quarter of the year.

The effect of the contraction experienced in demand in the domestic market and the increasing tendency of the companies to look to foreign markets in order to stem their losses positively affected exports. Exports created the most powerful anchor in the growth of Turkey's economy and increased their weight in the composition of growth in 2018. This situation supported the positive developments in terms of foreign trade and current account. As a result, the annual foreign trade deficit decreased to USD 55 billion from USD 77 billion, while current account deficit fell to USD 28 billion from USD 47 billion in 2018.

## EXPECTATIONS OF A RECOVERY IN THE SECOND HALF OF 2019

The balancing process that became evident with the decline in industrial production and imports in Turkey's economy in the last quarter of 2018 is expected to continue in the first two quarters of 2019.

In the second half of the year, there are strong expectations that Turkey's economy will enter a process of moderate recovery.

# Overview of the Sector

Exports became the driving force of the automotive sector in 2018. The sector exported 1,318,000 vehicles, 875,000 of which were cars, constituting 85% of its total production with the sector maintaining its positive and strong contribution to Turkey's economy.

## DOMESTIC MARKET DEMAND CONTRACTED IN 2018

With the markets affected by volatility in exchange rates and interest rates, the year 2018 proved a period when the automotive sector needed to be managed under a risk-oriented approach. In 2018, all segments, including cars, light commercial vehicles and heavy goods vehicles, experienced a contraction. On the other hand, the contraction in the commercial vehicle sector was steeper than the contraction in sales of cars.

In 2018, the truck and tow truck market, which ended 2017 in parallel with 2016 levels, witnessed a decline of 35%. Although the tow truck market displayed a better performance than the construction and transportation truck market, this was not enough to prevent the total contraction of the market. In the truck segment, the 6t-16t truck group, which is preferred mainly in cities, demonstrated a better performance than the total truck market.

The 3.5t chassis light truck segment contracted by 42% on the back of falling domestic demand.

The midibus and bus market, which exhibited a negative performance in 2016 and 2017, remained stagnant in 2018 as well.

## AUTOMOTIVE SECTOR SUFFERS 8.6% DECLINE IN TOTAL PRODUCTION IN 2018.

The total production of the automotive sector decreased by 8.6% in 2018 and the production of cars decreased by 10.2%. In this period, the total vehicle production in the sector stood at 1,550,000 units, including 1,026,000 cars. In 2018, the total automotive market contracted by 35% to be realized at 641,000 vehicles.

## PRODUCTION OF COMMERCIAL VEHICLES DOWN BY 5.3% IN 2018

Production of light commercial vehicles decreased by 6.0%, while production of heavy commercial vehicles increased by 5.6%. The main factor behind the rise in production of heavy commercial vehicles was the increase in exports of trucks. When compared to 2017, the commercial vehicle market contracted by 41.2% and the light commercial vehicle market by 42.3%. The contraction in the market for heavy commercial vehicles stood at 32.7%.

In 2018, the production of commercial vehicles carrying load and passengers decreased by 5.3%. On the basis of the product group, the changes in production were as follows:

- 35.5% decrease in small trucks
- 18% increase in large trucks
- 3.4% increase in minibuses
- 11.1% decrease in midibuses
- 7.1% decrease in light trucks/pick-ups
- 4.6% increase in buses

## STILL THE MOTOR DRIVING TURKEY'S EXPORT PERFORMANCE

According to the data provided by the Turkish Exporters Assembly, the Turkish automotive industry realized USD 31.6 billion of exports in 2018, marking an increase of 11% when compared to the previous year, with the sector breaking a new record in the history of the Turkish Republic.

At the same time, the automotive industry maintained its leading position among all sectors in the exports ranking.

A total of 443,722 commercial vehicles were exported in 2018. With this result, commercial vehicle exports increased by 7.8% compared to 2017. An analysis of export statistics finds that the biggest increase was realized in the truck segment with an increase of 85.6%, followed by the midibus segment (19.2%) and the bus segment (9.7%).

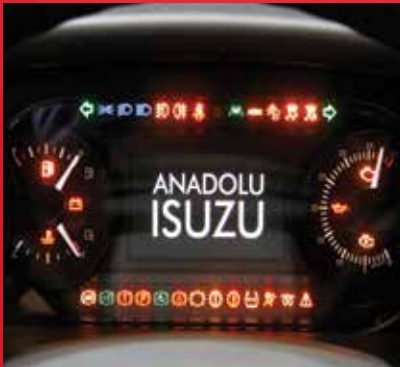
# In 2018

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## FOCUSING ON SUSTAINABLE GROWTH



In 2018, Anadolu Isuzu continued its activities in line with its global vision.

Turkey automotive market was stagnant under the volatile conditions affecting the global and national economy in 2018.

Anadolu Isuzu maintained its financial stability throughout the year and achieved a healthy operational performance.

## EVALUATION OF ACTIVITIES IN 2018

# In Summary

In 2018, Anadolu Isuzu continued its activities in line with its global vision. The Company's total revenue reached TL 1,188 million in 2018.

### MARKET SHARES

MIDIBUSES	TRUCKS	PICK-UPS	BUSES	LIGHT TRUCKS
<b>22.2%</b>	<b>9.9%</b> (Trucks 6t-16t 36.4%)	<b>10.4%</b>	<b>3.6%</b>	<b>6.9%</b>

In 2018, Anadolu Isuzu continued its activities in line with its global vision. The Company's total revenue reached TL 1,188 million in 2018.

Despite the volatility in global and national economic conditions and the sluggish situation in the automotive sector in 2018, Anadolu Isuzu maintained its financial stability and achieved a healthy operational performance.

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

Anadolu Isuzu's market shares by segment in the Turkish market at the end of 2018 were realized as follows:

Anadolu Isuzu again maintained its clear leading position in the 6t-16t truck segment in 2018 and increased its market share in the 3.5t chassis truck segment, which contracted by 2 percentage points to 42%. The total number of vehicles produced stood at 4,461 in 2018 with the Company's sales realized at 4,918 vehicles.



# Export Activities

While vehicle sales accounted for EUR 90.6 million of the Company's export revenues in 2018, the total revenue obtained from spare parts sales amounted to EUR 2.8 million.

## A NEW RECORD BROKEN WITH EUR 93 MILLION IN EXPORT REVENUES

Anadolu Isuzu exported 923 vehicles in 2018 and achieved export revenues of EUR 93 million. As a result, the Company increased its export revenues by 68% when compared to the previous year, breaking a new record in Anadolu Isuzu's history, and standing as a tangible reflection of the successful execution of the Company's strategy to "achieve strong export growth until 2020".

While vehicle sales accounted for EUR 90.6 million of the Company's export revenues in 2018, the total revenue obtained from spare parts sales amounted to EUR 2.8 million.

The bus was the flagship product in Anadolu Isuzu's export sales, accounting for 59% of total export sales.

In 2018, sales to 10 countries accounted for 91% of Anadolu Isuzu's total exports, with the top three countries (by sales) being Israel (21%), Romania (20%) and France (13%).



## STEADY GROWTH IN MARKET SHARE IN ITS SEGMENT IN THE EXPORT MARKET

Anadolu Isuzu completed the year 2018 as the leading exporter of busses and midibuses in Turkey.

Anadolu Isuzu significantly increased its export market share in unit terms in its segment when compared to 2017, to reach 35% - well ahead of its competitors.

## BUS EXPORTS MAINTAIN THEIR RISING TREND

Anadolu Isuzu achieved an increasing sales trend in both the bus and midibus product groups. This increase is evident especially in the Citiport model in the bus group and with the Novociti and NovoCiti Life models in the midibus group. Anadolu Isuzu maintained its title of leading exporter of midibuses, outperforming its competitors. Anadolu Isuzu commands a 60% market share in Turkey's midibus export market.

The development and diversification in the export geographical area continued in 2018.

## Export Activities

**In 2018, Anadolu Isuzu increased its market activity in different geographical regions, particularly in the Eastern and Western Europe and Africa. Anadolu Isuzu also carried out activities to enter the South American market.**

In 2018, Anadolu Isuzu increased its market activity in different geographical regions, particularly in the Eastern and Western Europe and Africa. Anadolu Isuzu also carried out activities to enter the South American market.

Anadolu Isuzu sold commercial vehicles and spare parts to a total of 23 countries in 2018.

The Western European market demonstrated remarkable development with a total revenue of EUR 37.2 million (2017: EUR 11.9 million). The proactive activities carried out in the African markets yielded produced concrete achievements. Sales to African markets, which had amounted to EUR 2 million in 2017, increased to EUR 6.4 million as a result of successful entries into new markets. Another region to demonstrate strong development was Eastern Europe, with sales to these markets amounting to EUR 38.3 million (2017: EUR 34.5 million).

### **ISRAEL BECOMES THE BIGGEST MARKET IN TERMS OF REVENUE AND UNIT SALES IN 2018.**

Within the scope of the contract for the delivery of 150 Citiport buses, Anadolu Isuzu delivered 102 vehicles to the country's leading bus fleet operator companies in 2018.

With this shipment, Anadolu Isuzu achieved a significant success in the 12

meter bus segment in the Israel market, and rose to 2nd rank. On the other hand, Anadolu Isuzu, which entered the sprinter segment with the Novo Ultra, sold 25 Novo Ultra to the largest operator of the vehicles in the country.

### **ISUZU NOVOCITI LIFE 2018 EUROPE DEMO TOUR**

The Europe Demo Tour 2018, which started on 6 September 2018 and continued for 50 days, offered an opportunity for new the Novociti Life midibuses to be introduced to local authorities and public transportation companies in the countries covered during the tour.

The Anadolu Isuzu Demo Tour, which started in Romania, continued with visits to Bulgaria, Denmark, Poland, Lithuania, Latvia, Estonia, Macedonia, Serbia, Montenegro, Bosnia and Herzegovina, Croatia, Slovenia, Greece, Albania, Hungary, Slovakia, the Czech Republic, Spain, Switzerland, Russia, France, Italy and finally Georgia. During this large event, potential buyers had the opportunity to see up close the superior technology, roadhandling, performance, safety and comfort of the Novociti Life.

The Demo Tour 2018, which covered a total of 20,000 km in 25 countries, provided a strong contribution to Anadolu Isuzu's export performance in 2018.

### **THE TURKISH BRAND TO SELL THE HIGHEST NUMBER OF VEHICLES TO FRANCE IN 2018**

In 2018, Anadolu Isuzu not only improved its presence in the export markets but also increased customer satisfaction in all countries.

In 2018, the company became the leader in France, which is one of the most competitive markets in Europe. In 2018, Anadolu Isuzu sold more vehicles in the 7-10 meter vehicle category to the French market than any other Turkish brand. A total of 126 vehicles were sold, including 90 vehicles in the 7-8 m category, and 36 vehicles in the 9-10 m category.

### **INTRODUCING AOS - ANADOLU ISUZU'S NEW BRAND - TO WORLD MARKETS**

Turkey's midibus export leader, Anadolu Isuzu, which has made a name for itself over many years by producing midibuses and buses in Turkey with a combination of its design capabilities, the efforts of Turkish engineers' efforts and the high level of domestic content for many years, aims to be more active in different geographical regions with its new brand, AOS.

Anadolu Isuzu aims to offer AOS-branded vehicles for sale in Russia, the UK, the USA and the Latin American countries in the first phase.



The launch of the AOS brand in international markets took place at the Busworld Fair held in Moscow, Russia on 23-25 October 2018, and at the Euro Bus Expo 2018 Fair held in Birmingham in the UK between 30 October and 1 November 2018.

**THE SOUGHT-AFTER BRAND IN PUBLIC TRANSPORTATION TENDERS**

Anadolu Isuzu further increased its success, which it achieved in public transportation tenders in 2017, also in 2018. It continued to be the sought-after brand of this field and accelerated its performance in 2018. In addition to vehicle quality and safety, Anadolu Isuzu’s high success in contract deliveries was instrumental in this performance.

**NEW TENDERS IN ROMANIA**

Anadolu Isuzu, which aims to achieve continuous strong growth in exports until 2020, delivered 92 Citiport vehicles to Romania’s IASI Municipality.

In 2018, Anadolu Isuzu won the large scale tender for the delivery of 104 vehicles for the Constanta Municipality, which was organized by the European Bank for Reconstruction and Development (EBRD). Anadolu Isuzu went on to win the tender held by the Sibiu Municipality to deliver 38 vehicles.

Anadolu Isuzu delivered 38 Isuzu Citiport vehicles to the Sibiu Municipality of Romania on the planned date. The Mayor of Sibiu, Astrid Fodor, and officials from Anadolu Isuzu participated in the ceremony held on 2 November and Anadolu Isuzu delivered the first 38 vehicles.

This took the number of vehicles for which Anadolu Isuzu signed sales contracts in Romania – its largest export market – up to 234.

**41 CUSTOMIZED ISUZU TURKUAZ BUSES FOR BULGARIA’S MINISTRY OF EDUCATION**

Anadolu Isuzu, which has been the preferred supplier for the Bulgarian Ministry of Education for more than 10 years, realized its first large-scale vehicle delivery of 2018 with the Isuzu Turkuaz. The Turkuaz buses, which will be used for personnel transportation in many big cities, especially Sofia, offer the highest level of comfort for both users and passengers.

**NEW ISUZU NOVOCITI LIFE CHOSEN BY POLAND’S LODZ MUNICIPALITY**

Developed at Anadolu Isuzu’s R&D center and manufactured at its factory in Turkey, the Company received an order for 25 of the Isuzu Novociti Life vehicles from Poland in 2018. The vehicles, to be produced at the end of 2018 will be introduced to the people of Lodz in the first half of 2019.

# Our exports performance...

## NUMBER OF VEHICLES SOLD

138

ROMANIA

132

FRANCE

119

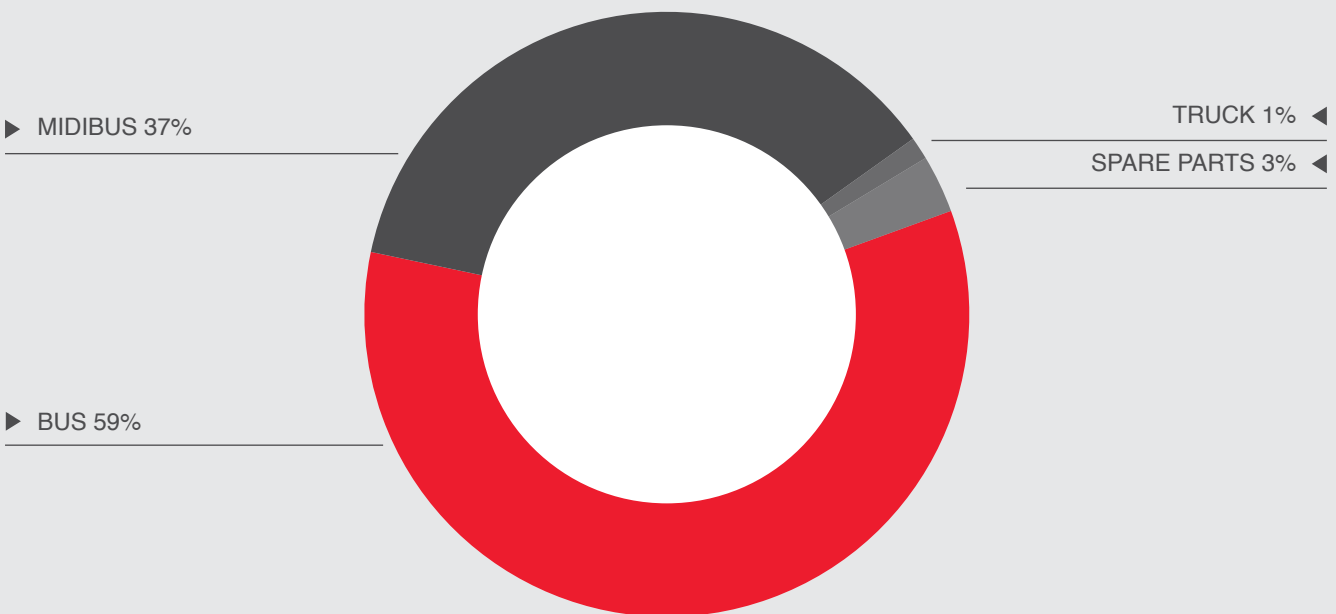
ISRAEL

108

AZERBAIJAN



## 2018 TURNOVER BREAKDOWN (segment based)



**In 2018,  
Anadolu Isuzu sold  
commercial vehicles  
and spare parts to a  
total of 23 countries.**



## Export Activities

### NEW DISTRIBUTOR COLLABORATIONS PLAY AN IMPORTANT ROLE IN EXPORTS.

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

As of the end of 2018, the Company, which has 32 distributors in more than 40 countries, aims to expand even further in the medium and long term. Anadolu Isuzu attaches great importance to synergetic cooperation with its international distributors who are a driving force of export activities. The Company ensures that its products become well-known and are rolled out in international markets through distributors, and the products are also sold through these channels.

In 2018, new distributor collaborations were established in markets such as England, Ireland, Ivory Coast, Taiwan, Togo and Andorra. The positive effect of this on the marketing and sales front has started to be observed.

### FIVE NEW ANADOLU ISUZU MODELS LAUNCHED AT THE IAA HANNOVER FAIR

Anadolu Isuzu carried out the first demonstration of its 5 new vehicles at the IAA Hannover 2018 Commercial Vehicle Fair, an event followed closely throughout the world. At the fair, held between 20 and 27 September 2018,

the Citiport 18, the Citiport 12 HyPer, the Novociti Life Premium, the Visigo HyPer, the Turquoise and Turkey's first 100% electric goods vehicle were presented to potential customers.

With its new vehicles, Anadolu Isuzu became one of the leading players of the IAA Hannover Fair, which bring state-of-the-art technologies, new models in the commercial vehicle sector and innovations in the transportation sector under a single roof.

19-21.04.2018	Busworld Turkey, İzmir, Turkey
23-25.04.2018	UITP Mena Transport Congress & Exhibition, Dubai, UAE
19-27.09.2018	IAA Commercial Vehicles, Hannover, Germany
26-28.09.2018	Plovdiv Vehicle, Plovdiv, Bulgaria
17-21.10.2018	Auto Car Expo, Lyon, France
17.21-10.2018	Transport Show, Paiania, Greece
23-25.10.2018	Busworld Russia, Moscow, Russia
23-25.10.2018	Trans Expo, Kielce, Poland
24-26.10.2018	IBE Vehicle, Rimini, Italy
30.10-01.11.2018	Euro Bus Expo, Birmingham, UK
17-18.11.2018	Bus Expo, Dublin, Ireland





# Marketing and Dealer Network Development Activities

## ANADOLU ISUZU CONTINUES TO DEVELOP ITS COMMUNICATION WITH ITS CUSTOMERS AND SERVICE PROCESSES.

Aiming to keep customer satisfaction at the highest level in every process from product to after sales, Anadolu Isuzu further developed its Customer Relationship Management infrastructure, BOSS, which it launched in 2017, with new modules in 2018.

Thanks to the new additions, customer movements can be monitored from mobile or tablet devices by the dealer working in the field. This development aims at increasing the effectiveness of customer communication, through which comprehensive data such as requests, status information and interview frequencies can be monitored from a single screen.

With The PDI (Pre Delivery Inspection), which is implemented both in the country and abroad, the final checks of vehicles are carried out over mobile or tablet devices, and flawless vehicles are delivered to the customer.

Anadolu Isuzu further developed its Customer Relationship Management infrastructure, BOSS, which it launched in 2017, with new modules in 2018.



## Marketing and Dealer Network Development Activities

In 2018, Anadolu Isuzu resolutely continued work on preparing the domestic dealer network for the future. The Company completed important infrastructure projects throughout the year.



Anadolu Isuzu organized all of its customer information systems in accordance with the Law on the Protection of Personal Data and the Law on Regulation of Electronic Commerce. Thanks to the program developed for the purpose of protecting customers' personal data, it completed the infrastructure preparations for conducting customer permission processes over digital media.

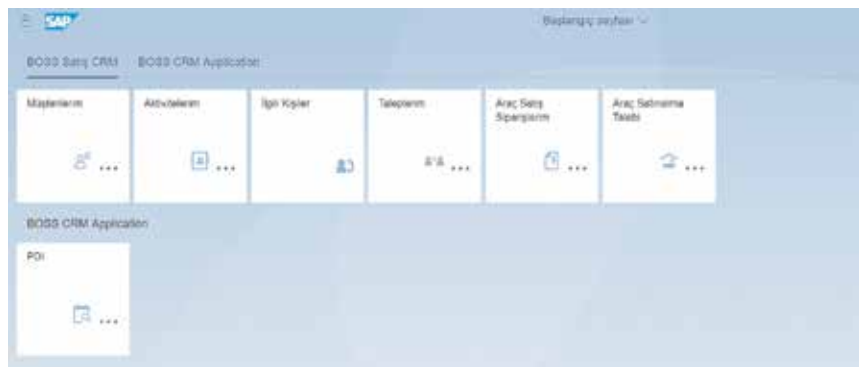
Anadolu Isuzu, which attaches importance to customer satisfaction, will continue to respond to the demands of its customers in the shortest duration with its 24/7 call center service.

### INFRASTRUCTURE WORK COMPLETED IN PREPARING THE DOMESTIC DEALER NETWORK FOR THE FUTURE.

In 2018, Anadolu Isuzu undertook an array of innovations for the dealer network development.

A series of actions such as renewing dealer standards, designing test driving standards according to current needs and improving the effectiveness and frequency of financial campaign solutions offered to customers in showrooms started to be implemented in 2018.

Anadolu Isuzu supported the flow of information to its dealers throughout the year with the reports within the scope of the Customer Relationship Management system, BOSS. It provided dealers with integration to the BOSS system, paving the way for them to complete the relevant training programs.



# After-Sales Services

Anadolu Isuzu is focused on resolving the demands and expectations of its customers in all segments where it offers services in the quickest and best way through its service network across Turkey.

## CONTINUOUSLY IMPROVED CUSTOMER SATISFACTION

Anadolu Isuzu is focused on resolving the demands and expectations of its customers in all segments where it offers services in the quickest and best way through its service network across Turkey. Believing that real service starts after the sale, Anadolu Isuzu continued to improve its after sales services organization in 2018.

The already high level of customer satisfaction was further improved in 2018. In the light of the results obtained from the 10,810 satisfaction surveys conducted with customers, Anadolu Isuzu maintained its high level of customer satisfaction in 2018.

The success of Anadolu Isuzu, which has achieved sustainable customer satisfaction, can largely be attributed to its extensive service network and after-sales service team, which sets itself apart with its dedicated time and effort.

As of the end of 2018, Anadolu Isuzu's domestic service network was comprised of 102 authorized service centers operating in 63 provinces. Anadolu Isuzu provides its customers abroad with high added value services through 118 authorized service providers in 31 countries.

**IN 31 COUNTRIES  
ABROAD**

**118**

**AUTHORIZED SERVICE  
CENTERS**

**IN 63 PROVINCES  
THROUGHOUT THE COUNTRY**

**102**

**AUTHORIZED SERVICE  
CENTERS**



# Supply Chain

In line with customer demands, the production of hundreds of different models in 5 different vehicle segments on 4 separate production lines at 2 plants positioned on the same location is provided with precise plans.

## A KEY FUNCTION THAT CONTRIBUTES TO ANADOLU ISUZU'S COMPETITIVE CLOUT

The supply chain activities of Anadolu Isuzu include 3 main functions.

- Production Planning
- Purchasing,
- Logistics

The Company's Supply Chain Directorate has set itself the target of contributing to the competitive clout of the company by meeting the changing and diversifying customer expectations and demands with the most cost effective way and in the shortest possible time.

In line with customer demands, the production of hundreds of different models in 5 different vehicle segments on 4 separate production lines at 2 plants positioned on the same location is provided with precise plans.

## A SUPPLY APPROACH IN LINE WITH PRODUCTION CONDITIONS

Anadolu Isuzu performs sales in mass production conditions for the truck, light truck and pick-up customers, while tailor-made production is mainly carried out for midibus and bus customers. The company has restructured all of its material requirement planning, procurement and integrated logistics systems in order to meet the needs of this trend fully and optimally.



Anadolu Isuzu is a company seeking to extend its horizons in exports. It realizes the majority of its exports to Europe, where the highest quality is expected. In this respect, the company selects the entire supply network from suppliers that will meet the high quality expectations of the target European market.

### 35,000 ITEMS AS DIFFERENT INPUTS

While a total of 20,000 imported and domestically produced items with different requirements are planned for production, 15,000 items were supplied to meet the requirements for spare parts.

### COOPERATION WITH 375 SUPPLIERS

In order to thrive in the fiercely competitive conditions which characterize the markets where the company operates, considerable importance is placed on supplying materials which are optimal on the axes of cost, quality and logistics. As of the end of 2018, Anadolu Isuzu was working with 300 suppliers in the country and 75 suppliers abroad.

Business relations have been continuing with 20% of suppliers for more than 30 years. Most of the domestic suppliers are based in the Marmara Region. The company has suppliers of strategic importance located in other geographical regions of Turkey, especially the Aegean region.

### EFFICIENCY ACHIEVED WITH THE MILK-RUN SYSTEM

Anadolu Isuzu deploys the Milk-Run system widely in the Marmara and Aegean regions with the aim of rendering its logistics performance sustainable at the highest level possible.

One of Anadolu Isuzu's main goals is to increase the domestication rate and maintain it at a high level in all manufactured products.

### THE INCREASING IMPORTANCE OF OVERLAND TRANSPORTATION

While most of the imports are provided by sea over Japan-Thailand, the variety and volume of supplies obtained from different geographical areas of the world is increasing day by day. In line with this, the ratio and importance of overland transportation among total transportation modes is increasing for Anadolu Isuzu. Air transportation only has a small share among supply modes.

Anadolu Isuzu provides services in 22 countries over 4 continents in export vehicle logistics, and in 25 countries over 3 continents in the spare parts logistics by providing complete integration with its customers in product delivery activities.

### WORK ON DEFENCE PROJECTS

In addition to exports, Anadolu Isuzu has started to take part in the defense projects as required by the Turkish Armed Forces. Within the scope of the development of domestic and national solutions in accordance with these projects, the Company has sought to direct its existing suppliers to this field and started joint R&D activities.

In addition to the existing means and capabilities of the supply portfolio, new sub-system manufacturers which are suitable for the needs of defense projects have been included in the system and their validation processes have been completed.

### STRIVING TO INCREASE EFFICIENCY FROM END TO END

The Anadolu Isuzu Supply Chain Directorate is closely following technological innovations in order to ensure optimization in the supply and logistics operations, and aims to increase efficiency through electronic monitoring and control systems.

With smart shelf and storage systems, online shipment tracking and one-to-one replenishment methods, the most suitable solutions are produced for today's needs.



# R&D at Anadolu Isuzu

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

## R&D IS ONE OF THE CORNERSTONES OF ANADOLU ISUZU'S STRATEGY.

Increasing competition in global and national arenas and rapidly evolving demand conditions increase the importance of R&D and innovation for all economic actors. R&D, which reduces companies' dependence on external resources, enables the development of innovative technologies and contributes to the national economy.

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

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

## ANADOLU ISUZU R&D CENTER: THE ONLY R&D CENTER WITH A JAPANESE PARTNER

As part of its corporate strategy, Anadolu Isuzu attaches special importance to R&D activities and continuously develops its investments in this field.

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

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

## FOR ANADOLU ISUZU, R&D IS A FUNCTION THAT CONTRIBUTES TO THE COMPANY'S PROFITABILITY AND ITS SUSTAINABLE FUTURE

The modern building of the R&D Center, with 6,220 m2 of enclosed area, houses one of the largest new test centers in Turkey and Europe, a prototype workshop, office and meeting areas.

The R&D Center Directorate, which operates under the General Manager within the company, consists of 2 departments, 4 groups and 19 teams, in which the following activities are carried out.

- New vehicle development,
- Product Verification
- Defense Industry
- Special Projects,
- Test Center and Validation services,
- Design Center,
- Production Engineering,
- Project Management.

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



### THE YEAR 2018 IN R&D - GAINS AND OBJECTIVES

The Anadolu Isuzu R&D Center rounded off 2018 by exceeding its targets.

### ANADOLU ISUZU WINS A DESIGN AWARDS

Anadolu Isuzu won three awards with its three vehicles in the category of vehicle at the A Design Awards that is an international design competition based in Italy.

The Visigo won the PLATINUM AWARD - the highest prize. The Citiport and Novociti Life were awarded with the second highest prize, the GOLDEN AWARD. Additionally, the Anadolu Isuzu design team was deemed worthy of THE INNOVATOR OF THE YEAR award in recognition of its design work and design perspectives.

### NEW PRODUCTS REALIZED WITH STRONG R&D SUPPORT

Anadolu Isuzu continued to develop and launch new products that responded to market and customer needs in 2018. These products included the 18 m Citiport, the Citiport Hyper, the Visigo Hyper and the Visigo RHD for the European public transportation market, as well as the company's first electric vehicle EV truck and Novociti Premium.

The Isuzu Novociti Life, which was developed at the Anadolu Isuzu R&D Center, mass production of which started in 2018, brings ease to the lives of disabled and elderly passengers with its low floor design. With the renewed infrastructure platform and rear engine, it offers a quieter and more comfortable ride. The entire design of the vehicle was developed by the Turkish design team at Anadolu Isuzu's R&D Center.

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

### ANADOLU ISUZU LEADS TURKEY'S AUTOMOTIVE SECTOR IN TERMS OF PATENTS

Anadolu Isuzu's products, services and R&D activities continued to win the acclaim of stakeholders in 2018 and scored highly in independent rankings. Anadolu Isuzu, the leader in Turkey's automotive industry in terms of patents, obtained the highest number of patents at the R&D center, with 276 patents. In 2018, the Company tabled applications for 78 patents, 29 design registrations and 22 utility models.

## R&D at Anadolu Isuzu



### **BOOSTING EXPORT PERFORMANCE WITH THE SUPPORT OF R&D EFFORTS**

The R&D team has intensively continued its efforts to support exports. Within this scope, studies have been carried out in existing and/or potential markets in the international market in 2018.

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

In addition to the information obtained, the tender specifications of potential markets were also examined. Work was stepped up to ensure that the vehicles being developed in Anadolu Isuzu's product portfolio were in line with current and potential customer requests. Within

this scope, the produced vehicles were developed by taking into consideration the tender delivery times, and designed to be safe, fast and high quality.

### **COLLABORATION WITH UNIVERSITIES AND CONFERENCES ATTENDED**

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

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

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

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

Staff from the R&D Center participated in many conferences in Turkey and abroad in 2018, contributing to the recognition of Anadolu Isuzu on national and international platforms, where they attended or took part in 9 conferences during the year where presentations were given.





The medium and long-term goal of the Anadolu Isuzu R&D Center is to further develop the studies that it conducts in synergistic cooperation and enhance the added value that it produces.

#### **TÜBİTAK (THE SCIENTIFIC AND TECHNOLOGICAL RESEARCH COUNCIL OF TURKEY) SUPPORT FOR AN INCREASING NUMBER OF PROJECTS...**

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

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

Anadolu Isuzu, which is conducting TEYDEB-supported projects, also provides opportunities for undergraduate and doctoral students to gain experience at the R&D Center within the scope of the collaboration between industry and academia.

Anadolu Isuzu started its first international project in 2018 and obtained the support of Eureka's ITEA cluster.

#### **GOALS FOR THE FUTURE**

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

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

The R&D Center, on the other hand, is focused on providing the necessary support to Anadolu Isuzu's work conducted in new segments such as the defense industry and electric vehicles.

# Production

**A 7% increase in efficiency was achieved at the truck plant when compared to the previous year, with a 6% increase at the bus factory.**

## LEAN PRODUCTION

Within the scope of Lean Production activities carried out within Anadolu Isuzu, the Company aims to meet customer demands by providing optimum production conditions in the shortest time with the least resources. At the same time, it aims to carry out analysis to minimize inventory costs, waste and customer dissatisfaction.

Lean manufacturing activities carried out within this scope are applied to the personnel of many institutions and at the work site in order to increase the efficiency in today's industry. Production efficiency has been ensured through line balancing, which is considered as a fundamental matter within the scope of work planning, and by identifying loss times and avoidable work.

In 2018, the Company carried out time and optimization studies, and production line balancing at the truck and bus plant, thus eliminating bottlenecks. In parallel with these efforts, efficiency was achieved in the production processes and a positive improvement was achieved in delivery speeds.



In 2018, at the truck plant, delivery speed increased by 16% compared to the previous year, with a 20% improvement achieved at the bus factory when compared to the last two years.

In 2018, a 7% increase in production efficiency was achieved at the truck plant when compared to the previous year, with a 6% improvement at the bus factory.



## KAIZEN

In 2018, Kaizen workshop projects were implemented at affordable prices and in a fast and fit-for-purpose manner using internal resources. The Anadolu Isuzu Kaizen Portal was put into practice and the reporting of the Kaizen activities process was moved to digital media with this software. The personnel or the operator carrying out Kaizen projects may prepare a report over the kiosks on the direct line and can view all data graphically and instantly. In addition, this data is automatically backed up in the database.

## ISUZU KAIZEN ACTIVITIES

System improvement activities, which are planned and completed under the main headings of efficiency, quality, ergonomics, cost reduction and process, are implemented through the Kaizen (Continuous Improvement) work, which is one of the important steps of the IMM (Isuzu Manufacturing Management) System. In the Kaizen project activities, obtaining ideas from employees at every level and incorporating employees into the process are important factors for generating effective and lasting solutions and ensuring the sustainability

## In 2018, Kaizen workshop projects were implemented at affordable prices and in a fast and fit-for-purpose manner by using internal resources.

of the application. Within the scope of the Kaizen activities carried out at our enterprise, technological investments that are worker and environmentally friendly are conducted proactively.

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

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

In 2018, efficiency, occupational safety, quality and cost savings were obtained through a total of 441 Kaizen applications.

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

The following Kaizen projects were implemented,

- Fuel Oil Refill tracking system
- Wheel lifting manipulator
- Glass assembly manipulator
- In-line parking sensor system
- Air leakage control system
- Dashboard breakdown tracking system (JIDOKA)
- Towing Vehicles with a Battery Powered Car
- Waste Weighing Tracking System

# Anadolu Isuzu and the Environment

Anadolu Isuzu aims to continuously improve the environmental performance of its production activities, products and services in line with its goal of continuous protection of the environment.

## ENVIRONMENTAL POLICY AT ANADOLU ISUZU

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

## THE ANADOLU ISUZU ENVIRONMENTAL MANAGEMENT SYSTEM

Anadolu Isuzu implements various projects, in which internal and external contexts are taken into consideration for the matters of climate change and consumption of natural resources. The Anadolu Isuzu Environmental Management System, which contributes to the organization to manage their own environmental problems and at the same time, to produce solutions about the issues of general interest, brings leadership, commitment, goals, risks and opportunities to the fore.

Setting out with the principle of Focused Kaizen (Kobetsu Kaizen) at Anadolu Isuzu, continuous improvement and sustainable efficiency studies are carried out by the employees on the processes. Within this scope, employees are assigned to take responsibility for fast determination and commissioning of projects.

## ANADOLU ISUZU SHARES ITS ENVIRONMENTAL PERFORMANCE WITH ITS EMPLOYEES.

Anadolu Isuzu continuously improves its environmental performance through the numerous projects and studies that it carries out. The Company shares the results of its environmental performance with its employees through the Environmental Bulletin, which is prepared with data from the preceding 3 months.

The projects inspired by the ideas of the employees on the environment at Anadolu Isuzu, where sustainability is adopted as a corporate culture, are evaluated and rewarded at competitions organized in certain periods.

## 19% IMPROVEMENT IN THE VOC EMISSION

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

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

Improvements were made in the use of chemical products in 2018, and solvent consumption amounts were brought under the control of a follow-up system. Product usage optimization was achieved in the paint process in the truck and bus groups and this significantly contributed to bringing VOC emissions and consumption of chemicals under control. Thanks to these efforts, the 2018 VOC values were improved by 19% compared to the previous year.

Anadolu Isuzu aims to lower the VOC limits to much lower values within the scope of the European Union climate change studies. In 2018 the company continued to conduct extensive work to the transition to new legal limits.

## CALCULATION OF GREENHOUSE GAS EMISSION VALUES FOR 2018 COMPLETED.

Anadolu Isuzu has focused on reducing energy consumption and greenhouse gas emissions at the Şekerpınar production site. In this context, the Company has carried out a number of activities aimed at minimizing the impact of its processes and products on the environment.



In 2018, the Anadolu Isuzu production plant continued to be a low-emission plant on the basis of current process and energy consumption data.

Work on Greenhouse gas reduction is conducted in parallel with the energy efficiency projects.

### **WATER CONSUMPTION PER VEHICLE CUT BY 12%.**

Environmental issues such as climate change and global warming are making it gradually more difficult to access available water resources. Anadolu Isuzu aims at the sustainability of water resources, which will gain more importance than all other resources in future periods, and in this vein conducts work to reduce water consumption in its processes.

The automation work in the garden irrigation system and the improvement projects implemented in the process bath changes have borne positive results in reducing water consumption. As a result of these efforts, the amount of water consumed per vehicle produced has been cut by 12% when compared to the arithmetic average of the last two years.

Anadolu Isuzu commissioned the Online Water Monitoring System in 2018, which will enable the monitoring of department based water consumption throughout the organization. The system is planned to create specific projects on a departmental basis.

### **REDUCTION IN VOLUME OF WATER ENTERING WASTEWATER TREATMENT PLANT.**

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

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

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

## Anadolu Isuzu and the Environment

**At Anadolu Isuzu, work is in ongoing to minimize the environmental impact of its processes and products with focus on reducing the energy consumption and greenhouse gas emissions of its production plant.**

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

In 2018, as a result of the improvement projects implemented in water consumption, a decrease in the amount of water entering our wastewater treatment plant and a reduction in the treatment chemical consumption was achieved.

### **30% REDUCTION IN WASTE OUTPUT PER VEHICLE**

Anadolu Isuzu implements a department-based waste inventory management system in order to incorporate the different departments at its plants into the waste reduction efforts. In this context, the implementation of line-based waste officers in production departments continued. Projects aimed at cutting waste arising from each department's own processes were implemented.

The roll out of waste reduction projects within the organization continued to have a positive impact on the efforts to reduce the amount of waste per vehicle. The waste reduction projects carried out on the Truck and Bus Paint Shop and Bus Main Assembly lines received the Anadolu Isuzu Environmental Awards.

### **The environmental projects implemented received third prize in the preliminary evaluation presentations of the Anadolu Group Bi-Fikir (an Idea).**

In addition, the environmental projects implemented received third prize in the preliminary evaluation presentations of the Anadolu Group Bi-Fikir (an Idea).

Anadolu Isuzu realized a 30% improvement in specific waste consumption per vehicle when compared to the figures for the last two years.

### **ENVIRONMENTAL AWARENESS SUPPORTED THROUGH TRAINING AND INFORMATIVE ACTIVITIES.**

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

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

In 2019, comprehensive efforts are planned with the aim of raising the awareness of stakeholders as well as the plant employees.



# Industry 4.0 and Digitalization Projects

Introduction

The digital transformation and Industry 4.0 efforts provide a faster adaptation of the changing implementation requirements in the production processes.

In 2018

## WORKING TO CONTINUOUSLY INCREASE EFFICIENCY IN THE PRODUCTION AND TRADE CYCLE

Digitalization efforts have carried out within the scope of Industry 4.0 at Anadolu Isuzu.

With the aim of more efficient business models, the Company continued to expand its digitalization activities throughout the plant, which enable each item of data to be collected and carefully monitored and analyzed, with the goal of creating a smart plant system.

The digital transformation and Industry 4.0 efforts provide a faster adaptation of the changing implementation requirements in the production processes. In this context, various projects are being carried out at the Anadolu Isuzu production campus.

## ON-LINE QUALITY REPORTING (DEALER PDI (PRE DELIVERY INSPECTION) SYSTEM)

In addition to the process quality reports developed, the Dealer PDI system was installed during 2018. The system is aimed at preventing incidences which could lead to customer complaints before delivery, and feedback was provided. The project represents an important step in the end-to-end holistic quality process.



## FQM (FIELD QUALITY MANAGEMENT) MODERNIZATION

With the developing and growing export network, capabilities to access and analyses data rapidly were stepped up. Accordingly, customer quality expectations and failures are analyzed and resolved in a more flawless and efficient manner.

In order to achieve the determined quality targets, work to roll out digital transformation activities throughout the plant and improve efficiency will continue in 2019.

## E-ARCHIVE

The project ensures that quality and production records are kept digitally, enabling rapid access to retrospective data, contributing significantly to traceability.

Corporate Governance

Financial Information

## Industry 4.0 and Digitalization Projects

In 2019, Anadolu Isuzu will continue its digital transformation efforts effectively. Within this scope, automation works for heating, ventilation and compressed air systems are carried out in order to increase energy efficiency in the plant.

### DIGITAL ACCESS TO OPERATION INSTRUCTIONS (PRODUCTION)

To enable operators to rapid access to instructions which they need for assembly operations, access to the operation instructions was provided from the kiosks used by each production group.

### OPERATOR MONITORING SYSTEM

The first stage of the operator monitoring system work for the preparation, reporting and follow-up of employees' qualifications, operational information, ergonomics measurement results and training plans was completed.

### FUEL FILLING AND AIR LEAK TEST

The digital transformation projects of the Fuel Filling System and Air Leak Test, which were developed by the Kaizen Workshop, and which will facilitate the follow-up, record and control operations in production, were realized with very low investment.





# IMM Global Leader Company

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

## IMM (ISUZU MANUFACTURING MANAGEMENT) GLOBAL LEADER COMPANY

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

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

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

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

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



certification that they may carry out quality production.

### IMM TRAINING

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

In 2018, employees received practical training on ergonomic movements, the muscular and skeletal system as well as assembly, painting and welding training.

### IMM AUDITS

In 2018, 31 internal audits were conducted within the framework of the IMM audits conducted across the Şekerpınar campus. All audits were carried out for all production lines at the truck and bus plant as in parallel to each other.

In 2018, work was stepped up on the 5S audits, the scope of which was developed and which were implemented in 2017. A total of 124 audits were conducted at the truck and bus plants in parallel with each other. These activities are expected to offer a significant contribution to a positive result of the ISUZU-J IMM audits in 2019.

# IMM Global Leader Company

## Activities aimed at meeting the training needs of employees continued in 2018 through the technical training and evaluation workshops established within Anadolu Isuzu.

### THE IMM CERTIFICATE

The IMM audit will be conducted by auditors from Isuzu-Japan in the first half of 2019.

### TECHNICAL TRAINING AT ANADOLU ISUZU-COMPETENCY/SKILL EVALUATION AND DEVELOPMENT ACTIVITIES

Activities aimed at meeting the training needs of employees continued in 2018 through the technical training and evaluation workshops established within Anadolu Isuzu.

Workshop-based technical training and activities, responding to the needs of Anadolu Isuzu, were carried out in the workshops. The training sessions, which were designed by taking the needs of the sector and expectations of export markets into consideration, were given by expert trainer staff.

### HEADLINES OF THE TRAININGS CARRIED OUT

- In order to increase the technical, financial and managerial skills (the soft skill set) of all supervisors, the Force of the Field training program was organized.
- Ergonomics, assembly, painting and welding training programs were provided in order to improve operator skills and knowledge levels.
- On-the-job training was provided in order to enable planning of personnel on the production lines. The majority of employees working in the truck and bus plants were subjected to rotation.
- Within the scope of completed ergonomics training and measurement, operator based improvement work is ongoing. Work to establish a Physiotherapy Center got underway.

During 2018;

- 667 operators were provided with ergonomics and hand-skills trainings, which were made compulsory for newly recruits.
- 217 operators received assembly training for torque and assembly equipment.
- Paint application technical trainings were provided for paint operators.

# The Anadolu Isuzu Energy Policy

The Anadolu Isuzu energy policy has adopted long-term environmental and economic sustainability as its main goal.

Anadolu Isuzu has adopted the following objectives

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

to increase the long-term environmental and economic sustainability of the activities by reducing energy consumption and cost

## ENERGY PERFORMANCE IN 2018

- A number of projects were implemented to increase energy efficiency at the plant, increasing energy efficiency by 10%.
- As a result of production being realized at a lower level than had been planned and the increase in unit prices in the energy market, consumption values per vehicle exceeded the targeted level.

## ANADOLU ISUZU IS FOCUSED ON CONTINUOUSLY IMPROVING ITS ENERGY PERFORMANCE.

Anadolu Isuzu is continuously seeking to improve its energy performance with the range of projects and applications which it implements. The Company, which considers energy performance to be a key component of competition on a global scale, always targets the better in this field.

In 2018, energy saving efforts continued at Anadolu Isuzu with work taken on potential improvements as well as the implementation of Quick-Win projects that produce quick results.

Anadolu Isuzu monitors energy consumption at different departments instantly over the energy system. Within the scope of this cycle, short-term, medium-term and long-term development / improvement activities are designed and implemented by identifying any problems that may be faced or potential areas for saving in energy consumption.

Consumption data pertaining to areas of the plant with high levels of energy consumption are shared daily with the department managers, who have the opportunity to evaluate energy performances immediately.

In 2018, departmental based training and information meetings were held in order to raise awareness of energy among Anadolu Isuzu employees.

## PROJECTS TO LOWER ENERGY CONSUMPTION PER VEHICLE PRODUCED

Anadolu Isuzu implemented electricity energy efficiency projects in different fields in 2018:

- Pump operation optimization,
- Air handling unit automation,
- Shortening working times of the bus paint shop and the cataphoresis line,
- Scalding water line insulation renovation work.

In 2018, Anadolu Isuzu actively took part in the Energy Efficiency Working Group of the Automotive Industry Association (OSD). Within the scope of the work, actions covering automotive industry plants – one of the issues highlighted in the National Energy Efficiency Action Plan - were evaluated.

# Human Resources

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

## ANADOLU ISUZU'S HUMAN RESOURCES MISSION

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

## ANADOLU ISUZU'S HUMAN RESOURCES VISION

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

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



Anadolu Isuzu attaches importance to its employees being global thinkers, who are open to teamwork and communication, who place importance on development and who can analyze and can take initiative. The company works under a business and customer oriented working principle while recognizing the qualifications of leadership, strategic thinking and managerial effectiveness as a priority for the executive candidates.

## AN APPROACH BASED ON EQUAL OPPORTUNITY, WHICH PROMOTES INNOVATION, AND DOES NOT DISCRIMINATE

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

The Company upholds equality of opportunity, which is included in the working principles of the Anadolu Group, and is applied unwaveringly. It ensures that the principle of equal opportunities

starts from the recruitment process of the employees and continues in all human resources applications including training, remuneration and in their careers. Diversity is encouraged. In addition to this, Anadolu Isuzu attaches tremendous importance on creativity and innovation.

### THE GOAL OF BEING A PREFERRED EMPLOYER

Anadolu Isuzu aims to be a preferred employer in all circumstances in the market through the human resources practices that it implements.

In 2018, a total of 802 people worked in Anadolu Isuzu, including 278 white collar employees and 524 blue collar employees. The total number of employees in the Company's R&D Center stood at 101 in the same period.

### SUPPORTING WOMEN'S PARTICIPATION IN WORK LIFE

The number of women working in Anadolu Isuzu increased by 16% (in terms of the total number of employees) in the last 2 years as a result of the employment approach that has been realized in line with the goal of providing equality between men and women.

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

### ANADOLU ISUZU'S PERFORMANCE MANAGEMENT SYSTEM

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

The Anadolu Isuzu Performance Management System aims to increase the performances of teams and individuals and develop their competencies. Contributing to the success of the company, the Performance Management System



focuses on the development of employees as well as business results, and provides feedback on all employees' strengths and areas which are open to improvement.

### CONTRIBUTIONS FROM ORGANIZATIONAL DEVELOPMENT ACTIVITIES

Always attaching importance to organizational development activities, Anadolu Isuzu continued to work on organizational designs that will also help the company achieve its strategic goals in 2018. In addition, the Company implemented new business models.

### A TOTAL OF 14,151 HOURS OF TRAINING PROVIDED TO EMPLOYEES

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

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

A total of 14,151 hours of training were given to employees at Anadolu Isuzu in 2018, with an average of 16.4 hours of training per person.

### HIGHLIGHTS FROM THE TRAINING ACTIVITIES CARRIED OUT IN 2018...

- Within the framework of vocational and competency-based training, training programs were given to employees of Anadolu Isuzu on topics such as Neuro Marketing, Stress Management, Strategic Negotiation, Efficiency Improvement and Cost Reduction and Risk Analysis.
- Training programs on the Design Oriented Thinking Approach, which is an innovation approach centered on being people-orientated and working together, and which enables matters to be solved in a creative, systematic and practical way, was organized.
- As required by developing a technological and competitive environment, the Development Program of the Power of the Site was initiated, which is focused on continuous improvement and development for supervisors, and which aims to reflect their gains to the work environment.
- The POTA Development Program, which has been continuing since 2014, continued to support the individual and competency-based development of employees.
- In order to increase the effectiveness of the performance evaluation process, training on Providing Effective Feedback was organized with the participation of all managers.

# Human Resources



## UNDERSTANDING THE IMPORTANCE OF INTERNAL COMMUNICATION AND EMPLOYEE SATISFACTION

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

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

Within the scope of an online application, surveys take place in order to obtain feedback and suggestions from employees on different subjects. This structure allows feedback on any subject at any time, where employees can take part in the surveys either from their smart phone or their computer. The online platform allows employees to convey their suggestions and wishes, and related suggestions are evaluated by the HR department and feedback is given to the employee.

Competitions were held in order to improve the environment and create a better environment within the scope of Environment Day, and to strengthen the perspective of the “zero accident”



goal and raise safety awareness in the Occupational Safety Week. Employees who took part in Anadolu Isuzu’s environmental projects and responded to the questions in the OHS knowledge competition were awarded within the scope of Isuzu Extraa.

On the World Theatre Day, a knowledge competition with a theatrical theme was held and employees who gave the correct answer received a ticket to the theatre as a gift. Separately, as part of efforts to promote a healthy life, employees who took 10,000 steps per day, and shared this information on social media, were rewarded.

Terrariums, which bring such added beauty to our lives, produced by women employees at Anadolu Isuzu within the scope of the Terrarium Atelier were exhibited at every corner of Anadolu Isuzu on International Women’s Day.

## SOCIAL DIALOGUE AWARD

The Social Dialogue Best Practice Competition was held at the Company within the scope of the Project on Improving Social Dialogue in Work Life which is carried out by the Ministry of Families, Labor and Social Services with the technical support of the International Labor Organization. In order to

contribute to the development of social dialogue mechanisms at the company level in Turkey, the competition was aimed at determining current company practices and supporting best practices by identifying them and introducing of them to the public.

The best practice competition on social dialogue at the company level was concluded with the evaluation of social dialogue mechanisms applied at work. Under this mechanism, the best companies were selected by evaluating innovative practices that go beyond the exchange of information, consultation, joint decision making, collective bargaining and the requirements of national legislation.

In line with the brief set out during the establishment of the social dialogue plan and the expectations of the employees, the internal communication strategy is based on being a company that cares about its employees, appreciates them, attaches value to them and which listens to their voices, interacts and socializes with them, provides them with sound experience and which develops the employees.

Anadolu Isuzu won first prize in the competition with its project implemented under the banner of “Power comes from the Heart” in the field of social dialogue. The Company aimed to make a difference with the project it designed with the “Power is comes from the Heart” approach. The Company supported the best practices in internal communication, through which this power arises, with training programs, events, volunteering projects, digital platforms, rewarding-appreciation systems and awareness projects.

### COOPERATION WITH İŞKUR (THE TURKISH EMPLOYMENT AGENCY)

During the technical visit organized within the scope of Trainer Trainings Program organized by İşkur, the technologies used were set out to İşkur consultants where they could discover the production areas.

### PROJECTS OF COLLABORATION BETWEEN INDUSTRY AND ACADEMIA

The aim of the projects of collaboration between industry and academia is to bring the qualified work force with potential into Anadolu Isuzu. Under the project, students in their final year at university are given long-term project internship opportunities and on-the-job training in various departments, and then have the chance to be employed in the company.

In 2018, 10 students were employed in the Production, Quality Control, Human Resources, Supply Chain and R&D departments. In addition, 60 students were provided with short-term internship opportunities during the summer term.

As a result of the cooperation entered into with the AIESEC, two foreign interns began employment in the Export Department.

Under the Chief Young Officer (CYO) program, which is the internship program structured on the basis of real work experience, four trainees implemented their projects in the Marketing and R&D departments.



The creation of voluntary brand ambassadors on the campus, achieved by increasing the company’s recognition among young talented individuals and which represent one of the most important resources for our customers, consumers and human resources, and the establishment of synergy by utilizing the fresh ideas these young talented individuals in the projects planned in line with the real business needs, were among the primary topics looked into during 2018.

### PROJECTS FOR COOPERATION BETWEEN VOCATIONAL SCHOOLS AND INDUSTRY

Within the scope of cooperation between vocational high schools and industry, a total of 35 final year students studying in industrial vocational high schools were offered internship opportunities at Anadolu Isuzu.

Anadolu Isuzu completed the first steps in the cooperation between the National Education and Industrialists in 2015 with the Paint Technologies Workshop, which was established at the Küçükyalı Vocational and Technical Anatolian High School.

The Anadolu Isuzu Paint Technologies Workshop project, which was implemented at the Küçükyalı Vocational and Technical High School in 2015, was also supported in 2018, and work

continued on raising the competence of the students.

The Company’s aim is to train qualified paint professionals who follow innovation and are willing to put new innovations into operation, who have knowledge of the practical applications together with the theoretical knowledge, who internalize the rules of occupational health and safety and act with a sense of environmental awareness. In 2018, a total of 36 students graduated from the project.

### PUBLICITY ACTIVITIES CONDUCTED AT UNIVERSITIES

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

The Tech Tour trip gave Anadolu Isuzu a chance to introduce itself to students and academics coming from many areas in Turkey and abroad. Visitors could learn more about Anadolu Isuzu through talks about the technologies used, tours of the R&D and production areas, and with questions answered by specialized and experienced staff.

At the Engineering Case Camp, executives from Company met the engineers of the future and introduced the world of Anadolu Isuzu with their inspirational speeches, and talked about technological trends.

## Human Resources



The Anadolu Isuzu R&D Center, R&D Design Process and Innovation approach were explained with examples to the young engineers at the Faculty of Mechanical Engineering at Karadeniz Technical University.

The experience of working at Anadolu Isuzu, as well as information about Anadolu Isuzu was explained in the Career Bus provided at the Yıldız Station, organized by the Yıldız Technical University Economics Club.

Executives who participated in the Automotive Days Event organized by the Kocaeli University Engineering Club spoke with students about work life and their careers.

The Company had the opportunity to interview more than 100 students through the Virtual Career Fair and Career Digital platforms, which the Company participated in on virtual media.

Also during the year, a plant tour was organized for Anadolu Foundation Scholars and students from Marmara University, Sakarya University, Kocaeli University, Yıldız Technical University, where information was shared about the activities at the plant, while specialist employees could also inform guests of their experiences.

### TRADE UNION RIGHTS AND COLLECTIVE BARGAINING AGREEMENT AT ANADOLU ISUZU

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

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

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

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

- To follow the demands, complaints and problems of blue collar employees,
- To represent employees in committees such as the Disciplinary Board and the Occupational Health and Safety Board, and to oversee their legal rights.

### VOCATIONAL QUALIFICATION CERTIFICATION ACTIVITIES

In accordance with the communiqué issued by the Ministry of Labor and Social Security, the Vocational Qualification Certification process was initiated at Anadolu Isuzu in 2016. Workshop-based training programs were carried out in order to train qualified personnel for positions in the automotive sector and to score the employees in regard to their work. As a result of the mastership and foreman certificates, obtained by operators working in the field of painting, a total of 106 operators were granted exemption from the Vocational Qualification Examinations. A total of 112 operators working at Anadolu Isuzu sat the Vocational Qualification Examinations in line with their job descriptions in the workshops where they work, and achieved success. After completing this process, operators were eligible for the professional qualification certificates approved by the Vocational Qualification Authority.

### BİFİKİR (AN IDEA) APPLICATION AND BİFİKİR (AN IDEA) FESTIVAL

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



## Anadolu Isuzu was delighted to rank highly in both the Explorer and Inventor categories in the 2018 grand final.

This platform is aimed at developing the creativity and innovation of the employees individually and as a team and to embed these features in the organizational culture.

### A STRONG SHOWING IN THE 2018 ANADOLU GROUP “BİFİKİR” (AN IDEA) FINAL

Anadolu Isuzu was delighted to rank highly in both the Explorer and Inventor categories in the 2018 grand final.

The Infra-Red Heater project was the winner in the Inventor category, in which projects related to the Product and Process Innovation competed, while the Safe Tracking Warning System won second prize in the Explorer category, where projects under the theme of Sustainable Organizational Development competed.

As part of BiFikir, Anadolu Isuzu was ranked in top place four times in succession, thus proving that innovation and creativity remain well established in the corporate culture.

Anadolu Isuzu will continue to transfer the creative and innovative ideas which it has initiated with the Quality Circle studies and which it has transformed into a corporate culture over time, where all employees in every area will participate in “BiFikir”.

### MORE THAN TL 3 MILLION IN TOTAL BENEFITS

Anadolu Isuzu always supports and encourages creative and innovative ideas which started with the activities of the Quality Circle and Kaizen, and which has become a corporate culture over time. Since 2014, the company has achieved more than TL 3 million in monetary benefit with more than 100 projects implemented

### AG AKADEMİ – THE DISTANCE LEARNING PLATFORM

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

A total of 437 Anadolu Isuzu employees were offered the opportunity to benefit from 30 different digital training programs and articles in 2018 through AG AKADEMİ, the distance education platform.

### ANADOLU ISUZU R&D CENTER

**101**  
TOTAL NUMBER OF  
EMPLOYEES

### ANADOLU ISUZU

**802**  
TOTAL NUMBER OF  
EMPLOYEES

# OHS/Employee Safety

Anadolu Isuzu is unwavering in its goal of ensuring the sustainability and continuous development of a healthy and safe working environment.

## THE ANADOLU ISUZU OCCUPATIONAL HEALTH AND SAFETY POLICY

The Anadolu Isuzu Occupational Health and Safety Management System is based on the joint participation and support of all employees.

In addition to fulfilling the obligations of the Occupational Health and Safety legislation and other requirements, we carry out work to create a safe work environment, to raise our employees' awareness of health and safety and to prevent work accidents, injuries and occupational diseases. We are aware of our responsibility to protect the health and safety of our subcontractors, suppliers and trainees who work at our plant, as well as visiting guests and all other stakeholders.

Anadolu Isuzu is committed to monitoring and supporting the sustainability and continuous improvement of a healthy and safe working environment with occupational health and safety targets, where hazards are eliminated and Occupational Health and Safety risks are reduced, thus ensuring continuous development. We also undertake kinds of work necessary to prevent any deterioration in the health of our employees.

## ANADOLU ISUZU'S OCCUPATIONAL HEALTH AND SAFETY TARGETS

Anadolu Isuzu has adopted the matter of human health and safety as a fundamental priority. The Company has adopted the unwavering goal of zero work accidents with the continuity of safe working areas and by raising employee awareness.

The Anadolu Isuzu plant, working with this target of a zero accident rate, reduces the IFR (Injury Frequency Rate) each year. Thanks to its focus on occupational safety and healthy work targets, the frequency of

accidents in 2018 decreased by 85% when compared to 2015 and by 30% compared to 2017.

Anadolu Isuzu's Injury Frequency Rate in 2018 was lower than the sector average. Zero work accidents and zero occupational disease are the most important targets in this vein.

With the near-miss notification on occupational health and safety, the working environment is assessed from an employee viewpoint and areas requiring improvement are identified on-site.



# Social Awareness Projects at Anadolu Isuzu

Introduction

In 2018

Corporate Governance

Financial Information

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

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

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

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

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

## **ANADOLU ISUZU EMPLOYEES HAVE VOLUNTARILY PARTICIPATED IN EDUCATION, ENVIRONMENT AND DISABILITY PROJECTS.**

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

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

Competitions were held with the aim of improving the environment in which we live and to help bring about a better environment within the scope of the Environment Day. Competitions were organized in order to reinforce the perspective of our goal of zero accidents and raising awareness of safety in the Occupational Safety Week.

Unused clothes, unread books, and unwanted toys were left in the colorful gift boxes at the lobby in the Anadolu Isuzu Head office, where the gifts would reach their new owners. By donating these gifts, employees could share in the joy not just of consuming but by producing and sharing.

The clothes and toys which were donated in the boxes were sent to the Anadolu Foundation.

## **HIGHLIGHTS FROM THE SOCIAL AWARENESS PROJECTS UNDERTAKEN BY ANADOLU ISUZU IN 2018.**

Within the scope of the work carried out by R&D team volunteers with their own means, the renovation of The Gebze Yıldırım Beyazıt Secondary School project was carried out.

## Social Awareness Projects at Anadolu Isuzu

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

With the support of volunteers, the education needs of children at the Hakkari Gelişen Village Aralık Hamlet primary school were met.

In cooperation with the Inter-University Animal Protection Community, volunteers from the Suadiye Rotary Club and Anadolu Isuzu came together to help stray animals in the Kurtköy forest. Within the scope of the event, shelters were built from waste wood to protect the stray animals from cold winter conditions.

Organized in cooperation with the Red Crescent Blood Center, the 17th Blood and Stem Cell Donation event was organized on 27<sup>th</sup> and 28<sup>th</sup> March. During the event, 71 units of blood were collected.

Under the We are Anadolu (Anatolia) project, which was launched with the aim of protecting children from the abuses committed by terror organizations and steering them away from bad habits by sharing cultural and common values and strengthening a sense of unity, 50 secondary school pupils from Ağrı were able to have direct production experience at Anadolu Isuzu.

During the event, organized in cooperation with the Kocaeli Chamber of Industry, certificates were obtained within the scope of the Let Waste Be Forests (Atıklar Orman Olsun) Project, which is aimed at the recycling of electronic wastes collected by Isuzu employees.



### THE ANADOLU ISUZU PAINT TECHNOLOGIES WORKSHOP

Within the scope of the collaboration between Vocational High Schools and Industry, vocational education was provided with significant support by establishing the Anadolu Isuzu Paint Technologies Workshop at the Küçükyalı Vocational and Technical Anatolian High School in 2015.

The aim of the Project is to train qualified paint professionals who follow innovation and are willing to bring them into operation, who are aware of the practical applications together with the theoretical knowledge, who adopt the rules of

occupational health and safety and act with environmental awareness. The project also contributes to the creation of the qualified human resources needed by the industrial sector.

Anadolu Isuzu continued its support for the project in 2018 and contributed to the development of the students' competencies. As of 2018, a total of 36 students had graduated from the workshop.



# Board of Directors



From left to right: Orhan Özer, Salih Metin Ecevit, Tuncay Özilhan, Recep Yılmaz Argüden, Ahmet Murat Selek, Ahmet Boyacıođlu

Toshiyuki Abe, Yasuyuki Nijima, Noriko Ishida did not participate in the photo shoot.  
Board of Directors resume information can be found on page 78.



From left to right: Efe Yazıcı, Hurşit Zorlu (Anadolu Grubu İcra Başkanı), Kamilhan Süleyman Yazıcı, Takuya Kawai, Rasih Engin Akçakoca, Talip Altuğ Aksoy,

# Board of Directors

## **Tuncay Özilhan** **Chairman**

Tuncay Özilhan was born in Kayseri. Mr. Özilhan studied in Saint-Joseph high school then graduated from the Faculty of Economics of İstanbul University. He has received his MBA degree from Long Island University in the United States. He has undertaken responsibilities such as General Director of Erciyas Brewery, Coordinator of the Beer Group and General Coordinator of the Anadolu Group. Mr. Özilhan acted as the CEO of the Anadolu Group from 1984 to February 2017. He is the Chairman of the Anadolu Group since May 2007. He has also been serving as Chairman of Anadolu Foundation as well as various Group companies Mr. Özilhan served as TÜSİAD's (Turkish Industrialist's and Businessmen's Association) Chairman from 2001 to 2003 and he is currently Chairman of its High Advisory Council. His other responsibilities include; Member of The Board and Chairman of the Turkish-Russian Business Council at the Foreign Economic Relations Board (DEİK), Honorary Consul for the Republic of Estonia and President of the Anadolu Efes Sports Club. Tuncay Özilhan holds Ministerial Medal by the Ministry Foreign Affairs of the Republic of Estonia and "The Order of the Rising Sun, Gold and Silver Star", constituting one of the most important orders awarded by Japanese government.

## **Kamilhan Süleyman Yazıcı** **Vice Chairman**

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

## **Talip Altuğ Aksoy** **Member**

T. Altuğ Aksoy received his bachelor's degree in economics from Oglethorpe University in USA. He began his career as Finance Assistant Specialist at Anadolu Group in 1995 and was appointed as a Finance Specialist in 1996. Mr. Aksoy worked as Human Resources and Treasury Specialist from 1998 to 2000. He served as Director of Sales and Marketing at Efes Invest from 2000 to 2003 and was appointed as the Director of Trade and Export at Efes Beer Group in January 2003. Continuing his career at the Group as the Director of Purchasing and Logistics from 2006, Mr. Aksoy was appointed Director of Supply Chain of Efes Beer Group in June 2008. In November 2011, he was appointed as Efes Turkey Managing Director and served in this position until January 2017. Mr. Aksoy still continues to serve as a Board Member in various Anadolu Group companies

## **Efe YAZICI** **Member**

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

## **Salih Metin Ecevit** **Member**

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



### **Rasih Engin Akçakoca** **Member**

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

### **Recep Yılmaz Argüden** **Üye**

Dr. Argüden is the Chairman of ARGE Consulting, a management consulting firm known for value creating strategies and institution building. He is also the Chairman of Rothschild investment bank in Turkey. His career spans the private sector, public sector, multinational institutions, NGOs, and academia. Dr. Argüden served on the boards of more than 50 national and international corporations. He is an adjunct Professor of Business Strategy; and an author of numerous books and a columnist focusing on business and strategy issues. He is a renowned governance expert and has been selected as a member of the Private Sector Advisory Group of the Global Corporate Governance Forum, as well as being the Vice-Chairman of the Public Governance Committee of the Business and Industry Advisory Committee (BIAC) to the OECD. He is also the founder of the non-profit Argüden Governance Academy. As the elected Chair of Local Networks Advisory Group he represents the National Networks at the Board of the UN Global Compact, the world's largest sustainability platform. He is an Eisenhower Fellow, a recipient of numerous leadership, distinguished citizenship and career awards, and was selected by the World Economic Forum, as a "Global Leader for Tomorrow" for his commitment to improving the state of the world.

### **Ahmet Boyacıoğlu** **Member**

Born in 1946, Ahmet Boyacıoğlu holds a bachelor's degree in Business Administration from the Middle East Technical University. Mr. Boyacıoğlu began his professional career with the Efes Beverage Group (Anadolu Efes) in 1973. He served in various positions from 1973 to 2005 including Bursa Region Sales Manager, Ege Biracılık ve Malt San. A.Ş. Sales Manager, Güney Biracılık ve Malt San. A.Ş. General Manager, Ege Biracılık ve Malt San. A.Ş. General Manager, Eastern Europe President, International Beer Operations Group President, and Strategy and Business Development Director. Mr. Boyacıoğlu was appointed as the President of the Efes Beer Group in May 2005 and retired on 1 February 2007. Currently, he is board member of some Anadolu Group companies

### **Takuya Kawai** **Member**

Takuya Kawai was born in 1973 in Osaka, Japan. After graduation from the Department of Economics at Tokyo Keio University, he worked as the sales representative in Middle East Automotive Department of Itochu Corporation between 2004-2005 and Vice President of the Vehicles Middle East Co. Bahrain and Vehicles Middle East FZCO Dubai. Later, he served as the labor officer in the Department of Building Machinery of Itochu Corporation Tokyo Isuzu between 2009-2010, corporate employee in Isuzu Motors Sales Ltd. between 2010-2014 and as the officer of marketing Turkish commercial vehicles in Itochu Corporation until September 2014. He is serving as the General Manager consultant in Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. since October 2014.

### **Toshiyuki Abe** **Member**

Born in 1960, Toshiyuki Abe graduated from Department of Electrical and Electronics Engineering of Sophia University and in 2009 he completed Senior Executive Program of Columbia Business School. He worked at Power Plant & Machinery Department of Itochu Corporation between 1983-1989, at Ankara Liaison Office between 1989-1994, again at Power Plant & Machinery Department between 1994-2000 and at Environment Power Infrastructure Projects Department between 2000-2004. Continuing his career in Itochu Corporation, Mr. Abe served respectively as Deputy General Manager and General Manager in Environment, Power Line Communication Group between 2004-2007, General Manager in Infrastructure & Utility Solution Group between 2007-2011, General Manager and Senior Officer in Nuclear Power Project Development Group between 2011-2017. Since April 2017, Mr. Abe is serving as Deputy Chief Operating Officer at Executive Counsellor at the Plant Project, Marine & Aerospace Division.

## Board of Directors

### **Yasuyuki Nijima** **Member**

Yasuyuki Nijima was born in Saitama, Japan. Graduated from the Department of Economics at Tokyo Keio University, he started his working career at Isuzu Motors Limited in 1983. After serving as Domestic Sales Manager, Group Leader In The Department Of Truck Body Business Development, Vice Manager Of Corporate Planning Department of American Isuzu Motors, Senior Executive in the department of Domestic Business Development, General Manager of Isuzu Network Co. Ltd. in the Department Of Domestic Business Development, General Manager of International Sales Department in Isuzu Motors Ltd. respectively, Yasuyuki Nijima continues his career as the Director of International Sales in Isuzu Motors Ltd.

### **Noriko Ishida** **Member**

Noriko Ishida was born in 1964 in Saitama, Japan. After graduating from Tokyo University, he started his career at Isuzu Motors Ltd. in Japan in 1987. Between 1987 and 2005, he served as a senior staff member at the Isuzu Power Train Sales Department, and as the Assistant General Manager at Isuzu Motors Europe between 2005-2013. Between 2013-2016, he worked as a group leader at the International Sales Department at Isuzu Motors Ltd., Noriko Ishida continues to serve as a General Manager at the Japan International Sales Department at Isuzu Motors Ltd.

### **Orhan Özer** **Independent Member**

Orhan Özer graduated from Middle East Technical University, Department of Business Administration in 1982. He worked as an executive in Oyak-Renault Otomobil A.Ş. between 1984-1986, as a manager at H.Ö. Sabancı Holding between 1986-1991 and Assistant General Manager at Goetze Istanbul Segman A.Ş. between 1991-1995. In 1995, he joined the Toyota family, worked as an Assistant General Manager from 1995 to 2002 at Toyota Otomobil Türkiye A.Ş. After serving as Vice-President at Toyota Motor Europe between 2002-2008, he continued to serve as Senior Assistant General Manager between 2008-2010 and as General Manager between 2010-2016 at Toyota Otomobil Türkiye A.Ş. Mr. Özer complies with all of the independent member requirements, defined in the Capital Markets Board (CMB) Corporate Governance Principles.

### **Ahmet Murat Selek** **Independent Member**

Murat Selek, received his bachelor degree in mechanical engineering from Boğaziçi University and completed his master's degree in Mechanical Engineering department at Cornell University (USA), started his career in 1983 as a Purchasing Specialist at Enka İnşaat. Mr. Selek worked respectively as Planning and Commercial Activities Manager in Çukurova Ziraat between 1986-1987, Project Coordinator and Foreign Purchasing Manager at Otoyol Sanayi A.Ş. between 1987-1992, Assistant General Manager in Marketing, Sales and After-Sales Services at Tofaş between 1992-2003. After serving as General Manager at Otoyol Sanayi A.Ş. between 2003-2007, at Karsan Otomotiv he served as CEO between 2008-2016 and as an advisor to BoD between 2016-2017. Mr. Selek continues to serve as a Strategy and Corporate Management Consultant. Mr. Selek complies with all of the independent member requirements, defined in the Capital Markets Board (CMB) Corporate Governance Principles.

# Senior Management



From left to right: Hasan Yusuf Teoman, Hakan Özenç, Selda Çelik, Hakan Kefoğlu, Tuğrul Arıkan, Arif Özer, Leyla Ayşegül Örs Bingöl, Mustafa Kemal Özer, Bora Öner

Senior management team resume information can be found on page 82.

# Senior Management

## **Bora Koçak** **President of the Automotive Group**

Born in Ankara in 1969, Bora Koçak graduated from Ankara Atatürk Anatolian High School in 1985 and Mechanical Engineering Department of Naval Academy in 1989 and completed Advanced Management Program at Harvard Business School in 2007. He served as Technical Officer Chief at technical management positions in the Navy between 1989 and 1996. Koçak served as Training Chief, After Sales Service Chief and After Sales Services Manager between 1996-1999, Kia Product Manager between 1999-2001, Honda-Kia-Lada Product Director between 2001-2005 at Çelik Motor Ticaret A.Ş. Between 2005-2008, he worked at Citroen Baylas Otomotiv A.Ş. as General Manager and he served as the General Manager of Mazda Motor Europe (Turkey) between 2008-2010. Bora Koçak joined Anadolu Group again in 2010 serving as General Manager of Çelik Motor Ticaret A.Ş. up to August 2016. As of August 2016 he is appointed as the Automotive Group President of Anadolu Group. Koçak is also a Board Member of Automotive Distributors Association (ODD) and MESS.

## **Yusuf Tuğrul Arıkan** **General Manager**

Born in 1963 in Germany, Y. Tuğrul Arıkan graduated from Business Administration Department at Boğaziçi University following his graduation from Sankt Georg Austrian High School. Starting his business career in 1986 at Pfizer İlaç A.Ş., Tuğrul Arıkan worked between the years 2002-2013 at Olmuksa A.Ş., a joint venture of Sabancı Holding and International Paper. In 2002, he assumed the duties as Financing Director and subsequently held the position of General Director at Olmuksa A.Ş. in 2007. Since 18 March 2013, he assumed duties within our Company as General Manager. He is a member of KalDer (EFQUA European Foundation for Quality Management), FEFCO (The European Federation of Corrugated Board), OMUD (Corrugated Cardboard Industrial Association), TURMEPA Deniz Temiz Derneği (Turkish Marine Environment Protection Association), Özel Sektör Gönüllüleri Derneği (Private Sector Volunteers Association of Turkey), İş Dünyası ve Sürdürülebilir Kalkınma Derneği (Business Council for Sustainable Development).

## **Bora Öner** **Chief Financial Officer**

Bora Öner was born in 1973 in İstanbul. He graduated in 1992 from Saint-Joseph High School and from Department of Economics in English at İstanbul University in 1997. After completing the Executive MBA master's program at Koç University in 2006, he completed General Management Program in 2007 at Bled School of Management Slovenia. Between 1998 and 2014, he held the positions of Financial Affairs Assistant Specialist, Financial Control Specialist, Financial Controller, Financial Control Manager and Financial Affairs Vice Coordinator, respectively at Anadolu Endüstri Holding. Since 2014, he holds the position of CFO at Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş.

## **Hakan Özenç** **Technical Director**

Hakan Özenç was born in 1968 in Gölcük. He graduated from Ankara Atatürk Anadolu High School in 1986 and from Department of Machinery Engineering at METU in 1990. He completed the Executive Development Program at Marmara University in 1999 and holds a master degree on Management from Sabancı University. Hakan Özenç held the positions of Quality Control Engineer, Quality Control Chief, Material Supply Chief, Bus Production Chief, Production Manager in 1994-2006 respectively, R&D Manager between 2007-2013 at Anadolu Isuzu. Since 2014, Hakan Özenç holds the position of Technical Director at Anadolu Isuzu responsible for Production, Quality Control, Production Planning and Stock Control Departments.

## **Hakan Kefoğlu** **Export Director**

Born in 1979 in İstanbul. He graduated from İstanbul German High School in 1998 and from the Business Administration Department at Koç University in 2003. Before joining Anadolu Isuzu, Hakan Kefoğlu held the position of Advisor at IBS between 2001 and 2004. He functioned as Foreign Trade Specialist and Foreign Trade Chief at Mey İçki from 2005 to 2009. Between 2009 and 2010, he assumed the duties of Export and National Chain Stores Manager at Doluca Şarapçılık. Functioning as Export Development Manager and Export Manager respectively between 2010 and 2015 at Anadolu Group, Kefoğlu assumed the duty of Export Director at Anadolu Isuzu in May 2015.

### **Hasan Yusuf Teoman** **Sales Director**

Born in 1965 in İstanbul, Yusuf Teoman graduated from Moda High School in 1982 and received his degree in mechanical engineering from İstanbul Technical University in 1987. He then completed the Business Management Certificate Program at Marmara University in 1988 and earned his MBA degree from Georgia College in 1990. From 1991 to 2002, he worked at Ram Dış Ticaret A.Ş. as Assistant Sales Coordinator, Regional Coordinator responsible for Iran, Israel, Syria, Jordan and Iraq operations, and Iran Project Coordinator. He was an Industry Manager at DHL Express (2002-2003), Export Manager, Project Coordinator, Sales and Marketing Director at Iveco Otoyo! Sanayi A.Ş. (2003-2008) and Business Development Director, After Sales Services Director and Sales Director at Iveco Araç Sanayi ve Ticaret A.Ş. (2008-2017). Mr. Teoman joined Anadolu Isuzu as Truck & Pick-Up Business Unit Director in May 2017 and has been serving as Sales Director since July 2018.

### **Mustafa Kemal Özer** **Supply Chain Director**

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

### **Arif Özer** **R&D Director**

Arif Özer was born in Frankfurt in 1971. He graduated from İzmit Technical High School in 1989 and Department of Mechanical Engineering at Yıldız Technical University in 1993. In 1996, he completed his master's degree in the field of Advanced Manufacturing Techniques at Salford University. Arif Özer held the positions of Material Supply Engineer, Quality Control Chief, Quality Control Manager, Material Supply Manager and After Sales Services Manager at Anadolu Isuzu between 1996-2013. Served as R&D Manager between 2013-2015, he functions as R&D Director at Anadolu Isuzu since May 2015.

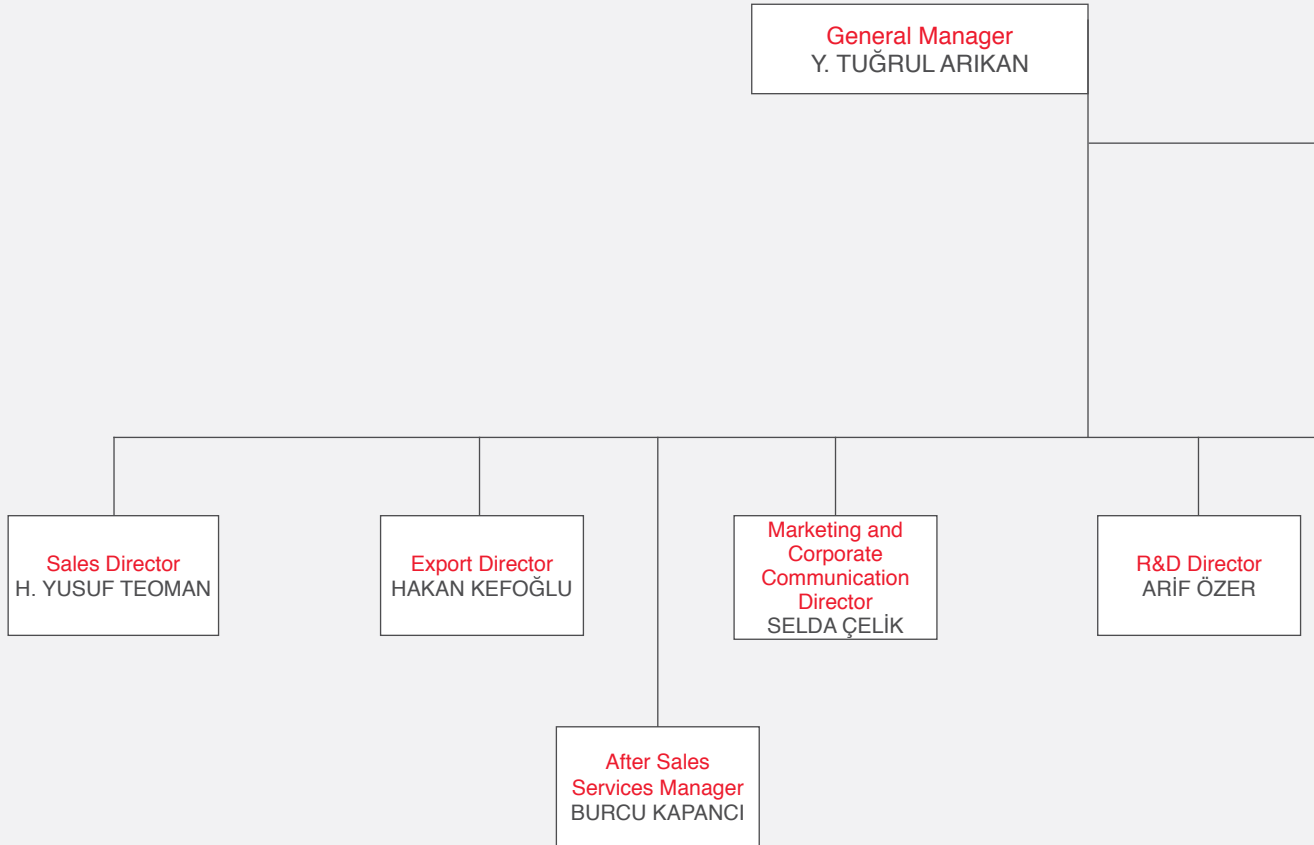
### **Selda Çelik** **Marketing and Corporate Communications Director**

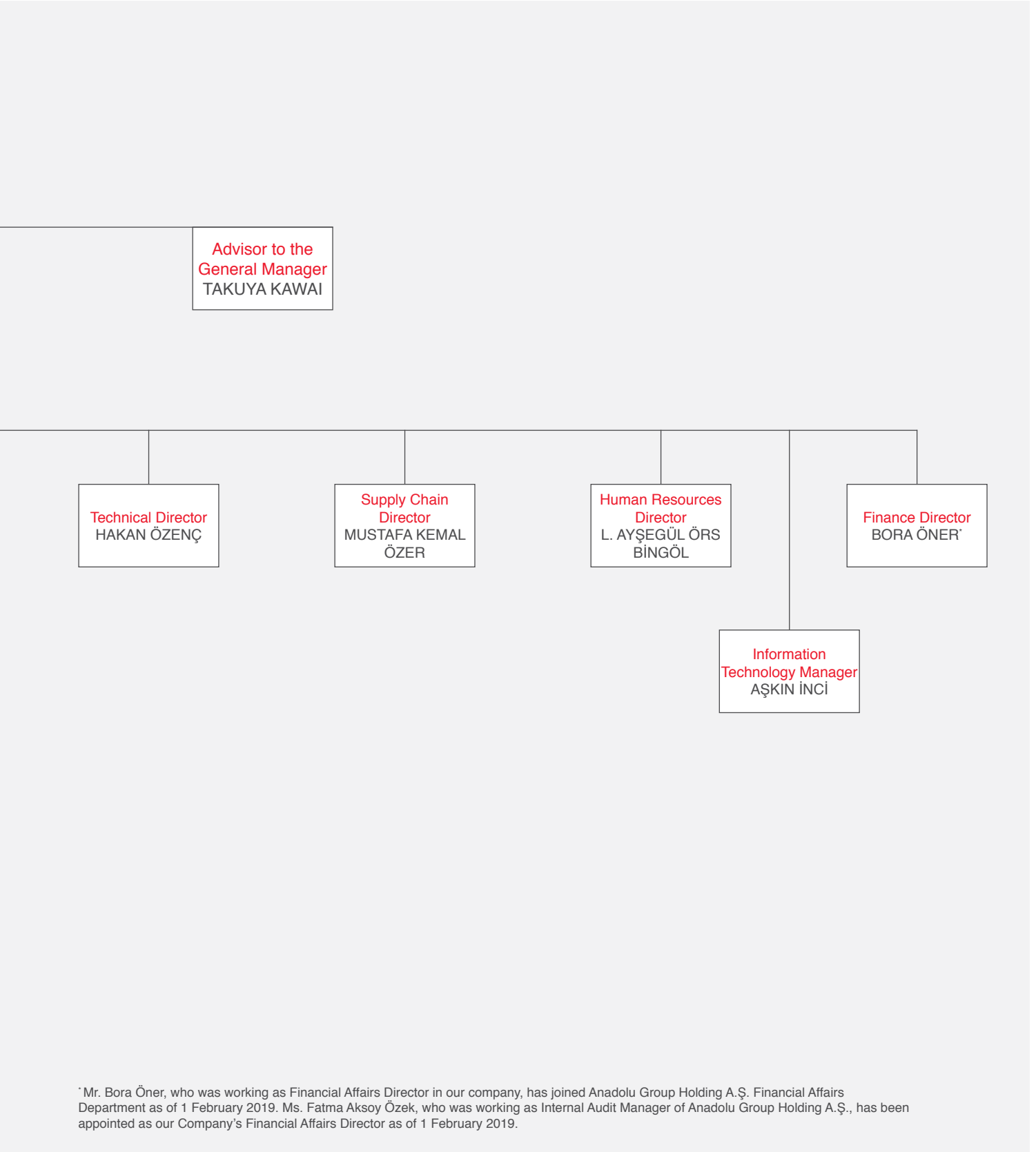
Selda Çelik was born in Kastamonu in 1981. She graduated from Ankara Batıkent High School in 1999 and Middle East Technical University, Department of Business Administration in 2004. She worked as a Tax Auditor at Pricewaterhouse Coopers between 2004-2005. Between the years 2005-2017, she respectively worked as the Marketing Specialist, Brand Manager, Marketing Manager, International Brands Group Marketing Director, International Efes Brands Director and Brand Director at Anadolu Efes. She worked as the Marketing and Corporate Communications Manager at Anadolu Isuzu since 2017.

### **Leyla Ayşegül Örs Bingöl** **Human Resources Director**

She was born in 1981, in İstanbul. She was graduated from Italian High School in 2000; from Middlesex University, Human Resources Management in 2004. She worked as Assistant Personnel Manager at Sofra Restaurant between 2001-2004, Researcher at Nicholson International between 2004-2005, Recruitment and Selection Manager at İzmir Tesco Kipa A.Ş. between 2005-2006. In our Group, she worked as Human Resources Specialist at Anadolu Endüstri Holding A.Ş. between 2007-2008, Human Resources Chief at Anadolu Endüstri Holding A.Ş. between 2008-2011, Human Resources Manager at Çelik Motor Ticaret A.Ş. between 2011-2015 and Human Resources Director at Anadolu Efes Turkey between 2015-2018. As of August 1, 2018, Mrs. Ayşegül Örs Bingöl is appointed as Anadolu Isuzu Human Resources Director.

# Organization Chart





\* Mr. Bora Öner, who was working as Financial Affairs Director in our company, has joined Anadolu Group Holding A.Ş. Financial Affairs Department as of 1 February 2019. Ms. Fatma Aksoy Özek, who was working as Internal Audit Manager of Anadolu Group Holding A.Ş., has been appointed as our Company's Financial Affairs Director as of 1 February 2019.

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

**INDEPENDENT AUDITOR’S REPORT ON THE MANAGEMENT’S ANNUAL REPORT**

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

**1) Opinion**

We have audited the annual report of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. (“the Company”) and its subsidiaries (“the Group”) for the period between 1 January- 31 December 2018.

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

**2) Basis for Opinion**

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

**3) Auditor’s Opinion for the Full Set Consolidated Financial Statements**

We have presented unqualified opinion for the Group’s full set consolidated financial statements for the period between 1 January- 31 December 2018 in our Auditor’s Report dated 5 March 2019.



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

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

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

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

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

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

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

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

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



**Burç Seven**  
Partner

**İstanbul, 11 March 2019**

# Other Information About Activities

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

### 1) GENERAL INFORMATION

Reporting Period	01.01.2018-31.12.2018
Corporate Name	Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş.
Trade Registration No:	173921
MERSIS (Central Trade Registry System) No:	0068006909500014
Head Office	Fatih Sultan Mehmet Mahallesi Balkan Caddesi No: 58 Buyaka E Blok Tepeüstü 34771 Ümraniye/İstanbul
Factory Office	Şekerpınar Mah. Otomotiv Caddesi No:2 41435 Çayırova/Kocaeli
Phone:	(90) 850 200 19 00
Fax:	(90) 262 658 85 56
Web Site	www.anadoluisuzu.com.tr

### Capital Structure

As of December 31, 2018, the Company's capital is TL 84,000,000. There has been no change in the capital amount in the current period.

As of 31 December 2018 shareholders' share amounts and ratios are as follows.

Shareholder	31.12.2017		31.12.2018	
	Share Amount	Share Ratio (%)	Share Amount	Share Ratio (%)
AG ANADOLU GRUBU HOLDİNG A.Ş.	46,535,401	55.40%	46,535,401	55.40%
ISUZU MOTORS LTD.	14,275,509	16.99%	14,275,509	16.99%
ITOCHE CORPORATION	10,706,534	12.74%	10,706,534	12.74%
OTHERS	12,482,556	14.87%	12,482,556	14.87%
TOTAL	84,000,000	100.00%	84,000,000	100.00%

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

The subsidiary and share ratio are as follows

Affiliate	31.12.2017	31.12.2018
	Share Ratio (%)	Share Ratio (%)
Ant Sınai ve Tic. Ürünleri Paz. A.Ş.	100.00%	100.00%

### 2) MANAGEMENT AND ORGANIZATION

#### Board of Directors:

The Board of Directors consists of fourteen people; one Chairman, a Deputy Chairman and twelve members. All Board members who are elected in Ordinary General Meeting on 17 April 2018 will be on duty until new Board of Directors are elected in the next Ordinary General Meeting.

Current Board Members and their job descriptions are as follows:

<b>Name-Surname</b>	<b>Title</b>
Tuncay ÖZİLHAN	Chairman
Kamilhan Süleyman YAZICI	Deputy Chairman
Talip Altuğ AKSOY	Member
Efe YAZICI	Member
Salih Metin ECEVİT	Member
Rasih Engin AKÇAKOCA	Member
Recep Yılmaz ARGÜDEN	Member
Ahmet BOYACIOĞLU	Member
Takuya KAWAI	Member
Toshiyuki ABE	Member
Yasuyuki NIIJIMA	Member
Noriko ISHIDA	Member
Orhan ÖZER	Independent Member
Ahmet Murat SELEK	Independent Member

### Information about Board Members and Outside Company Activities of Managers

There are no rules created by the Company that Board members should undertake other activities outside the Company but the regulations set in the Corporate Governance Principles are complied.

The Board of Directors has gathered 10 times in the interim.

### Committees formed by the Board Structure

In accordance with the provisions in the declaration about the Determination and Implementation of Turkish Commercial Law and Capital Markets Board's, Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee have been established in order to fulfill duties and responsibilities smoothly. Regulations on working principles have been published on our corporate website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

After election of new Board members on 17 April 2018 in Ordinary General Meeting, according to Corporate Governance Principles published by the Capital Markets Board with the Board of Directors' decision dated 20 May 2018, committee members are listed as follows.

### Corporate Governance Committee

Ahmet Murat Selek	Chairman
Kamilhan Süleyman Yazıcı	Member
Recep Yılmaz Argüden	Member
Ali Osman Mağal	Member

Nomination Committee and Compensation Committee's duties are performed by the Corporate Governance Committee.

Corporate Governance Committee has gathered 4 times during the year.

### Audit Committee

Orhan Özer	Chairman
Ahmet Murat Selek	Member

Audit Committee has gathered 4 times during the year.

## Other Information About Activities

### Early Detection of Risk Committee

Orhan Özer	Chairman
Talip Altuğ Aksoy	Member
Rasih Engin Akçakoca	Member

Early Detection of Risk Committee has gathered 2 times during the year.

### Company Management:

Employees in top management and their titles as of 31 December 2018 are as follows:

Name-Surname	Title
Bora Koçak	Automotive Group President
Yusuf Tuğrul Arıkan	General Manager
Bora Öner	Chief Financial Officer
Hakan Özenç	Technical Director
Arif Özer	R&D Director
Hasan Yusuf Teoman	Sales Director
Hakan Kefoğlu	Export Director
Mustafa Kemal Özer	Supply Chain Director
Ayşegül Örs Bingöl	Human Resources Director
Selda Çelik	Marketing and Corporate Communications Director

### Financial Benefits Provided to Top Management

Benefits provided to our senior executives in 2018 (salaries, bonus, social benefits, premium, severance and notice pay) is TL 9,184,708.

### Human Resource and Employment

Total employment in 2018 was 802 people, 278 white-collar workers and 524 blue-collar workers with a decrease by 8% compared to the previous year. (31 December 2017: 286 white-collar workers and 589 blue-collar workers, a total of 875).

### Internal Audit Activities

Internal Audit Manager are operatively connected to the General Manager, is also in direct contact with the Audit Committee.

The effectiveness of the Company's internal control system is also monitored by internal audits. The findings and identified risks obtained by the internal audit activity in 2018 are forwarded to the Company's top management and related departments with suggestions for improvement.

### Risk Management and Internal Audit System

Risk Management and Internal Control System in Anadolu Isuzu is the responsibility of Company Management and under their control. Corporate Risk Management, established to reassure and consult to the management, reports directly to the Early Detection of Risk Committee. Anadolu Isuzu's top management identifies significant opportunities and threats that may arise in the framework of Corporate Risk Management and manages them according to the risk appetite of the Company. Corporate Risk Management is a systematic and disciplined process established to determine the business strategies of Anadolu Isuzu which is affected by all Company employees and covers Company's all implementations.

The risks that may arise in terms of reaching the Company's targets are submitted for management's consideration with the coordination of Corporate Risk Management and prior risks are identified. Prior risks and action plans to mitigate these risks are shared with Early Detection of Risk Committee to be presented to Board of Directors. The management and continuity of this process, integrated with strategic business plans, is supported by a technological infrastructure in use.

A number of methods are used to manage our risks are as follows:

Performance and risk indicators are used as early warning system to monitor the risks and to take measures on time.

SAP system that integrates to all processes within the Company is an effective technological decision support system used for this purpose.

With this usage, activity results are followed instantaneously, therefore the human error was eliminated and early detection of risks and the effectiveness of internal control systems have increased. At the same time, internal communication system with advanced technology enables to intervene and create solutions for the problems.

Business continuity and crisis management activities are carried out with a support of an efficient insurance management in order to prevent and reduce losses caused by natural risks, supply chain problems.

In any exceptional circumstances, in order to the systems are not affected and avoid the data loss, investments are made for data backup system.

At the same time, environmental factors and exceptional circumstances are being investigated and instant measures are taken to minimize the risk permanently.

Internal Audit Department, within the framework of the audit plan based on risk, reviewing the Company's risk management and internal control system regularly in order to achieve the following and reports to the Audit Committee and Company Management:

The accuracy and reliability of financial and operational information

Effectiveness and efficiency of operations

Protection of Company assets

Ensuring compliance with law, regulations and contracts.

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

Board of Directors has chosen DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (member of Deloitte Touche Tohmatsu Limited) as the independent auditor covering the fiscal year of 2018, as a result of the evaluation, also with the opinion of the Audit Committee, in accordance with the Turkish Commercial Code and Capital Market regulations. Board's decision was approved by the Ordinary General Meeting held on 17 April 2018.

### **Forward-Looking Assessments**

While trade wars threaten the global economy, the increasing protectionist tendencies in foreign trade, tightening monetary policies, geopolitical risks and the Brexit process have all raised uncertainty surrounding global economic policies, which will also stand out as the risk factors in global markets again in 2019.

The decision to hold an election, announced in April, the deterioration in relations between Turkey and the US, and sanctions imposed by the USA in the form of additional customs tariffs put pressure on the currency and pushed inflation higher during the year. The USD / TL exchange rate which increased by 39% during year from 3.77 at the beginning of the year to 5.26 at the end, while the annual rate of inflation increased from 11.9% to 20.3% due to high dependence on imported inputs. Even though the exchange rate and inflation started to settle in the last quarter, the uncertainty surrounding the global economy and geopolitical risk factors kept the currency under pressure, while the cautious approach to inflation is expected to balance the upward pressure.

The balancing process that became evident with the decline in industrial production and imports in Turkey's economy in the last quarter of 2018 is expected to continue in the first two quarters of 2019.

In the second half of the year, there are strong expectations that Turkey's economy will enter a process of moderate recovery.

In the international markets, the Company is aiming to strengthen its existing position, to maintain its leadership in the exportation in the midibus segment, and to grow its sales in the bus segment by participating in tenders. Work is underway to increase the number of export destination countries and the amount generated on exports by way of penetrating new markets benefiting also from the global sales network of our partner, Isuzu Motors Ltd.

## Other Information About Activities

Anadolu Isuzu will aim to expand its product portfolio and increase the profitability levels with effective R&D projects. At the same time, in 2019 the Company is intending to expand the activities of the test center operating under the R&D Center, which offers service to various companies engaged in the same or other sectors.

### Investments in 2018

#### Investments for Tangible Fixed Assets

Description (TL)	2018
Land and Land Improvements	16,764
Buildings	38,200
Plant, Machinery and Equipment	9,055,660
Vehicles	2,098,964
Furniture and Fixtures	46,432
Construction in Progress	2,219,218
<b>Total Tangible Fixed Assets Investments</b>	<b>13,475,238</b>

#### Intangible Fixed Assets

Description (TL)	2018
Rights	438,213
Other Intangible Fixed Assets	3,154,318
Construction in Progress	38,201,162
<b>Total Intangible Fixed Asset Investments</b>	<b>41,793,693</b>

### Financial Results

Showing the operating results in 2018 and financial statements by dependent audit company and explanatory notes are presented for your attention in the related parts of Annual Report.

Anadolu Isuzu's total assets increased by 10% compared to the previous year and reached TL 1,606 million, while the Company's revenue rose by 23% to TL 1,187.9 million.

Compared to 2017, gross profit increased by 54% to TL 193 million, while TL 48.7 million was booked in operating profit and TL 67.2 million was posted in net loss.

Our Company closely monitors financial risks and pays attention to keep these risks within the limits set by the Board and the Audit Committee. The basic policies implemented on the various risks, the nature and the level of the risks are disclosed in the footnotes of the financial reports.

Financial Data (TL)	2018	2017
Revenue	1,187,862,785	963,126,462
Gross Profit	193,028,440	124,964,542
Operating Profit	48,670,438	2,108,003
EBITDA	81,824,403	28,818,636
Profit before Tax	(80,679,954)	(68,292,697)
Net Profit (Attributable to the Owners of the Parent)	(67,225,774)	(48,388,364)
Shareholders' Equity (Belonging to the Parent)	557,920,886	628,126,018

<b>Profitability Ratios (%)</b>	2018	2017
Gross Profit Margin	16.30%	13.00%
Operating Profit Margin	4.10%	0.20%
Net Profit Margin	-5.70%	-5.00%
Return on Equity	-12.00%	-7.70%
Operational Expenses/Net Sales	12.20%	12.80%
Financial Expense/Net Sales	-10.90%	-7.30%
EBITDA Ratio	6.90%	3.00%
<b>Current Ratios</b>	31.12.2018	31.12.2017
Current Ratio	1.04	1.38
Cash Ratio	0.11	0.17
Liquidity Ratio	0.51	0.81
<b>Solvency Ratios</b>	31.12.2018	31.12.2017
Total Trade Payables/Equity	57.40%	47.30%
Total Financial Liabilities/Equity	115.20%	68.90%
(Total Trade Payables + Total Financial Liabilities) Equity	172.60%	116.20%
Total Liabilities/Total Assets	65.30%	56.80%
Equity/Total Assets	34.70%	43.20%
<b>Market Value (TL)</b>	31.12.2018	31.12.2017
ASUZU	519,120,000	764,400,000

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

#### Changes in the Articles of Association in 2018

None.

#### Production

Our Company continued production in pick-up, truck, light truck, midibus and bus segments in 2018. The production figures went down by 30% in 2018 to stand at 4,461 in the aggregate.

<b>Production</b>	2018	2017
Truck	1,517	2,569
Light Truck	560	922
Pick-up	891	1,620
Midibus and Bus	1,493	1,255
<b>Total Production</b>	<b>4,461</b>	<b>6,366</b>

## Other Information About Activities

### Domestic Sales - Export

Anadolu Isuzu operates sales activities with 29 dealers country wide. In 2018, a total of 4,918 vehicles were sold, of which 3,995 to domestic market and 923 to foreign markets. The Company's sales volume decreased by 26% in comparison with the previous year in terms of quantity.

<b>Domestic Sales</b>	2018	2017
Truck	1,250	2,688
Light Truck	657	806
Pick-up	1,440	1,800
Midibus and Bus	648	785
<b>Total Domestic Sales</b>	<b>3,995</b>	<b>6,079</b>

During this period, export sales increased by 54% compared to the previous year. The development and diversification of the region continued, while the opportunities that may arise due to the conjuncture, were evaluated.

<b>Export</b>	2018	2017
Number of Vehicles	923	599

### After Sales Services

Anadolu Isuzu's goal is to resolve its customers' after-sales needs and expectations in all segments of the automotive industry where it offers services, in the quickest and most effective way through its service network across Turkey.

#### Improving customer satisfaction

Anadolu Isuzu's goal is to resolve its customers' after-sales needs and expectations in all segments of the automotive industry where it offers services, in the quickest and most effective way through its service network across Turkey.

Anadolu Isuzu, which believes that the real service starts after the sale, continued to develop its after-sales services in 2018.

The already high level of customer satisfaction was further improved in 2018. In the light of the results obtained from the 10,810 satisfaction surveys conducted with customers, Anadolu Isuzu maintained its high level of customer satisfaction in 2018.

The widespread service network and the after-sales service team, which is distinguished by its dedicated efforts, have greatly contributed to the success of Anadolu Isuzu, which has achieved sustainable customer satisfaction.

At the end of 2018, Anadolu Isuzu's domestic service network consisted of 102 service points operating in 63 provinces. Anadolu Isuzu provides services to the vehicles it produces through 118 authorized service providers in 31 countries.

### Other Information and Activities

- There are no administrative and judicial sanctions neither on the Company nor the governing body unless there is something against legislative provisions.
- Our Company's 2017 Ordinary General Meeting was held on 17 April 2018. The decisions taken in the General Meeting and meeting records are published on our web site and the Public Disclosure Platform. Our Ordinary General Meeting on 2 May 2018 has been registered by Istanbul Trade Registry Office. All decisions taken in the Ordinary General Meeting on 17 April 2018 were applied. During the year Extraordinary General Meeting wasn't held.
- There wasn't any recorded lawsuit against the Company that may affect the financial condition and operations of the Company. The provisions for lawsuits brought against our Company as of 31 December 2018 and not finalized as of balance sheet date are disclosed in the footnotes in our financial statements.



- There are no special inspections carried out during the accounting period. There is no accrued transaction following the public scrutiny.
- There is no legal action taken for the benefit of our main partners and their affiliates, with the guidance of our partners. There is no taken or avoided measure for the benefit of our main partners or their affiliate companies (TCC Regulations Art. 11th).
- The Company hasn't acquired its own shares during the period.

### 3) ACTIVITIES AFTER BALANCE SHEET DATE

Mr. Bora ÖNER, who served as the Director of Finance at our Company, will continue his work within the Financial Affairs Directorate of Anadolu Group Holding A.Ş. with effect from 1 February 2019. Ms. Fatma AKSOY ÖZEK, who had been working as the Internal Audit Manager in the Audit Department of Anadolu Grubu Holding A.Ş., was appointed as the Financial Affairs Director with effect from 1 February 2019.

### 4) DIVIDEND DISTRIBUTION POLICY

Our Company pays dividends regarding the Turkish Commercial Law provisions, Capital Market Regulations, Tax Regulations, other relevant regulations and the article about dividend in Articles of Association.

Our Company, at least 50% of its distributable profit distributes as cash and/or bonus shares every year.

To maintain this distribution policy is among the main objectives of our Company except special cases like investments, funds and extraordinary developments in economic conditions required for long-term growth of the Company.

Individual decision taken by the Board of Directors on dividends for each fiscal year and presented to the General Meeting for approval. Commencement of dividend distribution, at latest until the end of the year the General Meeting held, is determined by the General Meeting. The Company can consider the payment of dividends in advance or distribute dividends in equal or different installments in accordance with legislation provisions.

This policy was decided to be treated as a written policy since 2005 within the framework of harmonization process in Corporate Governance Principles. It was approved by Board of Directors' decision dated 21 March 2014 according to the Capital Markets' II - 19.1 no. dividend notification and the revised dividend policy which was published on the same date on Public Disclosure Platform, was approved by the General Meeting, dated 17 April 2014.

No profit was distributed in 2018 since the Company booked losses in 2016 and 2017.

# 2018 Affiliate Report

## **ANADOLU ISUZU OTOMOTİV SANAYİİ VE TİCARET A.Ş. BOARD OF DIRECTORS OF ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.**

### **2018 AFFILIATE REPORT PREPARED DUE TO ARTICLE 199 OF TURKISH TRADE LAW**

Board of Directors of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. is obliged to provide a report about its relationship with the controlling shareholder and its affiliated companies during the past year of operation, in the first three months of operations in accordance with the article 199 of Turkish Commercial Law no. 6102 which is effectuated on 1 July 2012.

Required disclosures about the transactions of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. with related parties are in the footnotes of the financial reports no. 26.

The report dated 11 March 2019 prepared by the Board of Directors of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. states the following: "Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. has not performed any transactions with its controlling shareholders and subsidiaries of these controlling shareholders with the guidance of the controlling company or with the intention to obtain results in its own favor or that of any of its subsidiary companies; no measures were taken or avoided in favor of the controlling company or any of its subsidiary companies; in 2017, in accordance with the circumstances known to us, proper counter acts were gained at arm's length in every transaction the Company made with its controlling shareholder and subsidiaries of the controlling shareholder in order to sustain the competitiveness of the operation in the current market at the time of the transaction; no measures were taken or avoided in favor of the controlling shareholder of our Company and the subsidiary companies of the controlling shareholder, which might result in a loss for the Company and there are no transactions or measures which may require offsetting within this framework."

# Corporate Governance

## SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

### 1. Corporate Governance Principles Compliance Statement

All activities of our Company are carried out in line with all legal regulations and "Corporate Governance Principles" which are regulated by the CMB (Capital Markets Board). In our Corporate Governance Principles Compliance Report we include reasoned descriptions regarding incidents in which principles were not applied, if any, along with information regarding Company practices for each subject addressed in the Corporate Governance Principles, conflicts of interest which occurred due to not complying completely with such principles, if any and explanations regarding whether our Company has a plan to make changes in line with management practices principles in the future.

Our Company adopted it a strategic necessity to take all the required precautions to be in compliance with the requirements of the "Corporate Governance Principles" announced by the Capital Markets Board to the public. Our Company complied with the "Corporate Governance Principles" issued by the CMB, excluding some principles apart from the principles which are stated below and with which we must comply during the financial period between 1 January 2018 and 31 December 2018. There is no conflict of interest resulting from unimplemented items listed below. In addition, the Corporate Governance Compliance Report and the Corporate Governance Information Form, which were prepared in accordance with the CMB's resolution dated 10 January 2019 and numbered 2/49, can be accessed from the Corporate Governance tab on the Public Disclosure Platform.

(<https://www.kap.org.tr/sirket-bilgileri/ozet/861-anadolu-isuzu-otomotiv-sanayi-ve-ticaret-a-s>)

- According to the Article no. 4.6.5 of the Corporate Governance Principles, wages and all other benefits granted to top managers with administrative responsibility as well as members of the Board of Directors are disclosed to the public through the annual activity report. However, as in the previous years, the statement won't be on personal basis, but it will be made in a way to provide differentiation for Board of Directors and managers with administrative responsibility.
- Due to the fact that there is no available written indemnity policy which must be created for personnel as per Article No 3.1.2 of our Company's "Corporate Governance Principles", we pay the utmost attention to protect our employees' indemnity rights, not only within the scope of principles in the Anadolu Group Working Principles but also the Labor Law which we are obliged to comply.
- Our Company has adopted the principle of ensuring that at least 25% of the members of the Board of Directors as the corporate governance principle. Our Company has currently one female board member and will continue to work on this issue in the coming periods.
- Apart from special situations and notes, financial statement declarations which must be disclosed to the public according to the capital markets legislation are not currently explained in English in addition to Turkish in KAP (Public Discourse Platform). The declarations are planned to be presented in KAP in English in the next period.

Ahmet Murat Selek  
Corporate Governance Committee Chairman

Kamilhan Süleyman Yazıcı  
Corporate Governance Committee Member

Recep Yılmaz Argüden  
Corporate Governance Committee Member

Ali Osman Mağal  
Corporate Governance Committee Member

# Corporate Governance

## SECTION II - SHAREHOLDERS

### 2.1. Investor Relations Department

The personnel whose names, contact details and license information are presented below work in our Company's investor relations department coordinated by Chief Financial Officer.

In 2018, the investor relations unit operating under Mr. Bora Öner will continue to operate under Ms. Fatma Aksoy Özek, who was appointed as the Financial Affairs Director with effect from 1 February 2019.

Ali Osman Mağal - Investor Relations Department Supervisor/Finance Supervisor

Phone: (90) 850 200 19 00

e-mail: investorrelations@isuzu.com.tr

Licence: Capital Markets Activities Level-3  
CMB Corporate Governance Rating Licence

Aylin Sargın - Investor Relations Department Member/Financial Control and Reporting Supervisor

Phone: (90) 850 200 19 00

e-mail: investorrelations@isuzu.com.tr

Our Investor Relations Department performs activities to guarantee the use of rights of shareholding and, in particular, to facilitate communication between the Board of Directors and shareholders. In this context, it is the role of the Investor Relations Department to make material event statements in the matters stipulated by Capital Market regulations, to prepare periodic information notes regarding activities to inform the investors, to prepare the content of the Company's website, to prepare the annual report and to meet the written/verbal information requests of shareholders.

The Investor Relations Department responded to investors' questions and made the necessary explanations within this period. The department received more than 70 applications within the period. The number of questions asked was very high during the periods when the annual financial statements and the ordinary general assembly meeting date were announced and other material event statements are made.

The Corporate Governance Committee was assigned to supervise the work of the Investor Relations Department at our Company. In this context, the committee determines standards related to all communications and the basic principles of investor relations, reviews these standards and principles every year, as well as compliance with them and makes necessary recommendations to the Board of Directors. The report issued by the Investor Relations Department about the activities carried out and presented to the Corporate Governance Committee at each meeting is communicated by the committee to the Board of Directors. 4 committee meetings were held in 2018.

### 2.2. Use of Shareholders' Rights to Obtain Information

#### Shareholders' Information Requests from the Company

In line with our Company's information policy, particular importance is attached to communicating all necessary information to the shareholders in a complete and accurate way in order to ensure that all shareholders can use their shareholding rights. Information requests from shareholders are evaluated within this context and information sharing is done within the scope of the content previously disclosed to the public.

Contacts were made to ensure that local and foreign corporate and individual investors and shareholders and analysts obtain information about our Company's activity results, performance, other developments which occurred within the period and all matters identified as per the Capital Market regulations were disclosed to the public with material event and press statements.

Questions answered within the scope of the information requests coming from direct shareholders or intermediary companies were about the Company's financial statements, the market structure, changes in the market, development of the Company's market share and new projects for the future and relevant investments during the period when financial statements were disclosed to the public.

## Evaluating the Information Requests of Shareholders and Updating the Investors

Information requests of shareholders are immediately answered. In addition, there is detailed information on the Company's website regarding the Company's capital structure, trade registry information, Articles of Association, organizational structure, activities and financial statements for the period and material event statements made within the period.

We also answer each of the questions of local individual investors, in particular those who reach us through the contact form on our Company's website, as soon as possible.

## Special Auditor Assignment

Our Company's Articles of Association do not include any provision which would impede performance of a special audit and Company management avoids carrying out any transaction which would impede a special audit. Our Company acts in compliance with the relevant provisions of the TCC regarding the use of the right to request a special audit. In 2018, there was no request for the appointment of a special auditor made by the shareholders.

## 2.3. General Assembly Information

Our Company holds General Assembly meetings according to all the principles stated under "General Assembly" in the Corporate Governance Principles.

Within the period, our Company held its ordinary General Assembly Meeting for 2017 on 17 April 2018 at 14:00 at "Esenkent Mahallesi Deniz Feneri Sokak No: 4 Ümraniye 34776 İstanbul" with 86% participation by the shareholders.

Shareholders were invited to the General Assembly Meeting at least three weeks prior to the meeting through national newspaper announcements. Also, the registered share owners were notified via a written invitation.

Information regarding the Company's activity results is made ready for examination by shareholders at headquarters and the factory three weeks before the General Assembly date. Also, after financial statements have been disclosed to the public, information regarding the financial statements are announced on the Company's website. The meeting chair paid attention due to communicate the items on the agenda in an unbiased and detailed manner using a clear and understandable method throughout the ordinary General Assembly Meeting. The meeting chair ensured that all the shareholders' questions which did not fall into the scope of commercial secrets were answered directly at the General Assembly Meeting. There were no questions not related to the agenda or which were so complex they could not be answered directly at the ordinary General Assembly Meeting.

Pursuant to Article 1.3.7. of the Corporate Governance Principles, there were no transactions performed within the scope of the Company's field of operation by persons with privileged access to Company information on their own behalf and which must be communicated to the General Assembly.

When preparing the General Assembly agenda, due care was paid to present each offer under a separate title and agenda titles were presented clearly in a way which would not lead to disparate interpretations. Due care was paid to not include expressions such as "other" and "various" in the agenda. The information given before the General Assembly Meeting was provided by referencing the relevant agenda items.

While setting the meeting agenda, there was no subject that shareholders conveyed in writing to the Investor Relations Department of the Company and requested be included in the agenda. Similarly, shareholders, the CMB and/or other public bodies and institutions related to the Company did not request including a new item on the agenda.

While setting the meeting agenda, there was no subject that shareholders conveyed in writing to the Investor Relations Department of the Company and requested be included in the agenda. Jak Esim, a shareholder in the Company, requested a special audit during the 2016 Ordinary General Assembly held on 17 April 2018; the said request was added to the meeting agenda and laid down for the approval of the General Assembly. The request for a special audit received TL 21,645,316,722 dissenting votes against TL 1,009,217 affirmative votes, and was thus, declined by majority of votes. Similarly, shareholders, the CMB and/or other public bodies and institutions related to the Company did not request including a new item on the agenda.

# Corporate Governance

The total number of shares and voting rights which represent the Company's shareholding structure were published in our Company's corporate website ([www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr)) as of the General Assembly Meeting announcement date.

Invitation to the General Assembly is made in a national newspaper and a trade registry gazette three weeks beforehand. Also, the decision of the Board of Directors to invite the General Assembly to the meeting and the meeting agenda are published on the website of the Company, the Electronic General Assembly System and Public Disclosure Platform. Our aim is to hold the General Assembly Meetings in a manner that does not involve inequality among the shareholders and allows shareholders to participate with the minimum cost in order to increase the participation rate of the shareholders. Also, information regarding the decisions made in the General Assembly is published on the Public Disclosure Platform and the Company's website after the meeting.

Members of the Board of Directors, other relevant people, officers and auditors responsible for preparation of financial statements were present at the General Assembly Meeting in order to disclose necessary information and answer questions related to matters of importance on the agenda.

The Articles of Association do not include a provision regarding this matter, however, the General Assembly Meetings are open to the public, including the beneficiaries and media, without granting the right to speak. Beneficiaries and media did not participate in the ordinary General Assembly Meeting on 17 April 2018, but the Company authorities stated in the previous paragraph attended.

Our Company does not have a separate aids and donations policy, however, this issue was covered in detail in the Articles of Association. A separate item was added to the General Assembly agenda regarding the aid and donations made within the period. During the meeting the shareholders were informed about this matter.

Within the period there were no transactions where the yes votes of the majority of the independent Board of Directors' members were sought in order to enable a decision by the Board of Directors and where the decision making was transferred to the General Assembly due to an insufficient number of yes votes.

The shareholders were informed that there weren't any significant transactions performed within the year in line with the provision in compulsory Corporate Governance. Principle No. 1.3.6 of the CMB's Communiqué No. II-17.1 which states, "in the event that shareholders who have control over the management, Board of Directors members, managers with administrative responsibility, their spouses, blood relatives up to second degree and relatives by marriage carry out a significant transaction which may lead to conflict of interest with the partnership or its subsidiaries and/or perform a transaction with the nature of commercial business in the business field of the partnership or its subsidiaries on their own or others' behalf, or enter into a partnership with the capacity of unlimited liability partner, the said transactions shall be included in the General Assembly's agenda as a separate item which will be detailed further at the General Assembly and recorded in the General Assembly Meeting minutes."

The meeting minutes and the list of attendants were disclosed to the public on the same day as the meeting through the Public Disclosure Platform. The General Assembly Meeting minutes and list of attendants are available on our corporate website and open to access by the shareholders.

## 2.4. Voting Rights and Minority Rights

### Privilege in Voting Rights

There is no practice which makes it more difficult for shareholders to use their rights to vote and mechanisms required to ensure that each shareholder uses their right to vote in the easiest and most suitable way, including cross border regions within the framework of the provisions of Turkish Commercial Law related to electronic General Assembly, are established.

According to the Company's Articles of Association, there is one right to vote for each share in the General Assembly and there is no privilege in the right to vote. There is a regulation regarding the election of Board of Directors' members in the current Articles of Association of the Company as follows:

The Company is managed by a Board of Directors consisting of 14 members, to be elected by the General Assembly according to the provisions of Turkish Commercial Law and Capital Market regulations.

Four members of the Board of Directors from among the candidates nominated by B group shareholders to represent themselves, eight members from among the candidates nominated by A group shareholders to represent themselves and other members from among the candidates nominated by any shareholder and are elected by the General Assembly.

Anadolu Group signed a joint venture contract between their foreign partners Isuzu Motors Limited and Itochu Corporation in 1985 and Isuzu Motors Limited became a licensor partner. This cooperation which included technology transfer occurred with the participation of foreign partners in management in a partnership structure which does not have a majority.

### Cross Shareholding

The Company does not have a cross shareholding relation with any organization.

### Representing the Minority Shares in Management

Our Company shows maximum care of the use of minority rights. In accordance with Corporate Governance Principles, independent members in the Company's Board of Directors can perform their duty without being influenced in any way and they therefore ensure that minority rights are protected by contributing to the objective management of the Company.

Although minority rights are recognized in the articles of association of companies for shareholders holding less than one twentieth of the capital, our Company's articles of association do not include a provision enlarges the scope of minority rights relative to the measures determined by law.

## 2.5. Dividend Right

### Privileges Regarding Participation in Company Profit

There is no privilege granted to shareholders regarding participation in Company profit.

### The Company's Dividend Distribution Policy

Our Company distributes profits pursuant to the provisions of the Turkish Commercial Code, Capital Markets Board regulations, tax regulations, other relevant regulations, as well as the article related to profit distribution in our Articles of Association.

Our Company has adopted a policy of distributing at least 50% of its distributable profit every year, in cash and/or as bonus shares.

It is among the basic purposes of our Company to sustain this dividend distribution policy except in special situations such as extraordinary developments in economic conditions or when investments and other funding needs are required for the Company's long-term growth.

The Board of Directors makes a decision every accounting period regarding dividends and submits the decision to the General Assembly for approval. Dividend distribution starts at a date set by the General Assembly, which cannot be later than the end of the year when the General Assembly is held. The Company may opt to distribute dividend advances or pay dividends in installments in equal or different portions in line with the provisions of the effective legislation.

It was resolved to put this policy in writing as of 2005 within the framework of our Corporate Management Principles compliance work.

Pursuant to Communiqué on Dividends No. II-19.1 of the Capital Markets Board, a revised dividend distribution policy approved by a Board of Directors' decision dated 21 March 2014 and published on the Public Disclosure Platform on the same date was approved at the 17 April 2014 General Assembly.

The dividend distribution policy is included in the annual report. The dividend distribution policy is also published on the Company's corporate website.

Under the principles contained in the CMB Communiqué on Dividends no. II-19.1 and our Company's publicly disclosed dividend distribution policy as well as the provisions in our Company's Articles of Association, no dividends were distributed in 2018 in relation to 2017 operating year since a net loss for the period descended in the Company's 2017 consolidated financial statements drawn up in accordance with the Turkish Commercial Code and CMB regulations.

# Corporate Governance

## 2.6. Transfer of Shares

The Company's Articles of Association do not include provisions which restrict transfer of shares neither do they include a practice which impedes transfer of shares freely.

## SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Company Website and Content

The Company's corporate website is [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr). The website is presented both in English and Turkish.

Information about privileged shares is not stated separately because it is included in the Articles of Association. Other matters stated in the Corporate Governance Principles are available on the website in a comprehensive way. Information on our Company's website is the same as and correlates with the statements which were made with regard to the provisions of the relevant legislation and do not contain any contradictory or incorrect knowledge.

Financial statement declarations other than the material events and notes, which must be disclosed to the public as per Capital Markets legislation, are not simultaneously disclosed in English in addition to Turkish in the Public Discourse Platform at present. It is planned that the said declarations will also be in English in the Public Discourse Platform in the future period.

### 3.2. Annual Report

Annual reports of our Company are prepared in a detailed manner which enables the public to access complete and accurate information about the Company's operations and to include the information stated in Article 2.2.2. in Section 2 of the Corporate Governance Principles in addition to matters covered in legislation and other sections of the Corporate Governance Principles.

## SECTION IV - BENEFICIARIES

### 4.1. Informing the Beneficiaries

#### Informing the Beneficiaries

Beneficiaries are persons, corporations, or stakeholders, such as employees, creditors, customers, suppliers, unions and various non-governmental organizations involved in the Company's operations or achievement of the Company's goals. Our Company preserves beneficiaries' rights which are regulated by legislation and mutual agreements during its transactions and operations. In cases when such rights cannot be preserved through legislation and mutual agreements, the Company pays due care to protect beneficiaries' interests within the framework of goodwill and to the extent of the Company's capability. Our Company acts in line with the Corporate Governance Principles in relationships with beneficiaries and has established all mechanisms required to ensure this.

In the event that conflicts of interest occur among beneficiaries or a beneficiary is included in more than one stakeholder group, a balanced policy is pursued as much as possible in terms of preservation of the rights, with the aim of protecting each and every right independently from one another.

Our Company implements relevant legislation provisions when using a mechanism such as indemnity provided to beneficiaries. Even though there is no available written policy regarding employee indemnities which must be issued as per Article 3.1.2 of our Company's "Corporate Governance Principles", we pay due care to preserve personnel indemnity rights not only within the scope of Anadolu Group Working Principles but also Labor Laws that we are obliged to implement.

It is one of the most important policies of the Company to keep beneficiaries satisfied by producing applicable and timely solutions for issues related to employees and other beneficiaries. Our employees, suppliers, customers and consumers are informed about matters that are relevant to them through various channels.

#### Communication of Beneficiaries with Corporate Management Committee and Auditing Committee

Beneficiaries inform the Corporate Management Committee or Audit Committee through the Internal Auditing Directorate and Financial Affairs Directorate about operations of the Company which are contrary to legislation and ethically inappropriate when it is necessary.



## 4.2. Participation of Beneficiaries in Management

### Efforts Made to Ensure That Beneficiaries Participate in Management

Models which encourage beneficiaries, particularly the Company's employees, to participate in the Company's management are developed in a manner which does not cause any delay in the Company's operations. An open platform is provided to the shareholders to convey their positive or negative opinions regarding the Company in the General Assembly meetings which are open for participation by shareholders. Also, the contact form on the Company website is an efficient communication mechanism for shareholders.

Our employees can share their ideas which will add value to our corporation with management through our idea system, the Anadolu Group Innovation Portal. Our employees efficiently use the Human Resources Request and Improvement Line to send requests and improvement requests for services offered to our employees by the Human Resources Department. In addition, the annual Employee Satisfaction and Loyalty Survey, developed to support our employees' participation in management, is a channel through which employees are able to express their requests and improvement demands regarding the organization.

The Company carries out work which aims to improve the activities that employees may participate in within the scope of Kaizen improvement work and quality circles. Dealers and suppliers' opinions are requested at annual meetings and such opinions are assessed in strategic plan work.

Our Company takes all types of measures in order to achieve customer satisfaction in marketing and sales of goods and services. Requests related to the goods and services purchased by customers are swiftly evaluated and our customers are informed about any delay, before the deadline. Quality standards are met in all goods and services and due care is paid to maintain a certain standard. Certain warranties related to quality are provided with this aim. Within the scope of commercial secrets, confidentiality of information related to customers and suppliers is dealt with using due care. Beneficiaries are consulted regarding significant decisions which would yield consequences related to them.

## 4.3. Human Resources Policy

### Human Resources Policy

Our Company's Human Resources Policies were created in line with Anadolu Group Human Resources Quality Policies and announced to all employees.

#### The mission of Anadolu Isuzu Human Resources

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

#### The vision of Anadolu Isuzu Human Resources

To be a strategic business partner creating competitive advantage.

Human Resources strategy of our Company is carried out under the following basic policies:

- To have the global perspective and the ability to provide the right human resources to the Company.
- In a business environment based on open communication and trust; a team and working with information, constantly looking for a better work culture and create HR systems.
- To contribute to organizational efficiency and organizational development.
- To strengthen the employee commitment.
- To establish a people-oriented employer brand.

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

# Corporate Governance

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

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

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

## **Anadolu Isuzu targets to be an employer of choice under any circumstance with its HR practices.**

As of year-end 2018, Anadolu Isuzu had 802 employees on its payroll, 524 of them blue-collars and 278 of them white-collars. In keeping with the importance given to research and development activities, the total number of R&D Center employees is 101.

## **An approach promoting womanpower**

Owing to the employment approach introduced in line with the goal of ensuring equality in the number of women vs. men employees, the number of women employees with respect to the total number of employees increased by 16% in the past two years at Anadolu Isuzu.

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

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

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

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

## **Organizational improvement steps**

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

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

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

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

In 2018, a total of 14,151 hours of training were given to employees at Anadolu Isuzu with an average of 16.4 hours of training per person.

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

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

Company-wide employee satisfaction and engagement questionnaires are administered periodically, and employees are given

the chance to make their innovative ideas heard through an e-platform, which ensures a healthy communication between the employees and the management team.

Within the scope of an online application, surveys take place in order to obtain feedback and suggestions from employees on different subjects. This structure allows feedback on any subject at any time, where employees can take part in the surveys either from their smartphone or their computer. The online platform allows employees to convey their suggestions and wishes, and related suggestions are evaluated by the HR department and feedback is given to the employee.

Competitions were held in order to improve the environment and create a better environment within the scope of Environment Day, and to strengthen the perspective of the “zero accident” goal and raise safety awareness in the Occupational Safety Week. Employees who took part in Anadolu Isuzu’s environmental projects and responded to the questions in the OHS knowledge competition were awarded within the scope of Isuzu Extraa.

On the World Theatre Day, a knowledge competition with a theatrical theme was held and employees who gave the correct answer received a ticket to the theatre as a gift. Separately, as part of efforts to promote a healthy life, employees who took 10,000 steps per day, and shared this information on social media, were rewarded.

Terrariums, which bring such added beauty to our lives, produced by women employees at Anadolu Isuzu within the scope of the Terrarium Atelier were exhibited at every corner of Anadolu Isuzu on International Women’s Day.

### Social Dialogue Award

The Social Dialogue Best Practice Competition was held at the Company within the scope of the Project on Improving Social Dialogue in Work Life which is carried out by the Ministry of Families, Labor and Social Services with the technical support of the International Labor Organization. In order to contribute to the development of social dialogue mechanisms at the company level in Turkey, the competition was aimed at determining current company practices and supporting best practices by identifying them and introducing of them to the public.

The best practice competition on social dialogue at the company level was concluded with the evaluation of social dialogue mechanisms applied at work. Under this mechanism, the best companies were selected by evaluating innovative practices that go beyond the exchange of information, consultation, joint decision making, collective bargaining and the requirements of national legislation.

In line with the brief set out during the establishment of the social dialogue plan and the expectations of the employees, the internal communication strategy is based on being a company that cares about its employees, appreciates them, attaches value to them and which listens to their voices, interacts and socializes with them, provides them with sound experience and which develops the employees.

Anadolu Isuzu won first prize in the competition with its project implemented under the banner of “Power comes from the Heart” in the field of social dialogue. The Company aimed to make a difference with the project it designed with the “Power is comes from the Heart” approach. The Company supported the best practices in internal communication, through which this power arises, with training programs, events, volunteering projects, digital platforms, rewarding-appreciation systems and awareness projects.

### Cooperation with İşkur (The Turkish Employment Agency)

During the technical visit organized within the scope of Trainer Trainings Program organized by İşkur, the technologies used were set out to İşkur consultants where they could discover the production areas.

### University-industry cooperation projects

The aim of the projects of collaboration between industry and academia is to bring the qualified work force with potential into Anadolu Isuzu. Under the project, students in their final year at university are given long-term project internship opportunities and on-the-job training in various departments, and then have the chance to be employed in the company.

During 2018, 10 students were employed in Manufacturing, Quality Control, Human Resources, Supply Chain and R&D Departments as project interns. In addition, short-term internship opportunity was provided to 60 students in the summer.

# Corporate Governance

As a result of the cooperation with AIESEC, on the other hand, 2 foreign interns began working in the Exports Department.

Under the Chief Young Officer (CYO) program, which is the internship program structured on the basis of real work experience, four trainees implemented their projects in the Marketing and R&D departments.

The creation of voluntary brand ambassadors on the campus, achieved by increasing the company's recognition among young talented individuals and which represent one of the most important resources for our customers, consumers and human resources, and the establishment of synergy by utilizing the fresh ideas these young talented individuals in the projects planned in line with the real business needs, were among the primary topics looked into during 2018.

## Vocational high school-industry cooperation projects

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

Anadolu Isuzu completed the first steps in the cooperation between the National Education and Industrialists in 2015 with the Paint Technologies Workshop, which was established at the Küçükyalı Vocational and Technical Anatolian High School.

The support extended to the Anadolu Isuzu Paint Technologies Workshop project at Küçükyalı Vocational and Technical High School launched in 2015 continued in 2018, thereby helping build on the students' competencies.

The Company's aim is to train qualified paint professionals who follow innovation and are willing to put new innovations into operation, who have knowledge of the practical applications together with the theoretical knowledge, who internalize the rules of occupational health and safety and act with a sense of environmental awareness. In 2018, a total of 36 students graduated from the project.

## PUBLICITY ACTIVITIES CONDUCTED AT UNIVERSITIES

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

The Tech Tour trip gave Anadolu Isuzu a chance to introduce itself to students and academics coming from many areas in Turkey and abroad. Visitors could learn more about Anadolu Isuzu through talks about the technologies used, tours of the R&D and production areas, and with questions answered by specialized and experienced staff.

At the Engineering Case Camp, executives from Company met the engineers of the future and introduced the world of Anadolu Isuzu with their inspirational speeches, and talked about technological trends.

The Anadolu Isuzu R&D Center, R&D Design Process and Innovation approach were explained with examples to the young engineers at the Faculty of Mechanical Engineering at Karadeniz Technical University.

The experience of working at Anadolu Isuzu, as well as information about Anadolu Isuzu was explained in the Career Bus provided at the Yıldız Station, organized by the Yıldız Technical University Economics Club.

Executives who participated in the Automotive Days Event organized by the Kocaeli University Engineering Club spoke with students about work life and their careers.

The Company had the opportunity to interview more than 100 students through the Virtual Career Fair and Career Digital platforms, which the Company participated in on virtual media.

Also during the year, a plant tour was organized for Anadolu Foundation Scholars and students from Marmara University, Sakarya University, Kocaeli University, Yıldız Technical University, where information was shared about the activities at the plant, while specialist employees could also inform guests of their experiences.

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

At Anadolu Isuzu, relations with blue-collar workers are governed by a collective bargaining agreement.

Metal Workers' Union (Birleşik Metal-İş) is the authorized labor union at Anadolu Isuzu.

- At the Company, there is one Chief Representative and three Union Representatives, who have been elected and assigned.
- These representatives are responsible for the following, subject to the limits set in the Collective Bargaining Agreement signed between the Metal Workers' Union and MESS and in the laws:
- follow up the demands, complaints, and problems of blue-collar employees,
- Represent the employees on various committees including the Disciplinary Committee and the Occupational Health and Safety Committee, and observe their legal rights.

### Vocational Qualification Certification efforts

In accordance with the communiqué issued by the T.R. Ministry of Labor and Social Security, Vocational Qualification Certification project was launched at Anadolu Isuzu in 2016. Workshop-based training programs were carried out in order to train qualified personnel for positions in the automotive sector and to score the employees in regard to their work. As a result of the mastership and foreman certificates, obtained by operators working in the field of painting, a total of 106 operators were granted exemption from the Vocational Qualification Examinations.

A total of 112 operators working at Anadolu Isuzu sat the Vocational Qualification Examinations in line with their job descriptions in the workshops where they work, and achieved success. After completing this process, operators were eligible for the professional qualification certificates approved by the Vocational Qualification Authority.

### An Idea Application and An Idea Festival

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

This platform is aimed at developing the creativity and innovation of the employees individually and as a team and to embed these features in the organizational culture.

Anadolu Isuzu was delighted to rank highly in both the Explorer and Inventor categories in the 2018 grand final.

The Infra-Red Heater project was the winner in the Inventor category, in which projects related to the Product and Process Innovation competed, while the Safe Tracking Warning System won second prize in the Explorer category, where projects under the theme of Sustainable Organizational Development competed.

Claiming places in the top three ranks for the fourth year in a row at this festival, Anadolu Isuzu proved that innovation and creativity are firmly established in its corporate culture.

Anadolu Isuzu will continue to transfer the creative and innovative ideas which it has initiated with the Quality Circle studies and which it has transformed into a corporate culture over time, where all employees in every area will participate in "BiFikir".

### Total benefit worth more than TL 3 million

Anadolu Isuzu constantly supports and encourages innovative and creative ideas, an attitude that took its first roots at Anadolu Isuzu with Quality Circle and Kaizen initiatives, later to be embraced as corporate culture. More than 100 projects put into life since 2014 to date generated a monetary benefit of more than TL 3 million for the Company.

### AGAKADEMİ – the distance learning platform

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

In 2018, 437 Anadolu Isuzu employees benefited from 30 different digital training programs and articles on AGAKADEMİ, the distance learning platform.

# Corporate Governance

## 4.4. Ethical Rules and Social Responsibility

### Ethical Rules

Anadolu Group has a corporate culture which it has pursued with awareness, managed diligently and preserved with due care since its foundation. The corporate culture shared by all managers and employees includes knowledge and experience as well as prospective expectations and strategies which meet the requirements of the current era. Provision of the best service and best products to not only the people located in the regions within their operation zone but also all people and transfer of dignity to future generations, are basic values that affect how Anadolu Group does business.

Anadolu Isuzu has adopted a commitment to legal rules and ethics in business and social circles; working based on trust; producing high quality, accurate and reliable results; acting in compliance with rules and opinions; and being respectful of nature and the environment as indispensable elements of its corporate culture.

Our Company's operations are carried out within the scope of Anadolu Group's Working Principles which are available on our corporate website. Our Company is also a member of the Ethics and Reputation Society. Our Company has an Ethics Board presided by the General Manager and periodic assessment meetings are held.

On the other hand, reminders are issued regarding the liabilities of Company employees arising from regulations about insider trading within the Anadolu Group Working Principles prepared for the Group companies to reinforce compliance with Corporate Governance Practices and with Capital Market regulations in Anadolu Group, which is highly recognizable and seen as reliable in local and foreign capital markets. Because we are a publicly traded company, the practice known as "forbidden period", which forbids those who can access relevant insider information from the sale and purchase of such stocks, is also in place.

### Social Responsibility Activities

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

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

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

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

### Social Awareness Projects

At Anadolu Isuzu, volunteering is the focus of social responsibility activities, carried out with a systematic and planned approach.

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

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

Competitions were held with the aim of improving the environment in which we live and to help bring about a better environment within the scope of the Environment Day. Competitions were organized in order to reinforce the perspective of our goal of zero accidents and raising awareness of safety in the Occupational Safety Week.

Unused clothes, unread books, and unwanted toys were left in the colorful gift boxes at the lobby in the Anadolu Isuzu Head office, where the gifts would reach their new owners. By donating these gifts, employees could share in the joy not just of consuming but by producing and sharing.

The clothes and toys which were donated in the boxes were sent to the Anadolu Foundation.

### Highlights of social awareness projects undersigned by Anadolu Isuzu in 2018

Within the scope of the work carried out by R&D team volunteers with their own means, the renovation of The Gebze Yıldırım Beyazıt Secondary School project was carried out.

With the support of volunteers, the education needs of children at the Hakkari Gelişen Village Aralık Hamlet primary school were met.

In cooperation with the Inter-University Animal Protection Community, volunteers from the Suadiye Rotary Club and Anadolu Isuzu came together to help stray animals in the Kurtköy forest. Within the scope of the event, shelters were built from waste wood to protect the stray animals from cold winter conditions.

Organized in cooperation with the Red Crescent Blood Center, the 17th Blood and Stem Cell Donation event was organized on 27<sup>th</sup> and 28<sup>th</sup> March. During the event, 71 units of blood were collected.

Under the We are Anadolu (Anatolia) project, which was launched with the aim of protecting children from the abuses committed by terror organizations and steering them away from bad habits by sharing cultural and common values and strengthening a sense of unity, 50 secondary school pupils from Ağrı were able to have direct production experience at Anadolu Isuzu.

During the event, organized in cooperation with the Kocaeli Chamber of Industry, certificates were obtained within the scope of the Let Waste Be Forests (Atıklar Orman Olsun) Project, which is aimed at the recycling of electronic wastes collected by Isuzu employees.

## SECTION V – BOARD OF DIRECTORS

### 5.1. Structure and Formation of the Board of Directors

The Board of Directors consists of fourteen people; one Chairman, a Deputy Chairman and twelve members. The Board of Directors elects a Chairman and a Vice Chairman as per the Articles of Association every year. Management and representation affairs may be shared among the members of the Board of Directors. Chairman and members of the committees to be established are determined. The Board of Directors is authorized to make the necessary decisions in this regard.

There are currently no executive members in the Board of Directors. The curriculum vitae of the Board members which also include their responsibilities outside of our Company are provided both in 2018 Annual Report and the website of our Company.

Current Board Members and their roles are presented below:

Name-Surname	Duty	Duties Currently Assumed Outside the Company
Tuncay Özilhan	Chairman of Board of Directors	Chairman at AG Anadolu Grubu Holding A.Ş.; Chairman, Vice Chairman and Member of the Board of Directors at Anadolu Group Companies
Kamilhan Süleyman Yazıcı	Vice Chairman of the Board of Directors	Vice Chairman at AG Anadolu Grubu Holding A.Ş.; Member of the Board of Directors at Anadolu Group Companies
Efe Yazıcı	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Talip Altuğ Aksoy	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Salih Metin Ecevit	Member of the Board of Directors	Chairman and Member of the Board of Directors at Anadolu Group Companies
Rasih Engin Akçakoca	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Recep Yılmaz Argüden	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Ahmet Boyacıoğlu	Member of the Board of Directors	Member of the Board of Directors at Anadolu Group Companies
Takuya Kawai	Member of the Board of Directors	Itochu Corporation – Managerial Position
Toshiyuki Abe	Member of the Board of Directors	Itochu Corporation Turkey General Manager
Yasuyuki Nijijima	Member of the Board of Directors	Isuzu Motors Limited – Managerial Position
Noriko Ishida	Member of the Board of Directors	Isuzu Motors Limited – General Manager of the Japan International Sales Department
Ahmet Murat Selek	Independent Member of the Board of Directors	Management Advisor at Selek Stratejik ve Kurumsal Yönetim Danışmanlığı
Orhan Özer	Independent Member of the Board of Directors	

# Corporate Governance

## Independent Members and Criteria of Independence

The “Independent Board of Directors’ Membership” of Ahmet Murat Selek and Orhan Özer, was approved in the General Assembly Meeting on 17 April 2018 pursuant to the decision of the Board of Directors on 21 March 2018 as suggested by the Corporate Governance Committee.

Neither Ahmet Murat Selek nor Orhan Özer has served as members of the Board of Directors at Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. for more than six years in total in the last decade. Also, they have not served as members of the executive Board of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. and Anadolu Group companies within the last five years.

No case has occurred where independence of independent members has been violated. Those selected as Independent Board Members have not been registered and announced as part of any legal entity.

## Assignment of Members of the Board of Directors outside the Company

There are no rules established by the Company regarding Board of Directors’ members taking on duties outside the Company. However, arrangements defined in Corporate Governance Principles are adhered to.

## 5.2. Activity Principles of Board of Directors

Our Company’s Board of Directors conducts its activities in line with all matters identified by Corporate Governance Principles in a transparent, accountable, fair and responsible way. The Company’s Board of Directors convened five times during the relevant period. One of the meetings was held with the participation of 14 members, four were held with the participation of 12 members, five were held with the participation of 10 members.

The Board of Directors assumes a leading role in the protection of active communication between the Company and the shareholders, resolution of possible conflicts and finding solutions for them and works in close cooperation with the Corporate Governance Committee and the Department of Investor Relations in this respect.

As per the Company’s Articles of Association, the Board of Directors selects a Chairman and a Vice Chairman every year. The Chairman of the Board of Directors is responsible for managing Board of Directors meetings, regular negotiations and having the meetings recorded. While authorities of Chairman/members of the Board of Directors and Company managers are defined within the Company’s Articles of Association, no one in the Company has the sole authority to make unlimited decisions.

## Identification of Board of Directors Agenda and the Call

In accordance with Article 4.4.1. Corporate Governance Principles, the Board of Directors holds meetings at a frequency which enables them to perform their duties effectively. Dates of Board of Directors’ ordinary meetings are identified on the basis of an annual calendar and announced to the members. In accordance with our Company’s Articles of Association, in Board of Directors Meetings, the majority of the total number of members participates in the meetings and decisions are made by taking the verdict of the majority after opinions of members are received.

## Informing Members of Board of Directors

Members of the Board of Directors are informed by the General Manager about Company activities.

## Putting the Reasons for Counter Votes on a Memorandum of Decision

All of the discussions in the meetings held by the Board of Directors are passed on to a memorandum of decision as per Corporate Governance Principles. In Board of Directors meetings, not only our Company’s performance for the prior period but also its developments for the current period, its growth plans for the future, strategies developed against competitors and matters regarding human resources and organizational structure are discussed. While not every matter is resolved, the memorandum is not disclosed to the public because disclosure of resolved matters may cause various speculations. On the other hand, all important matters resolved by Board of Directors are disclosed to the public through material disclosures.



The method and frequency of Board of Directors meetings, meeting and decision quorums, methods for objecting to Board decisions and matters regarding the validity of Board decisions, are clearly identified in the articles of association.

The agenda of Board of Directors meetings consist of the matters that were agreed in the previous meeting would be discussed in the next Board meeting and matters identified by top management of the Company. Matters that should be discussed by the Board are conveyed to the Chief Financial Officer and collected to create the agenda of the next meeting. Ordinary Board of Directors meeting dates are identified at the beginning of the year and all members are informed about such meetings. Also, before every meeting date, members of the Board of Directors are informed once more about the issues on the meeting agenda through formal information letter and report.

The Board of Directors can convene more than once in a month if necessary. The Chairman, Vice Chairman and every Board member have the right to add matters they want to be addressed to the relevant meeting agenda and/or to convoke the Board on condition that all Board members are notified about it a minimum of fifteen (15) days beforehand. Board meetings may be held in Company headquarters or another place inside or outside Turkey that the Board decides on in an ordinary meeting in which a decision quorum is provided. Members are informed about the opinions of members who do not attend the meeting and send their opinions in writing instead. The Board of Directors may take a decision without holding a meeting as per Turkish Commercial Law. Meeting and decision quorums stated in the Company's Articles of Association shall apply to such decisions as well.

The Company's Chief Financial Officer performs responsibilities of secretary for the Board of Directors. In the event that there are grounds for reasonable and detailed counter votes with regard to the issues for which different opinions are stated and questions are asked by the Board of Directors in the meetings, these shall all be recorded in the decision minutes. As per Corporate Governance Principles, it must be ensured that members actually attend Board of Directors meetings.

Board members do not have voting and/or veto authority in cases of ties. Each member of the Board of Directors, including the Chairman, has one vote and none of the members has the authority to break a tie.

### Related Party Transactions

Decisions the Board of Directors makes regarding significant related party operations are conducted with the approval of the majority of independent members in line with Corporate Governance Principles.

### Manager Liability Insurance

Insurance Losses incurred by the Company due to errors by the members of the Board of Directors during their assignments have been insured with an insurance policy with USD 25,000,000 in coverage.

## 5.3. Number, Structure and Independence of Committees Established in the Board of Directors

### Corporate Governance Committee

The Corporate Governance Committee, which was formed as per a Communiqué, consists of four members. Independent Board Member Ahmet Murat Selek was selected to be Committee Chairman and Ali Osman Mağal, who works as investor relations supervisor at our Company, was selected to be a member of the Corporate Governance Committee as per Article 4.5.3 of Communiqué on Corporate Governance of Capital Market Board No. II-17.1 dated 3 January 2014, which states, "employees who are not members of the Board Of Directors and who are specialists in their field can be assigned as members to committees, except for the Audit Committee", along with the other members Kamilhan Süleyman Yazıcı and Recep Yılmaz Argüden.

The duties of Nomination Committee and Wage Committee are fulfilled by the Corporate Governance Committee.

The Corporate Governance Committee convened four times during the year. Corporate Governance Committee regulations approved by the decision of Board of Directors, in accordance with the Corporate Governance Communiqué are published on our Company website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

# Corporate Governance

## Audit Committee

The Audit Committee, which was formed as per a Communiqué, consists of two members. Orhan Özer, Independent Member of the Board of Directors, was elected to be the Chairman and Ahmet Murat Selek, Independent Member of the Board of Directors, was elected to be a member.

The Audit Committee is responsible for taking all the necessary measures to perform any internal and independent audit in a sufficient and transparent way.

The Audit Committee gathered four times during the year.

Audit Committee regulations approved by the decision of Board of Directors, in accordance with the Corporate Governance Communiqué are published on our Company website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

## Early Risk Detection Committee

The Early Risk Detection Committee, which was created as per a Communiqué, consists of three members and Independent Board Member Orhan Özer was elected as the Chairman, and Talip Altuğ Aksoy and Rasih Engin Akçakoca as members.

The duty of the Committee is early detection of risks that may endanger the presence, development and continuation of the Company, application of necessary measures regarding the detected risks and work to manage the risk. The Early Risk Detection Committee gathered six times during the year.

The regulation regarding the working principles of the Early Risk Detection Committee was identified with the decision of Board members dated 23 July 2013 and numbered 2013/28. It was published on our Company website [www.anadoluisuzu.com.tr](http://www.anadoluisuzu.com.tr).

## Inclusion of Committee Members in More Than One Committee

All of the Audit Committee members, the Chairman of the Early Risk Detection Committee and the Corporate Governance Committee were selected from among independent board members in line with Communiqué on Identification and Application of Corporate Governance Principles Serial: IV No: 56 by the Capital Markets Board. There are two independent members on our Company's Board of Directors, both of whom function in all three committees. Recep Yılmaz Argüden functions as a member of the Corporate Governance Committee, Rasih Engin Akçakoca functions as a member of the Early Risk Detection Committee since they will contribute to both committees with their knowledge and experience.

## 5.4. Risk Management and Internal Control Mechanism

### Company's financing resources and risk management policies

Anadolu Isuzu, in order to finance its investments besides the cash and capital, uses long-term TL and foreign currency loans (EUR) from foreign or Turkish Banks. The principles of risk management policies of Anadolu Isuzu is stated in Corporate Governance Principles Compliance Report.

### Descriptions of main elements of Group's internal audit and risk management system regarding the process of preparation consolidated financial statements

The Internal Audit department of Anadolu Isuzu audits all consolidated Companies and units periodically each year. The business plan of the department is approved annually by the Audit Committee and revised during the year, depending on developments. Internal audit in all our consolidated Companies is performed according to the subject of standards published by the International Institute of Internal Audit.

## Risk Management and Internal Control Mechanism

Risk Management and Internal Control System are under the control and the responsibility of Company Management in Anadolu Isuzu. Corporate Risk Management function, which is operating to reassure the management regarding these issues and consult, report directly to the Early Detection of Risk Committee.

Anadolu Isuzu's top management identifies significant opportunities and threats that may arise in the framework of Corporate Risk Management and manages them according to the risk appetite of the Company. Corporate Risk Management is a systematic and disciplined process established to determine the business strategies of Anadolu Isuzu which is affected by all Company employees and covers Company's all implementations.

The risks of the Company are submitted for management's consideration with the coordination of Corporate Risk Management and prior risks are identified. Prior risks and action plans to mitigate these risks are shared with Early Detection of Risk Committee to be presented to Board of Directors. The management and continuity of this process, integrated with strategic business plans, is supported by a technological infrastructure in use.

A number of methods are used to manage our risks are as follows;

- The performance and risk indicators for monitoring and timely receipt of necessary measures of risk are used as an early warning system. SAP system that integrates all processes within the Company is an effective technological decision support system used for this purpose.
- Following the results instantaneously as activities with this use, human errors were eliminated and Early Detection of Risks was targeted and the effectiveness of internal control systems has been increased. At the same time, senior technology internal communication system used to intervene in the problems in a short time and provides opportunity for solutions.
- Natural risks, supported by an efficient insurance management to prevent and reduce losses resulting from supply-chain problems that can lead to job and production cuts.
- Investments for the backup system to not be affected by any disaster and loss of system data are performed.
- At the same time, environmental factors and exceptional circumstances are being investigated following causes instant measures are taken to minimize the risk permanently.
- Internal Audit Department, within the framework of the audit plan is made based on risk, reviews the Company's risk management and internal control system, in order to achieve the following objectives in reviewing regularly and reports to Audit Committee and Company management:
  - Financial and operational information accuracy and reliability
  - Effectiveness and efficiency of operations
  - Protection of Company assets
  - Act to ensure compliance with laws, regulations and contracts.

### 5.5. Company's Strategic Objectives

The Board of Directors is responsible for administration and representation of the Company by keeping the risk, growth and yield balance of the Company at the most suitable level, looking out first for the long term benefits of the Company using smart and prudent risk management, while also ensuring that the Company reaches the operational and financial performance objectives disclosed to the public. In this respect, relevant directorates create annual budgets and business plans every year and submit them to the Board of Directors through the Financial Affairs Directorate. Results which occurred after having performed activities in line with such plans during the year are continuously compared with the budget as accepted by the Board of Directors and reasons for deviations are sought.

# Corporate Governance

The Company's Board of Directors approves the strategic objectives created as a result of work and basic assumptions during the process of creating annual strategic objectives.

The Board of Directors follows the strategic objectives of Company activities and comparative results in the light of the annual reports and direct information from Board of Directors meetings.

## 5.6. Financial Rights

### Criteria Used to Identify the Rights Granted to Board Members

Dividend payments to Board of Directors members are not possible as per the articles of association.

As stated in the articles of association, wage amounts that will be provided to Board members are identified by the General Assembly. Board members are authorized to elect top managers, who will serve for Company management and to identify their authority, wages and other rights and make or break agreements with them.

On the other hand, it was decided as per the resolution taken in the ordinary General Assembly Meeting held on 17 April 2018 to pay TL 9,167 monthly to each member assigned to the independent Board of Directors to preserve their independence during their term of duty. There is no other wage or benefit granted to the Board of Directors.

### Benefits and Wages Granted to Senior Employees of the Company

As per Corporate Governance Principles Article No. 4.6.5, wages and all the other benefits granted to top managers as well as Board members are disclosed to the public through the annual report. However, this statement includes a distinction between the Board of Directors and managers with administrative responsibilities and does not refer to individuals.

The Board of Directors performs the work considered necessary in order for top managers to receive reasonable wages according to market conditions. Wage Policy that has been prepared for this purpose is presented in Appendix: 2.

### Debts Given to Board Members and Managers by the Company

The Company has not granted any loan to members of the Board of Directors or to managers who have assumed administrative responsibilities, given them credit, extended the payment periods of loans and credits granted to them, improved their loan and credit conditions, granted them credit in the name of personal credit through a third party, or granted them guarantees such as indemnification in one's favor.

# Appendix: 1

## Assessment Regarding the Working Principles and Efficiency of Board of Directors

According to the Board of Directors Decision passed on 20 May 2018 pursuant to Corporate Governance Principles following the elections to the member seats on the Board of Directors carried out during the Ordinary General Assembly Meeting convened on 17 April 2018:

- The Audit Committee will consist of two members and in this respect, Independent Board Member Orhan Özer will be the Chairman and Independent Board Member Ahmet Murat Selek will be a member;
- The Early Risk Detection Committee will consist of three members and in this respect Independent Board Member Orhan Özer will be the Chairman and Talip Altuğ Aksoy and Rasih Engin Akçakoca will be members;
- The Corporate Governance committee will consist of four members and in this respect Independent Board Member Ahmet Murat Selek will be the Chairman and Recep Yılmaz Argüden, Kamilhan Süleyman Yazıcı and Ali Osman Mağal will be members.

It is decided that the duties of Nomination Committee and Remuneration Committee will be fulfilled by the Corporate Governance Committee and this issue has been disclosed to the public on the Public Discourse Platform and the Company website.

Our Audit Committee, Corporate Governance Committee and Early Risk Detection Committee fulfilled their roles and responsibilities as per their own regulations and worked actively in 2018.

In line with their annual meeting plans which were found necessary for their working activities, identified and created in their respective regulations in 2018:

The Audit Committee gathered four times and they submitted their reports, including the results of the meetings held during the year as well as information regarding their work, to the Board of Directors. In this respect;

The "Audit Committee", responsible for taking all the necessary measures to conduct any internal and independent audit in a sufficient and transparent way and applying the internal control system efficiently, conveyed all recommendations in matters for which it is responsible, including opinions and suggestions regarding the internal audit and the internal control system to the board of directors.

The Corporate Governance Committee gathered four times and they presented their reports, including the results of the meetings held during the year as well as the information regarding their work, to the Board of Directors. In this respect;

The "Corporate Governance Committee", established to examine the Company's Compliance with Corporate Governance Principles, make improvements in this regard and make suggestions to the Board of Directors, identified whether Corporate Governance Principles are applied in the Company, the reason if not applied, conflicts of interest caused by not fully complying with such principles and made recommendations to the Board to improve corporate governance and observed the work of the department of shareholder relations.

The Early Risk Detection committee gathered two times and they presented six reports including information regarding their work to the Board of Directors. In this respect;

# Appendix: 2

## ANADOLU ISUZU OTOMOTİV SAN. VE TİC. A.Ş. REMUNERATION POLICY FOR BOARD OF DIRECTORS AND TOP MANAGEMENT

Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. remuneration policy for the Board of Directors and top management is prepared to define the remuneration system and application as well as other rights of Board members and top managers.

A fixed monthly wage/attendance fee may be paid to the Chairman of the Board of Directors and to the Board members for the services they perform in their capacities supporting our Company. The amount payable is identified in the General Assembly Meeting. In any case, an amount is paid to independent Board members to preserve their independence and payment plans based on Company performance are not used for wages of independent Board members.

Payment is made to Board members who execute within the policy identified for top managers, details of which are described below.

Rights granted to top managers in our Company are defined below.

**Monthly Wage:** Identified depending on market and/or sector conditions, inflation, position, level and qualifications of the manager and individual performance and paid during the term of the labor contract. The monthly wage is reviewed once a year considering the criteria constituting the basis for identifying the wage if there is no change in the market conditions.

Information regarding the market and/or sector conditions is collected through generally accepted consultancy firms and also identified using the data obtained from other sources and considering the Company's future and position related to achieving the targets.

Factors which refer to manager's approach, business manner and behaviors as well as the annual objectives that the manager defined with his/her own manager are considered at rates defined for the identification of individual performance level.

**Premium:** In the event that a lower limit, defined according to certain weight depending on Critical Performance Criteria (CPC), approved by the executive board and identified within the related calendar year, is exceeded, a certain percentage of the yearly amount of the monthly wage and bonus payments made to the manager, varying according to the manager's position, is calculated, depending on the individual performance rates with company CPC and may be paid to the manager as a premium.

**Bonus:** Identified in relation to the monthly wage and the amount of four monthly wages divided into identified periods and paid during the term of the labor contract by the Company.

**Other Rights:** Side benefits and other social allowances such as health insurance, personal retirement, etc. are provided to people in line with the defined policy and regulations of the organization generally and/or depending on conditions such as qualification, position, etc.

# Appendix: 3

## DECLARATION OF INDEPENDENCE

I hereby declare that, with respect to Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş. (the Company);

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities at, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature with, the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing (including tax audit, legal audit, internal audit), rating, or consulting;
- I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution,
- I am considered a resident of Turkey for the purposes of the Income Tax Law;
- I possess strong ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration stakeholders' rights;
- I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties undertaken;
- I have not served as a member on the Company's board of directors for more than six years within the most recent ten years,
- I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;
- I am not registered and announced in the name of the legal person elected as a board member,
- and that therefore, I will serve in my position as a member of the Company's Board of Directors as an independent board member.

Orhan Özer

## Appendix: 3

### DECLARATION OF INDEPENDENCE

I hereby declare that, with respect to Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş. (the Company);

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities at, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature with, the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- Within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member, in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing (including tax audit, legal audit, internal audit), rating, or consulting;
- I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- If elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member, provided that the same does not contradict with the legislation governing such institution,
- I am considered a resident of Turkey for the purposes of the Income Tax Law;
- I possess strong ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any conflicts of interest that may arise between the Company and its shareholders, and to come to decisions freely taking into consideration stakeholders' rights;
- I am capable of devoting sufficient amount of time to follow-up the conduct of the Company's activities and to fully satisfy the requirements of the duties undertaken;
- I have not served as a member on the Company's board of directors for more than six years within the most recent ten years,
- I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange;
- I am not registered and announced in the name of the legal person elected as a board member,
- and that therefore, I will serve in my position as a member of the Company's Board of Directors as an independent board member.

Ahmet Murat Selek



ANADOLU ISUZU OTOMOTIV SANAYI AND ITS SUBSIDIARY

# Consolidated Financial Statements Together with Report of Independent Auditors for the Period 1 January - 31 December 2018



# Independent Auditor's Report

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

## A) Report on the Audit of the Consolidated Financial Statements

### 1) Opinion

We have audited the consolidated financial statements of Anadolu Isuzu Otomotiv ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

### 2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

## 3) Key Audit Matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p data-bbox="162 394 821 454">Deferred Tax Assets Calculated over Previous Years' Tax Losses and R&amp;D Incentives</p> <p data-bbox="162 483 821 701">According to the Turkish Tax Legislation, financial losses stated in the declaration can be deducted from the profit of the company for the period providing not exceeding 5 years. Total financial losses of the Group transferring as of 31 December 2018 is 135,749 thousand TL, and 32,718 thousand TL of this amount is 2016 financial loss, 30,491 thousand TL of this amount is 2017 and the remaining 72,540 TL is 2018 financial loss.</p> <p data-bbox="162 730 821 835">As stated in Note 24 related to consolidated financial statements, The Group recognised 26,242 thousand TL of deferred tax asset calculated on previous years' tax losses as of 31 December 2018.</p> <p data-bbox="162 864 821 1014">Besides the previous years' tax losses, the Group has carried forward R&amp;D expenses which subjects to determination of taxable profit. Total amount of abovementioned R&amp;D expenses is 101,193 thousand TL which has expiry date of 31 December 2023.</p> <p data-bbox="162 1043 821 1149">As stated in Note 24 related to consolidated financial statements, The Group recognised 20,239 thousand TL of deferred tax asset calculated on R&amp;D expenses as of 31 December 2018.</p> <p data-bbox="162 1178 821 1408">Partially or wholly recoverable amount of calculated deferred tax assets is estimated by the Group Management according to assumptions under current circumstances. During the estimation, future business plans, losses in the last 5 years and due dates of unused losses are considered. To what extent the assets in question can be recognized depends on the estimations of the Group Management, therefore these assets are evaluated as a key audit matter.</p>	<p data-bbox="821 394 1487 454">Our audit procedures applied in this field include the issues below:</p> <ul data-bbox="821 461 1487 925" style="list-style-type: none"> <li>- To evaluate and investigate the assumptions and judgements used in determination of future taxable earning estimations together with sensitivity analyses by analysing assumptions made by the Group Management;</li> <li>- To evaluate validity and acceptability of assumptions made by the Group Management;</li> <li>- To consider the effect of adjustments in the legislation if required; and</li> <li>- To reconcile amounts and expiry dates of utilisable previous years' tax losses with tax declarations;</li> <li>- To evaluate whether the disclosures in consolidated financial statements for applications of judgements used in the estimations of deferred tax assets stated or not stated in the consolidated financial statements include the deferred tax position according to TAS provisions.</li> </ul>

#### 4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report

## B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 5 March 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

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



**Burç Seven, SMMM**  
**Partner**

**Istanbul, 5 March 2019**

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**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY****AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Current Period 31 December 2018	Prior Period 31 December 2017
<b>ASSETS</b>			
<b>Current Assets</b>		<b>949,258,343</b>	<b>818,303,047</b>
Cash and cash equivalents	4	96,506,029	98,468,892
Trade receivables		238,883,170	325,294,511
Trade receivables from related parties	6,26	8,021,207	2,344,615
Trade receivables from third parties	6	230,861,963	322,949,896
Other receivables			
Other receivables from third parties	7	41,324,118	892,645
Inventories	8	481,922,342	337,266,267
Prepaid expenses	15	22,340,495	15,287,737
Assets related to current tax	24	835,831	927,758
Other current assets	15	67,446,358	40,165,237
<b>Non-Current Assets</b>		<b>656,609,868</b>	<b>635,180,946</b>
Other receivables			
Other receivables from third parties	7	186	186
Property, plant and equipment	9	560,648,627	569,283,614
Intangible assets		93,901,876	65,883,413
Goodwill	11	2,340,995	2,340,995
Other intangible assets	10	91,560,881	63,542,418
Prepaid expenses	15	2,059,179	13,733
<b>TOTAL ASSETS</b>		<b>1,605,868,211</b>	<b>1,453,483,993</b>



**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. VE BAĞLI ORTAKLIĞI****AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Current Period 31 December 2018	Prior Period 31 December 2017
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>915,674,974</b>	<b>595,098,693</b>
Short-Term Borrowings	5	552,303,318	243,575,134
Trade Payables		320,286,921	296,879,346
Trade Payables to Related Parties	6,26	109,509,356	209,917,665
Trade Payables to Third Parties	6	210,777,565	86,961,681
Other Payables		987,867	1,180,512
Other Payables to Related Parties	26	9,109	9,109
Other Payables to Third Parties	7	978,758	1,171,403
Payables Related to Employee Benefits	7	6,115,190	4,531,279
Deferred Income	15	20,745,708	30,505,046
Short-Term Provisions			
Short-Term Provisions for Employee Benefits	14	843,195	3,107,996
Other Short-Term Provisions	13	14,392,775	15,319,380
<b>Non-Current Liabilities</b>		<b>132,272,351</b>	<b>230,259,282</b>
Long-Term Borrowings	5	90,420,000	189,175,667
Deferred Income	15	11,436,255	642,247
Long-Term Provisions for Employee Benefits	14	23,885,435	19,448,903
Deferred Tax Liability	24	6,530,661	20,992,465
<b>EQUITY</b>		<b>557,920,886</b>	<b>628,126,018</b>
<b>Equity Attributable to Owners of the Company</b>		<b>557,920,886</b>	<b>628,126,018</b>
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 in Profit or Loss			
Revaluation and Remeasurement Earnings (Losses)		409,107,297	412,086,655
- Increase in Remeasurement of Property, Plant and Equipment		417,373,045	417,373,045
- Remeasurement of Defined Benefit Plans (Losses)	16	(8,265,748)	(5,286,390)
Restricted Reserves Appropriated from Profit	16	162,221,926	162,175,629
Prior Years' Profit/Losses	16	(60,331,989)	(11,897,328)
Net Profit/Loss for The Year	16	(67,225,774)	(48,388,364)
<b>Non-Controlling Interests</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,605,868,211</b>	<b>1,453,483,993</b>

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY****AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
<b>PROFIT OR LOSS</b>			
Revenue	17	1,187,862,785	963,126,462
Cost of Sales (-)	17	(994,834,345)	(838,161,920)
<b>GROSS PROFIT/(LOSS)</b>		<b>193,028,440</b>	<b>124,964,542</b>
Administrative Expenses (-)	18	(47,965,122)	(41,670,453)
Marketing Expenses (-)	18	(77,505,316)	(67,465,058)
Research and Development Expenses (-)	18	(2,908,365)	(3,192,545)
Other Income from Operating Activities	20	102,483,060	24,518,878
Other Expenses from Operating Activities (-)	20	(118,462,259)	(35,047,361)
<b>OPERATING PROFIT/(LOSS)</b>		<b>48,670,438</b>	<b>2,108,003</b>
Income from Investing Activities	21	726,273	169,402
Expenses from Investing Activities (-)	21	(306,332)	(278,394)
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME (EXPENSE)</b>		<b>49,090,379</b>	<b>1,999,011</b>
Finance Income	22	88,379,474	35,315,170
Finance Expenses (-)	23	(218,149,807)	(105,606,878)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(80,679,954)</b>	<b>(68,292,697)</b>
<b>Tax Income/(Expense) From Continuing Operations</b>		<b>13,454,180</b>	<b>19,904,333</b>
Current Tax (Expense) Income	24	(262,785)	(136,265)
Deferred Tax (Expense) Income	24	13,716,965	20,040,598
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(67,225,774)</b>	<b>(48,388,364)</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>(67,225,774)</b>	<b>(48,388,364)</b>
<b>Profit/(Loss) for the Year Attributable to:</b>	<b>16</b>	<b>(67,225,774)</b>	<b>(48,388,364)</b>
Owners of The Company	16	(67,225,774)	(48,388,364)
<b>Earnings/(Losses) Per 100 Share from Continuing Operations</b>	<b>25</b>	<b>(0.8003)</b>	<b>(0.5761)</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
<b>Items That Will Not Be Reclassified Subsequently to Profit or Loss</b>			
Gain (Loss) on Remeasurement of Property, Plant and Equipment	9	-	473,400,611
Gain (Loss) on Remeasurement of Defined Benefit Plans	14	(3,724,197)	(4,154,043)
Gain (Loss) on Remeasurement of Property, Plant and Equipment, Tax Effect	24	-	(56,027,566)
Gain (Loss) on Remeasurement of Defined Benefit Plans, Tax Effect	24	744,839	830,809
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>		<b>(2,979,358)</b>	<b>414,049,811</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>(70,205,132)</b>	<b>365,661,447</b>
Non-Controlling Interests		-	-
Owners of The Company		(70,205,132)	365,661,447

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. VE BAĞLI ORTAKLIĞI****AUDITED CONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
<b>Cash Flows from Operating Activities</b>		<b>(1,754,575)</b>	<b>18,995,551</b>
<b>Profit (Loss) for The Year</b>	<b>16</b>	<b>(67,225,774)</b>	<b>(48,388,364)</b>
<b>Adjustments to Reconcile Profit (Loss) for The Year</b>		<b>182,085,106</b>	<b>84,443,890</b>
Adjustments Related to Depreciation and Amortization Expenses	<b>9,10</b>	33,932,262	24,033,456
Adjustments Related to Provision for Employee Benefits (Released)	<b>14</b>	4,005,684	4,085,237
Adjustments Related to Tax (Income) Expense	<b>24</b>	(13,454,180)	(19,904,333)
Adjustments Related to Interest Incomes	<b>22</b>	(11,474,905)	(9,431,566)
Adjustments Related to Interest Expenses	<b>23</b>	58,507,579	31,944,319
Adjustments Related to Unrealized Currency Translation Differences		110,252,333	47,183,600
Other Adjustments to Profit/(Loss) Reconciliation		736,274	6,424,185
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	<b>21</b>	(419,941)	108,992
<b>Changes in Working Capital</b>		<b>(112,221,942)</b>	<b>(13,274,266)</b>
Adjustments Related to Decrease (Increase) in Trade Receivables		82,054,941	(42,265,803)
Adjustments Related to Decrease (Increase) in Inventories	<b>8</b>	(144,656,075)	(62,150,548)
Adjustments Related to Decrease (Increase) in Other Receivables from Operations	<b>7,15,24</b>	(74,673,425)	(23,247,876)
Adjustments Related to Increase (Decrease) in Trade Payables		23,231,608	84,973,400
Adjustments Related to Increase (Decrease) in Other Payables from Operations		3,866,455	71,218,790
Adjustments Related to Decrease (Increase) in Other Assets from Operations		(2,045,446)	(41,802,229)
<b>Cash Generated from Operations</b>		<b>2,637,390</b>	<b>22,781,260</b>
Income Tax Returns (Paid)		(1,098,616)	(1,064,023)
Payments to Provision of Employee Benefits	<b>14</b>	(3,293,349)	(2,721,686)
<b>Cash Flows from Investing Activities</b>		<b>(52,895,797)</b>	<b>(33,214,345)</b>
Proceeds from Sale of Property, Plant and Equipment	<b>9,21</b>	2,373,134	244,022
Payments for Purchase of Property, Plant and Equipment	<b>9</b>	(13,475,238)	(9,522,095)
Payments for Purchase of Intangible Assets	<b>10</b>	(41,793,693)	(23,936,272)
<b>Cash Flows from Financing Activities</b>		<b>52,774,399</b>	<b>(7,065,923)</b>
Interest Received		11,561,794	9,556,553
Interest Paid		(49,869,395)	(28,712,576)
Proceeds from Loans		501,511,800	165,965,100
Cash Outflows from Repayment of Loans		(410,429,800)	(153,875,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(1,875,973)</b>	<b>(21,284,717)</b>
<b>Cash and Cash Equivalents at The Beginning of The Year</b>	<b>4</b>	<b>98,357,461</b>	<b>119,642,178</b>
<b>Cash and Cash Equivalents at The End of The Year</b>	<b>4</b>	<b>96,481,488</b>	<b>98,357,461</b>

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY****AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

Prior Period	Notes	Paid-in Capital	Adjustments to Share Capital	Total Paid in Capital	Other Comprehensive Income or Expenses Not Be Reclassified to Profit or Loss	
					Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans
<b>Balances as of 1 January 2017:</b>	<b>16</b>	<b>25,419,707</b>	<b>86,901,880</b>	<b>112,321,587</b>	-	<b>(1,963,156)</b>
<b>Total Comprehensive Income (Expense)</b>		-	-	-	<b>417,373,045</b>	<b>(3,323,234)</b>
Profit (Loss) for The Period		-	-	-	-	-
Other Comprehensive Income (Expense)		-	-	-	417,373,045	(3,323,234)
<b>Transfers</b>		<b>58,580,293</b>	<b>(56,752,454)</b>	<b>1,827,839</b>	-	-
<b>Balances as of 31 December 2017:</b>	<b>16</b>	<b>84,000,000</b>	<b>30,149,426</b>	<b>114,149,426</b>	<b>417,373,045</b>	<b>(5,286,390)</b>
<b>Current Period</b>						
<b>Balances as of 1 January 2018:</b>	<b>16</b>	<b>84,000,000</b>	<b>30,149,426</b>	<b>114,149,426</b>	<b>417,373,045</b>	<b>(5,286,390)</b>
<b>Total Comprehensive Income (Expense)</b>		-	-	-	-	<b>(2,979,358)</b>
Profit (Loss) for The Period		-	-	-	-	-
Other Comprehensive Income (Expense)		-	-	-	-	(2,979,358)
<b>Transfers</b>		-	-	-	-	-
<b>Balances as of 31 December 2018:</b>	<b>16</b>	<b>84,000,000</b>	<b>30,149,426</b>	<b>114,149,426</b>	<b>417,373,045</b>	<b>(8,265,748)</b>

	Retained Earnings		Equity Attributable to Owners of The Company	Non-Controlling Interests	Total Equity	
	Restricted Reserves Allocated from Profit	Prior Years' Profit/Losses				Net Profit/Loss for The Year
	163,579,754	34,863,033	(46,336,647)	262,464,571	-	262,464,571
	-	-	(48,388,364)	365,661,447	-	365,661,447
	-	-	(48,388,364)	(48,388,364)	-	(48,388,364)
	-	-	-	414,049,811	-	414,049,811
	(1,404,125)	(46,760,361)	46,336,647	-	-	-
	162,175,629	(11,897,328)	(48,388,364)	628,126,018	-	628,126,018
	162,175,629	(11,897,328)	(48,388,364)	628,126,018	-	628,126,018
	-	-	(67,225,774)	(70,205,132)	-	(70,205,132)
	-	-	(67,225,774)	(67,225,774)	-	(67,225,774)
	-	-	-	(2,979,358)	-	(2,979,358)
	46,297	(48,434,661)	48,388,364	-	-	-
	162,221,926	(60,331,989)	(67,225,774)	557,920,886	-	557,920,886

Sunuş

İn 2018

Corporate Governance

Financial Information

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the "Company") was established in 1980. Principal activities of the Company are comprised mainly of manufacturing, assembling, import and sales of commercial vehicles and also procure and sales of related spare parts regarding to after sales service. The Company is registered to Capital Markets Board of Turkey and the percentage of 15 of the Company's shares 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 31 December 2018 is 802 (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.

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

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

Company Name	Principal Activity	Capital	31 December 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 1 January - 31 December 2018 approved by the Board of Directors on 5 March 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 Statement of Compliance TAS

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

In addition, the financial statements and disclosures are presented in accordance with the publication by CMB dated 7 June 2013.

The Company (and its Subsidiary registered in Turkey) takes the Turkish Commercial Code ("TCC"), tax legislation and Uniform Chart of Accounts introduced by Turkish Ministry of Finance as basic for book keeping and preparation of the statutory financial statements. Consolidated financial statements have been prepared in Turkish Lira based on the historical costs, as well as the financial assets and liabilities presented in their fair values. Historical costs are generally based on the fair value of the amount paid for the assets. Consolidated financial statements have been arranged by applying the required adjustments and classifications to the statutory records prepared on historical cost basis in order to provide accurate presentation in line with TAS/TFRS. The most important adjustment records are the application of consolidation accounting, deferred tax calculation, calculation of employee termination benefit and other provisions.

#### 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.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE PERIOD ENDED 31 DECEMBER 2018

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

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

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

The table below sets out the subsidiaries and their ownership interests as of 31 December 2018 and 31 December 2017.

Subsidiary	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Ant Sinai 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.

##### 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. In the current period, the Group has made some reclassifications in prior period financial statements. The nature, reason and amounts of the classifications are explained below:

In 2017 the Group has presented "advances given for inventory" amounting to TL 10,334,103 under current assets in the financial statement. In the current year, the Group management has classified these advances under "Prepaid Expenses".

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### **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**

##### **New and amended Turkish Financial Reporting Standards that are effective as of 2018**

##### **TFRS 9 Financial Instruments**

The Group has applied TFRS 9 "Financial Instruments" which replaces TAS 39 as of the first application date of 1 January 2018. This application includes the requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model to replace the currently used impairment model. The Group has carried out evaluation studies to determine the cumulative impact of the first adoption and concluded that it has no significant impact on the consolidated financial statements.

##### **Classification and measurement of financial assets**

Group classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

"Financial assets measured at amortised cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortised cost comprise "cash and cash equivalents" and "trade receivables". Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the consolidated statement of income.

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 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. Gains or losses 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 to retained earnings.

"Financial assets measured at fair value through profit or loss", are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income. Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### 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)

##### New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

##### TFRS 9 Financial Instruments (cont'd)

Financial assets	Prior classification under TAS 39	Prior classification under TFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Receivables from related parties	Loans and receivables	Amortized cost
Derivative financial assets	Fair value through profit or loss	Fair value through profit or loss
Financial liabilities	Prior classification under TAS 39	Prior classification under TFRS 9
Derivative financial liabilities	Fair value through profit or loss	Fair value through profit or loss
Loans	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

##### Impairment

"The expected credit loss model" in TFRS 9 "Financial Instruments" standard has been defined instead of "realized credit losses model" in TAS 39 "Financial Instruments: Recognition and Measurement" which was effective until 1 January 2018. The expected credit losses are a weighted estimate of the probability of loan losses over the expected life of a financial instrument. In the calculation of the expected credit losses, both the Group's future estimates and past loan loss experiences are taken into account.

##### TFRS 15 Revenue from Contracts with Customers

The Group has applied "TFRS 15 Revenue from Customer Contracts", which replaces "TAS 18 Revenue" starting from 1 January 2018. In this context, the retrospective effect of applying the standard for the first time is disclosed under "Comparative Information and Restatement of Prior Period Financial Statements".

##### Revenue

The Group recognizes the revenue by transferring a committed product or service to its customers and when or as the performance obligation is fulfilled. When or as an asset is controlled by the customer, the asset is transferred.

Under TFRS 15 "Revenue from Contracts with Customers" effective as of 1 January 2018 the Group recognizes the revenue in accordance with the following five fundamental principles:

- Identify the contracts with a customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract,
- Recognize the revenue.

The Group evaluates the goods or services committed on the contract with the customer and defines each commitment given to be transferred to the customer as a performance obligation.

The Group considers the terms of the contract and business practices to determine the transaction price. The transaction price is the amount that the Group expects to earn in return for the transfer of goods or services to the customer, excluding the amounts collected on behalf of third parties (e.g. certain sales taxes).

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE PERIOD ENDED 31 DECEMBER 2018**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### **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)**

##### **New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)**

##### **TFRS 15 Revenue from Contracts with Customers (cont'd)**

If the sum of the sale price of the goods or services exceeds the value committed in the contract, the customer receives a discount for the purchase of the goods or services. The Group distributes the discount in a proportionate manner to all performance obligations in the contract, except where there are observable indicators that the discount is related to only one or some of the performance obligations.

For each performance obligation, it is determined at the beginning of the contract that if the performance obligation will be fulfilled in time or at a certain time. When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- Presence of Group's collection right of the consideration for the goods or services,
- Customer's ownership of the legal title on goods or services,
- Physical transfer of the goods or services,
- Customer's ownership of significant risks and rewards related to the goods or services,
- Customer's acceptance of goods or services.

##### **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 impact on the Group's 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. A detailed list of the evidence referred to in paragraph 57 between (a) and (d) has been amended as a list of examples.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### 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)

##### New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

##### Annual Improvements to 2014-2016 Cycle:

TFRS 1 “First-time adoption of Turkish financial reporting standards” has abolished the short-term exceptions during the first-time adoption of TFRS 7, TAS 19 and TFRS 10.

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 impact on the Group’s 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..

##### New and revised TFRS Standards in issue but not yet

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

TFRS 16	<i>Leases</i> <sup>1</sup>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TMS 19	<i>Amendments to Employee Benefits</i> <sup>1</sup>
Annual Improvements to 2015-2017 Cycle	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i> <sup>1</sup>

<sup>1</sup> Effective from periods on or after 1 January 2019.

The Group management, do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE PERIOD ENDED 31 DECEMBER 2018**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### **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)**

##### **New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)**

##### **TFRS 16 Leases**

TFRS 16, 'Leases' is effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. The new standard replaces existing TMS 17 guidance and eliminates the separation of operating leasing and financial leasing. Thus, operating leases that are off balance sheet according to TAS 17 are combined with financial leases under a single model. The IASB provides an exception for short-term leases of lessee (with a leasing period of 12 months or less) and leases of low-valued assets. For lessors, the accounting stays almost the same.

Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group's study related with such standards is still in process. The lessee shall recognize the lease liabilities and the right to use assets over the present value of unpaid lease payments. Lease payments will be discounted using this rate if the implied interest rate in the lease can be easily determined. In case the lessee cannot easily determine this ratio, the lessee's alternative borrowing interest rate will be used. The lessee should separately recognize the interest expense on the lease liability and the depreciation expense that the asset utilization right has allocated for the lease period.

The Group has started compliance studies for this standard that will be effective as of 1 January 2019.

##### **Amendments to TAS 28 Long-term Interests in Associates and Joint Venture**

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

##### **TFRS 10 Consolidated Financial Statements and TAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

This amendment clarifies that all profit or loss from the sale or contribution of assets between an investor and its associate or joint venture are required to be recognized by the investor.

##### **Amendments to TMS 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.

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

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### 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)

##### New and amended Turkish Financial Reporting Standards that are effective as of 2018 (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.

The potential impact of the mentioned standards, changes and improvements on the Group's consolidated financial position and performance is evaluated.

##### 2.2 Summary of Significant Accounting Policies

##### 2.2.1 Cash and cash equivalents

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

##### 2.2.2 Trade receivables and provision for allowance

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

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

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

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

##### 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.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

##### 2.2 Summary of Significant Accounting Policies (cont'd)

##### 2.2.4 Property, plant and equipment and related depreciation

While property, plant and equipment are presented on financial statement according to the adjusted values based on the effects of inflation as of 31 December 2015 for the assets acquired before 1 January 2005, they are presented on the financial statements by deducting accumulated depreciation from cost values for the assets acquired after 2005. As of 31 December 2017, lands and buildings have been monitored by revaluation method. 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
Furnitures and Fixtures	10-20
Other Property, Plant and Equipment	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.

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.

Except for land and investments in progress, cost or valued amounts of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes in estimates and accounted for prospectively if there is a change in the estimates.

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.

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

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

##### 2.2 Summary of Significant Accounting Policies (cont'd)

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

###### Revaluation Method (cont'd)

Depreciation calculations have been made for buildings subject to revaluation as of 31 December 2018 by taking into consideration their remaining useful lives.

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

##### 2.2.5 Intangible assets and related amortisation

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

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

##### 2.2.6 Goodwill

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

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

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

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

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

##### 2.2.7 Impairment of assets

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

##### 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.

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

##### **2.2 Summary of Significant Accounting Policies (cont'd)**

###### **2.2.9 Taxes on income**

Tax liability on current period's profit or loss includes current period tax and deferred tax. 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 tax is provided, using the liability method, on the temporary differences between the carrying values of assets and liabilities and their carrying. The tax value of assets and liabilities represent the amounts that will affect the tax base in the future periods related to the assets and liabilities within the framework of tax legislation. Deferred tax is calculated over the tax rates that are expected to apply in the period when the tax asset or the liability will be realized by taking into consideration the tax rates and tax legislation in effect as of the balance sheet date.

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

###### **2.2.10 Provision for employee benefits**

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

###### **2.2.11 Provisions**

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

###### **2.2.12 Research and development expenses**

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

###### **2.2.13 Warranty provision expenses**

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



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

##### **2.2 Summary of Significant Accounting Policies (cont'd)**

###### **2.2.14 Related parties**

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

###### **2.2.15 Foreign currency transactions**

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

###### **2.2.16 Earnings per share**

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

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

###### **2.2.17 Revenue recognition**

###### **First-time Adoption of TFRS 15 Revenue from Contracts with Customers**

Impact on the Financial Statements

As a result of the adoption of TFRS 15, some changes have occurred in the accounting policies as of 1 January 2018 and within the scope of transitional provisions of TFRS 15 the Group is required to recognize the sales of commercial vehicles and service extended under warranty as revenue to be recorded in the consolidated statement of profit and loss in the relevant period.

As of the first application date 1 January 2018 the Group has carried out studies to evaluate TFRS 15 "Revenue from Contracts with Customers" which replaces "TAS 18 Revenue" and presented it in profit or loss in accordance with TFRS 15.

Warranties given for sales cannot be purchased separately. These warranties are assured that the products sold are in compliance with the pre-determined conditions. In this respect, the Group will continue to recognize the warranty provisions in accordance with the provisions of the existing TAS 37 Provisions, Contingent Liabilities and Conditional Assets.

###### **Commercial vehicle and spare part sales**

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

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

##### **2.2 Summary of Significant Accounting Policies (cont'd)**

##### **2.2.17 Revenue recognition (cont'd)**

##### **First-time Adoption of TFRS 15 Revenue from Contracts with Customers (cont'd)**

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 rendering**

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.

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.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

##### 2.2 Summary of Significant Accounting Policies (cont'd)

##### 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

TFRS 9, Financial instruments; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 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.

##### Financial assets

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 measures 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.

In the initial measurement of financial assets except at fair value through profit or loss, transaction costs directly attributable to the acquisition or export of such assets are added to or deducted from the fair value. Financial assets that are traded in the normal course are recognized at the date of the transaction (delivery 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.

##### Financial assets measured at amortized 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.

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

##### **2.2 Summary of Significant Accounting Policies (cont'd)**

##### **2.2.21 TFRS 9 Financial Instruments (cont'd)**

##### **First-time adoption of TFRS 9 "Financial instruments" (cont'd)**

##### Financial assets (con'd)

(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 Company accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in the financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Company 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.

Financial assets that are not designated as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss. The related financial assets are presented with their fair values and the gains and losses arising from the valuation are recognized in profit or loss.

##### 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.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### 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)

##### First-time adoption of TFRS 9 "Financial Instruments" (cont'd)

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 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 recognizes 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

Financial liabilities are initially measured at fair value. During initial recognition of financial liabilities not designated fair value through profit or loss, all directly attributable transaction costs related to underwriting of financial liabilities, added to this fair value.

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 Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company 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.

##### Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in the statement of financial position when the Group becomes 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. The Group only derecognizes the obligation if the obligation defined in the contract is lifted or canceled or if it expires on time.

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

##### **2.2 Summary of Significant Accounting Policies (cont'd)**

##### **2.2.22 Accounting Policies, Changes in Accounting Estimates and Errors**

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

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

##### **2.2.23 Other Accounting Estimates**

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

a) Deferred tax assets can be recognised only when sufficient taxable profit is likely to occur in the upcoming periods. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 31 December 2018, the Group recognised deferred tax assets of TL 128,649,816 (31 December 2017: TL 126,418,854) based on total deductible financial losses of TL 26,242,335 (31 December 2017: TL 26,080,108) 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.

##### **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.

##### **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.

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)****2.2 Summary of Significant Accounting Policies (cont'd)****2.2.24 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 presented in the consolidated cash flow statements as of 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash	135,442	130,494
Banks-Demand Deposits	10,910,388	19,257,596
Banks-Time Deposits (up to 3 months)	85,072,854	78,968,916
Other Liquid Assets <sup>(1)</sup>	387,345	111,886
<b>Total</b>	<b>96,506,029</b>	<b>98,468,892</b>

<sup>(1)</sup> As of 31 December 2017 and 31 December 2016, the balance in "Other Liquid Assets" is consist of directly debting system assets in bank of group.

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

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Liquid Assets	96,506,029	98,468,892
Interest Accruals (-)	(24,541)	(111,431)
<b>Total (Excluding interest accruals)</b>	<b>96,481,488</b>	<b>98,357,461</b>

The details of time deposits are as follows:

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Amount in TL</b>	<b>Annual Interest Rate (%)</b>	<b>Amount in TL</b>	<b>Annual Interest Rate (%)</b>
TL	46,747,044	15.00-23.49	53,952,431	7.00-15.50
USD	-	-	17,746,481	0.25-4.20
EUR	38,325,810	0.05-1.00	7,270,004	0.10
<b>Total</b>	<b>85,072,854</b>		<b>78,968,916</b>	

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

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**NOTE 5 - FINANCIAL LIABILITIES**

The details of bank loans as of 31 December 2018 and 31 December 2017 are as follows:

**Short-term Bank Loans**

	<b>Annual</b>		<b>Original Currency</b>		<b>Amount in TL</b>	
	<b>Effective Interest Rate (%)</b>					
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Short-term Bank Loans</b>						
EUR	4.71	2.40	27,318,167	43,043,730	164,673,908	194,363,965
TL	23.03	12.97	387,629,410	49,211,169	387,629,410	49,211,169
<b>Total</b>					<b>552,303,318</b>	<b>243,575,134</b>

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

<b>Period</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Up to one month	84,649,083	10,019,792
<b>Total</b>	<b>84,649,083</b>	<b>10,019,792</b>

**Long-Term Bank Loans**

	<b>Annual</b>		<b>Original Currency</b>		<b>Amount in TL</b>	
	<b>Effective Interest Rate (%)</b>					
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Long-term Bank Loans</b>						
EUR	4.85	2.92	15,000,000	11,333,333	90,420,000	51,175,667
TL	-	14.85	-	138,000,000	-	138,000,000
<b>Total</b>					<b>90,420,000</b>	<b>189,175,667</b>

The maturity of all long-term bank loans is 2020.

Financial net debt reconciliation as of 31 December 2018 and 31 December 2017 is as follows:

	<b>2018</b>	<b>2017</b>
<b>Opening balance - 1 January</b>	<b>432,750,801</b>	<b>370,245,358</b>
Interest expense	58,507,579	31,944,319
Interest paid	(49,869,395)	(28,712,576)
Newly obtained credits	501,511,800	165,965,100
Loans repaid	(410,429,800)	(153,875,000)
Exchange difference	110,252,333	47,183,600
<b>Closing balance - 31 December</b>	<b>642,723,318</b>	<b>432,750,801</b>



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**NOTE 6 - TRADE RECEIVABLES AND PAYABLES**

Trade receivables at period ends are as follows:

<b>Short-term Trade Receivables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade Receivables from Third Parties	235,218,363	329,035,874
Trade Receivables from Related Parties	8,021,207	2,344,615
Rediscount Expenses (-)	(4,356,400)	(6,085,978)
Doubtful Receivables	175,000	175,000
Allowance for Doubtful Receivables (-)	(175,000)	(175,000)
<b>Total</b>	<b>238,883,170</b>	<b>325,294,511</b>

Movements of provision for doubtful receivables are as follows:

	<b>2018</b>	<b>2017</b>
<b>Opening Balance - 1 January</b>	<b>175,000</b>	<b>333,324</b>
Collections in the Period	-	(158,324)
<b>Closing Balance - 31 December</b>	<b>175,000</b>	<b>175,000</b>

Trade receivables at period ends are as follows:

<b>Trade Payables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade Payables to Third Parties	213,553,886	87,612,457
Trade Payables to Related Parties	109,509,356	209,917,665
Rediscount on Trade Payables (-)	(2,776,321)	(650,776)
<b>Total</b>	<b>320,286,921</b>	<b>296,879,346</b>

Disclosures on the nature and level of risks in trade receivables are given in Note 27.

**NOTE 7 - OTHER RECEIVABLES AND PAYABLES**

<b>Other Short-term Receivables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Other Receivables from Third Parties</b>		
Due from Personnel	668,284	615,767
Receivables from Tax Office <sup>(1)</sup>	40,655,834	262,841
Deposits and Guarantees Given	-	14,037
<b>Total</b>	<b>41,324,118</b>	<b>892,645</b>

<sup>(1)</sup> As of 31 December 2018, the amount of Group's receivables was TL 39,610,027 which consists of the receivables related to the VAT refund request (31 December 2017 TL 110,000).

<b>Other Long-term Receivables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Other Receivables from Third Parties</b>		
Deposits and Guarantees Given	186	186
<b>Total</b>	<b>186</b>	<b>186</b>

<b>Other Short-term Payables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Other Payables to Third Parties</b>		
Payables Under Employee Benefit	6,115,190	4,531,279
Tax and Funds Payables	944,298	1,138,780
Other Miscellaneous Payables	34,460	32,623
<b>Total</b>	<b>7,093,948</b>	<b>5,702,682</b>

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**NOTE 8 - INVENTORIES**

Inventory balances as of period ends are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Raw materials	156,880,979	133,664,449
Work in process goods	1,162,353	6,300,127
Finished goods	183,893,976	111,315,468
Trade goods	49,960,148	33,701,823
Other inventory	1,799,729	1,199,293
Goods in transit	89,017,661	51,892,430
Impairment in Finished Goods and Trade Goods	(792,504)	(807,323)
<b>Total</b>	<b>481,922,342</b>	<b>337,266,267</b>

<b>Movement of Provision for Inventory Impairment</b>	<b>2018</b>	<b>2017</b>
Opening Balance - 1 January	807,323	1,214,070
Provision released (-)	(333,080)	(406,747)
Current Period Impairment (+)	318,261	-
<b>Closing Balance - 31 December</b>	<b>792,504</b>	<b>807,323</b>

**NOTE 9 - PROPERTY, PLANT AND EQUIPMENT**

<b>Cost Value</b>	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Plant, Machinery and Equipment</b>	<b>Vehicles</b>	<b>Furniture and Fixtures</b>	<b>Other Tangible Fixed Assets</b>	<b>Construction in Progress</b>	<b>TOTAL</b>
<b>Opening Balance as at 1 January 2018</b>	<b>94.164.000</b>	<b>12.286.092</b>	<b>462.796.546</b>	<b>182.189.531</b>	<b>7.875.690</b>	<b>3.992.605</b>	<b>774.199</b>	<b>481.444</b>	<b>764.560.107</b>
Additions	-	16.764	38.200	9.055.660	2.098.964	46.432	-	2.219.218	<b>13.475.238</b>
Transfer from Construction in Progress	-	-	255.866	1.381.421	-	-	-	(1.637.287)	-
Disposals	-	-	-	(964.934)	(2.569.653)	-	-	-	<b>(3.534.587)</b>
<b>Closing Balance as at 31 December 2018</b>	<b>94.164.000</b>	<b>12.302.856</b>	<b>463.090.612</b>	<b>191.661.678</b>	<b>7.405.001</b>	<b>4.039.037</b>	<b>774.199</b>	<b>1.063.375</b>	<b>774.500.758</b>
<b>Accumulated Depreciation</b>									
<b>Opening Balance as at 1 January 2018</b>	-	<b>(8,009,047)</b>	<b>(43,363,705)</b>	<b>(136,746,547)</b>	<b>(3,719,440)</b>	<b>(2,673,628)</b>	<b>(764,126)</b>	-	<b>(195,276,493)</b>
Charge for the year	-	(448,210)	(9,129,322)	(8,732,948)	(1,567,455)	(276,228)	(2,869)	-	<b>(20,157,032)</b>
Disposals	-	-	-	910,064	671,330	-	-	-	<b>1,581,394</b>
<b>Closing Balance as at 31 December 2018</b>	-	<b>(8,457,257)</b>	<b>(52,493,027)</b>	<b>(144,569,431)</b>	<b>(4,615,565)</b>	<b>(2,949,856)</b>	<b>(766,995)</b>	-	<b>(213,852,131)</b>
<b>Net Carrying Value</b>									
<b>Opening Balance as at 1 January 2018</b>	<b>94,164,000</b>	<b>4,277,045</b>	<b>419,432,841</b>	<b>45,442,984</b>	<b>4,156,250</b>	<b>1,318,977</b>	<b>10,073</b>	<b>481,444</b>	<b>569,283,614</b>
<b>Closing Balance as at 31 December 2018</b>	<b>94,164,000</b>	<b>3,845,599</b>	<b>410,597,585</b>	<b>47,092,247</b>	<b>2,789,436</b>	<b>1,089,181</b>	<b>7,204</b>	<b>1,063,375</b>	<b>560,648,627</b>

Amounting to TL 13,864,571 of the depreciation expenses has been charged to cost of sales, and TL 373,930 to research and development expenses and TL 2,212,911 to marketing expenses, TL 1,116,368 to general administrative expenses and TL 2,589,252 to R&D capitalization as of 31 December 2018.

As of 31 December 2018 net book values of the lands and buildings owned by the Group is TL 1,292,239 and TL 36,439,167 respectively, if they are valued according to historical cost basis.

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**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
<b>Opening Balance as at 1 January 2017</b>	<b>1,292,239</b>	<b>12,212,028</b>	<b>82,068,647</b>	<b>184,928,916</b>	<b>7,089,454</b>	<b>4,476,234</b>	<b>774,199</b>	<b>578,207</b>	<b>293,419,924</b>
Additions	-	62,196	199,049	5,464,795	3,006,777	46,434	-	742,844	<b>9,522,095</b>
Transfer from Construction in Progress	-	11,868	-	827,739	-	-	-	(839,607)	-
Disposals	-	-	-	(9,031,919)	(2,220,541)	(530,063)	-	-	<b>(11,782,523)</b>
Gain on Revaluation of Property, Plant and Equipment	92,871,761	-	380,528,850	-	-	-	-	-	<b>473,400,611</b>
<b>Closing Balance as at 31 December 2017</b>	<b>94,164,000</b>	<b>12,286,092</b>	<b>462,796,546</b>	<b>182,189,531</b>	<b>7,875,690</b>	<b>3,992,605</b>	<b>774,199</b>	<b>481,444</b>	<b>764,560,107</b>
<b>Accumulated Depreciation</b>									
<b>Opening Balance as at 1 January 2017</b>	-	<b>(7,564,532)</b>	<b>(40,621,417)</b>	<b>(137,124,706)</b>	<b>(4,757,483)</b>	<b>(2,926,451)</b>	<b>(761,258)</b>	-	<b>(193,755,847)</b>
Charge for the Period	-	(444,515)	(2,742,288)	(8,378,742)	(1,107,996)	(273,746)	(2,868)	-	<b>(12,950,155)</b>
Disposals	-	-	-	8,756,901	2,146,039	526,569	-	-	<b>11,429,509</b>
<b>Closing Balance as at 31 December 2017</b>	-	<b>(8,009,047)</b>	<b>(43,363,705)</b>	<b>(136,746,547)</b>	<b>(3,719,440)</b>	<b>(2,673,628)</b>	<b>(764,126)</b>	-	<b>(195,276,493)</b>
<b>Net Carrying Value</b>									
<b>Opening Balance as at 1 January 2017</b>	<b>1,292,239</b>	<b>4,647,496</b>	<b>41,447,230</b>	<b>47,804,210</b>	<b>2,331,971</b>	<b>1,549,783</b>	<b>12,941</b>	<b>578,207</b>	<b>99,664,077</b>
<b>Closing Balance as at 31 December 2017</b>	<b>94,164,000</b>	<b>4,277,045</b>	<b>419,432,841</b>	<b>45,442,984</b>	<b>4,156,250</b>	<b>1,318,977</b>	<b>10,073</b>	<b>481,444</b>	<b>569,283,614</b>

Amounting to TL 9,467,649 of the depreciation expenses has been charged to cost of sales, and TL 273,746 to research and development expenses and TL 1,142,676 to marketing expenses, TL 787,198 to general administrative expenses and TL 1,278,886 to R&D capitalization as of 31 December 2017.

As of 31 December 2017 net book values of the lands and buildings owned by the Group is TL 1,292,239 and TL 38,903,991 respectively, if they are valued according to historical cost basis

**NOTE 10 - INTANGIBLE ASSETS****31 December 2018**

Cost Value	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress <sup>(1)</sup>	TOTAL
<b>Opening Balance as at 1 January 2018</b>	<b>370,007</b>	<b>73,279,357</b>	<b>18,324,258</b>	<b>24,870,334</b>	<b>116,843,956</b>
Additions	438,213	-	3,154,318	38,201,162	<b>41,793,693</b>
Transfer from Construction in Progress	-	29,568,329	796,990	(30,365,319)	-
<b>Closing balance as at 31 December 2018</b>	<b>808,220</b>	<b>102,847,686</b>	<b>22,275,566</b>	<b>32,706,177</b>	<b>158,637,649</b>
<b>Accumulated Amortization</b>					
<b>Opening Balance as at 1 January 2018</b>	<b>(95,518)</b>	<b>(42,363,735)</b>	<b>(10,842,285)</b>	-	<b>(53,301,538)</b>
Charge for the period	(30,369)	(10,752,930)	(2,991,931)	-	<b>(13,775,230)</b>
<b>Closing balance as at 31 December 2018</b>	<b>(125,887)</b>	<b>(53,116,665)</b>	<b>(13,834,216)</b>	-	<b>(67,076,768)</b>
<b>Carrying Value</b>					
<b>Opening Balance as at 1 January 2018</b>	<b>274,489</b>	<b>30,915,622</b>	<b>7,481,973</b>	<b>24,870,334</b>	<b>63,542,418</b>
<b>Closing Balance as at 31 December 2018</b>	<b>682,333</b>	<b>49,731,021</b>	<b>8,441,350</b>	<b>32,706,177</b>	<b>91,560,881</b>

<sup>(1)</sup> As of 31 December 2018, TL 36,704,294 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

Amounting to TL 10,907,970 of the depreciation expenses of intangible assets has been charged to cost of sales, and TL 353,318 to research and development expenses and TL 341,218 to marketing expenses, TL 593,187 to general administrative expenses and TL 1,579,537 to R&D capitalization as of 31 December 2018.

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**NOTE 10 - INTANGIBLE ASSETS (cont'd)****31 December 2017**

<b>Cost Value</b>	<b>Rights</b>	<b>Research &amp; Development Operations</b>	<b>Other Intangible Assets</b>	<b>Construction in Progress <sup>(1)</sup></b>	<b>TOTAL</b>
<b>Opening Balance as at 1 January 2017</b>	<b>367,311</b>	<b>61,404,133</b>	<b>12,099,141</b>	<b>19,037,099</b>	<b>92,907,684</b>
Additions	2,696	-	1,791,470	22,142,106	<b>23,936,272</b>
Transfer from Construction in Progress		11,875,224	4,433,647	(16,308,871)	-
<b>Closing Balance as at 31 December 2017</b>	<b>370,007</b>	<b>73,279,357</b>	<b>18,324,258</b>	<b>24,870,334</b>	<b>116,843,956</b>
<b>Accumulated Amortization</b>					
<b>Opening Balance as at 1 January 2017</b>	<b>(67,598)</b>	<b>(33,328,537)</b>	<b>(8,822,102)</b>	-	<b>(42,218,237)</b>
Charge for the Period	(27,920)	(9,035,198)	(2,020,183)	-	<b>(11,083,301)</b>
<b>Closing Balance as at 31 December 2017</b>	<b>(95,518)</b>	<b>(42,363,735)</b>	<b>(10,842,285)</b>	-	<b>(53,301,538)</b>
<b>Carrying Value</b>					
<b>Opening Balance as at 1 January 2017</b>	<b>299,713</b>	<b>28,075,596</b>	<b>3,277,039</b>	<b>19,037,099</b>	<b>50,689,447</b>
<b>Closing Balance as at 31 December 2017</b>	<b>274,489</b>	<b>30,915,622</b>	<b>7,481,973</b>	<b>24,870,334</b>	<b>63,542,418</b>

<sup>(1)</sup> As of 31 December 2017, TL 24,631,962 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

Amounting to TL 9,406,787 of the depreciation expenses of intangible assets has been charged to cost of sales and TL 532,889 to research and development expenses and TL 82,086 to marketing expenses, TL 802,625 to general administrative expenses and TL 258,914 to R&D capitalization as of 31 December 2017.

**NOTE 11 - GOODWILL**

As of 31 December 2018, there is goodwill amounted to TL 2,340,995 (31 December 2017: TL 2,340,995). The Group has calculated the recoverable amount of goodwill and no impairment is recognized. In this calculation, a discount rate of 25% (2017: 25% per annum) was used with 5-year cash flows prepared based on the budgets approved by the management.

**NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES**

The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2018, is the TL 484,841. The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2017, was the TL 675,296.

The Group has R&D expenses which can be utilized for tax calculations with an amount of TL 101,193,233 as of 31 December 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.

Regarding the TL 5,606,548 spent as of 31 December 2018 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.

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**NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<b>Other Short-term Provisions</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Warranty Provisions	9,647,216	11,642,227
Provision for Lawsuits	4,355,690	3,567,284
Provision for Premium and Commission	389,869	109,869
<b>Total</b>	<b>14,392,775</b>	<b>15,319,380</b>

Movements of provisions during the period are as follows:

	<b>Warranty Provisions</b>	<b>Provision for Lawsuits</b>	<b>Provision for Premium and Commission</b>	<b>Total</b>
<b>Opening Balance as at 1 January 2018</b>	11,642,227	3,567,284	109,869	<b>15,319,380</b>
Additions During The Period	10,433,281	2,209,093	389,869	<b>13,032,243</b>
Less: Paid During The Period (-)	(12,428,292)	(989,915)	(109,869)	<b>(13,528,076)</b>
Reversal of provision (-)	-	(430,772)	-	<b>(430,772)</b>
<b>Closing Balance as at 31 December 2018</b>	<b>9,647,216</b>	<b>4,355,690</b>	<b>389,869</b>	<b>14,392,775</b>

	<b>Warranty Provisions</b>	<b>Provision for Lawsuits</b>	<b>Provision for Premium and Commission</b>	<b>Total</b>
<b>Opening Balance as at 1 January 2017</b>	12,338,519	1,710,144	-	<b>14,048,663</b>
Additions During The Period	9,854,703	2,216,245	109,869	<b>12,180,817</b>
Less: Paid During The Period (-)	(10,550,995)	(241,105)	-	<b>(10,792,100)</b>
Reversal of provision (-)	-	(118,000)	-	<b>(118,000)</b>
<b>Closing Balance as at 31 December 2017</b>	<b>11,642,227</b>	<b>3,567,284</b>	<b>109,869</b>	<b>15,319,380</b>

**Lawsuits against the Group:**

Amount of provisions allocated for the lawsuits which were filed against the Group as of 31 December 2018 and have not ended as of the balance sheet date equals TL 4,355,690 (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 812,616,800 as of 31 December 2018 (31 December 2017: TL 892,934,291).

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

<b>Type</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Given Letters of Guarantee	158,145,516	116,292,868
<b>Total</b>	<b>158,145,516</b>	<b>116,292,868</b>

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

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>A. CPMs given in the name of its own legal personality</b>	<b>158,145,516</b>	<b>116,292,868</b>
i. Letter of Guarantee	158,145,516	116,292,868
<b>B. CPMs given on behalf of fully consolidated companies</b>	-	-
<b>C. CPMs given in the normal course of business activities on behalf of third parties</b>	-	-
<b>D. Total amount of other CPMs</b>	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>158,145,516</b>	<b>116,292,868</b>

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 31 December 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**

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Short-term Provisions for Employee Benefits</b>		
Provision for Wage Differential in Collective Labour Agreement	-	2,452,546
Provision for Unused Vacation	843,195	655,450
	<b>843,195</b>	<b>3,107,996</b>

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Long-Term Provisions for Employee Benefits</b>		
<b>Provision for Employment Termination Benefits</b>	<b>23,885,435</b>	<b>19,448,903</b>

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

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TL 6,017.60 (1 January 2018 TL 5,001.76) applicable as of 1 January 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.

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**NOTE 14 - EMPLOYEE BENEFITS (cont'd)**

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Annual Net Discount Rate (%)	3.64	4.21
Turnover Rate to Estimate the Probability of Retirement (%)	3.99	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:

	<u>2018</u>	<u>2017</u>
<b>Opening Balance - 1 January</b>	<b>19,448,903</b>	<b>13,931,309</b>
Service cost	3,202,747	3,559,527
Interest cost	802,937	525,710
Gain/(Loss) on Remeasurement of Defined Benefit Plans	3,724,197	4,154,043
Retirement payment paid	(3,293,349)	(2,721,686)
<b>Closing Balance - 31 December</b>	<b>23,885,435</b>	<b>19,448,903</b>

**NOTE 15 - OTHER ASSETS AND LIABILITIES**

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Prepaid Expenses</b>		
Advances Given	20,516,548	10,334,103
Prepaid Insurance Expenses	181,116	84,319
Prepaid Advertisement Expenses	315,378	455,026
Prepaid Subscription Expenses	27,240	24,691
Prepaid Commission Expenses	-	3,904,729
Prepaid Other Expenses	1,300,213	484,869
<b>Total</b>	<b>22,340,495</b>	<b>15,287,737</b>

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Other Current Assets</b>		
Deferred VAT	66,635,534	39,804,274
Other Current Assets	810,824	360,963
<b>Total</b>	<b>67,446,358</b>	<b>40,165,237</b>

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Prepaid Expenses</b>		
Prepaid Expenses	2,059,179	13,733
<b>Total</b>	<b>2,059,179</b>	<b>13,733</b>

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Deferred Income (Short-Term)</b>		
Advances Received	6,309,007	27,731,167
Deferred Income <sup>(1)</sup>	14,436,701	2,773,879
<b>Total</b>	<b>20,745,708</b>	<b>30,505,046</b>

<sup>(1)</sup> The amount of cash incentives received for the company's R&D activities, and which should be transferred to the income statement for upcoming months as of 31 December 2018, is TL 360,791 (31 December 2017: R&D cash support income that will be transferred to the income statement for upcoming months is TL 419,046).

	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Deferred Income (Long-Term)</b>		
Deferred Income <sup>(1)</sup>	11,436,255	642,247
<b>Total</b>	<b>11,436,255</b>	<b>642,247</b>

<sup>(1)</sup> The amount of cash incentives received for the company's R&D activities, and which should be transferred to the income statement for upcoming months as of 31 December 2018 is TL 590,029 (31 December 2017: TL 562,948).

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

#### NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### Capital/Elimination Adjustments

As of 31 December 2018 the share capital of the Company is TL 84,000,000 (31 December 2017: 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, 1,827,839 of which is from restricted reserves appropriated from profit and prior years' profit/loss calculations) to 84,000,000 by providing from internal resources.

This share capital is divided into 8.400,000,000 in total, including 4.515,314,511 A Group registered shares, 2.498,204,373 B Group registered shares, 1,386,481,116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows,

##### 31 December 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
DİĞER	308,373	-	12,174,183	12,482,556	14.87
<b>TOTAL</b>	<b>45,153,145</b>	<b>24,982,043</b>	<b>13,864,812</b>	<b>84,000,000</b>	<b>100.00</b>

##### 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 BEARER SHARES	308,373	-	12,174,183	12,482,556	14.87
<b>TOTAL</b>	<b>45,153,145</b>	<b>24,982,043</b>	<b>13,864,812</b>	<b>84,000,000</b>	<b>100.00</b>

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

##### Privileges Granted to the Share Groups

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

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



**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)****31 December 2018**

Paid-in Capital	84,000,000
Capital Inflation Adjustment Difference	30,149,426
Reserves on Retained Earning	162,221,926
Retained Earnings/(Losses)	(60,331,989)
Gain on Revaluation of Property, Plant and Equipment	417,373,045
(Losses) on Remeasurement of Defined Benefit Plans	(8,265,748)
Net Profit (Loss) for The Period	(67,225,774)
<b>Shareholders' Equity Attributable to Equity Holders of the Group</b>	<b>557,920,886</b>
<b>Non-Controlling Shares</b>	-
<b>Total Shareholders' Equity</b>	<b>557,920,886</b>

**31 December 2017**

Paid-in Capital	84,000,000
Capital Inflation Adjustment Difference	30,149,426
Reserves on Retained Earning	162,175,629
Retained Earnings/(Losses)	(11,897,328)
Gain on Revaluation of Property, Plant and Equipment	417,373,045
(Losses) on Remeasurement of Defined Benefit Plans	(5,286,390)
Net Profit (Loss) for The Period	(48,388,364)
<b>Shareholders' Equity Attributable to Equity Holders of the Group</b>	<b>628,126,018</b>
<b>Non-Controlling Shares</b>	-
<b>Total Shareholders' Equity</b>	<b>628,126,018</b>

**Restricted Reserves Appropriated from Profit**

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Legal Reserves	23,784,678	23,738,381
Real Estate Sale Profit Exemption	138,437,248	138,437,248
<b>Total</b>	<b>162,221,926</b>	<b>162,175,629</b>

Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In addition, the Group's profit on the sale of real estate, which is considered to be within the scope of Article 5/e of Corporate Income Tax Law No. 5520, is classified under this accounting category as a "Real estate sale profit exemption". As of 31 December 2018, the Group's total restricted reserves are TL 162,221,926 (31 December 2017: TL 162,175,629).

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)****Retained Earnings/Losses**

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

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Extraordinary Reserves	9,661,446	9,661,446
Legal Reserves Inflation Difference	24,820,489	24,820,415
Retained Earnings/(Losses)	(94,813,924)	(46,379,189)
<b>Total</b>	<b>(60,331,989)</b>	<b>(11,897,328)</b>

Quoted companies make profit distributions as follows:

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. 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 60,331,989 based on the financial statements prepared in according with TAS/IFRS Financial Reporting Standard for the period ended 31 December 2018.

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

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

**NOTE 17 - REVENUE AND COST OF SALES**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Revenue</b>		
Domestic Sales	736,727,927	789,381,081
Foreign Sales	528,831,949	230,532,668
Other Income	9,996,220	6,825,860
<b>Sales Total (Gross)</b>	<b>1,275,556,096</b>	<b>1,026,739,609</b>
Sales Discounts (-)	(87,693,311)	(63,613,147)
<b>Sales (Net)</b>	<b>1,187,862,785</b>	<b>963,126,462</b>
<b>Cost of Sales</b>	<b>(994,834,345)</b>	<b>(838,161,920)</b>
<b>Gross Operating Profit</b>	<b>193,028,440</b>	<b>124,964,542</b>

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**NOTE 17 - REVENUE AND COST OF SALES (cont'd)**

Cost of sales are summarised as follows;

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Cost of sales</b>		
Raw Materials and Supplies Expenses	748,330,869	667,920,918
Direct Labor Expenses	53,805,678	43,702,406
Depreciation and Amortization Expenses	24,772,541	18,874,436
Other Production Costs	13,180,956	12,223,630
<b>Total Cost of Production</b>	<b>840,090,044</b>	<b>742,721,390</b>
Change in Goods Inventory	(24,401,253)	5,717,385
Cost of Trade Goods Sold	178,068,379	88,029,978
Cost of Other Sales	1,077,175	1,693,167
<b>Cost of Sales</b>	<b>994,834,345</b>	<b>838,161,920</b>

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

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>a) Research and Development Expenses</b>		
Personnel Expenses	(363.917)	(372.043)
Trade Goods Quality Enhancement Expenses	(1.015.469)	(971.030)
Depreciation and Amortization Expenses (Notes 9-10)	(727.248)	(806.635)
Other	(801.731)	(1.042.837)
<b>Total Research and Development Expenses</b>	<b>(2.908.365)</b>	<b>(3.192.545)</b>
<b>b) Marketing Expenses</b>		
Domestic Sales Expense	(1,857,417)	(1,678,768)
Export Expense	(12,459,294)	(6,279,570)
Personnel Expenses	(15,809,963)	(12,715,740)
Advertisement Expenses	(6,794,841)	(7,287,097)
Guarantee Expenses	(10,429,498)	(9,854,141)
Freight And Expressing Expenses	(10,059,601)	(9,966,284)
Royalty Expenses	(4,190,378)	(5,852,288)
Amortization Expense (Notes 9-10)	(2,554,129)	(1,224,762)
Other	(13,350,195)	(12,606,408)
<b>Total Marketing Expenses</b>	<b>(77,505,316)</b>	<b>(67,465,058)</b>
<b>c) General Administrative Expenses</b>		
Personnel Expenses	(17,864,617)	(13,940,219)
Provision for Employee Termination Benefits	(345,413)	(766,180)
Business and Service Expenses	(17,201,874)	(15,999,981)
Depreciation and Amortization Expenses (Notes 9-10)	(1,709,555)	(1,589,823)
Insurance Expenses	(2,355,647)	(1,828,231)
Other	(8,488,016)	(7,546,019)
<b>Total General Administrative Expenses</b>	<b>(47,965,122)</b>	<b>(41,670,453)</b>

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**NOTE 19 - EXPENSES BY NATURE**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
Direct Raw Material and Supplies Costs	748,330,869	667,920,918
Cost of Trade Goods Sold	178,068,379	88,029,978
Cost of Other Goods Sold	1,077,175	1,693,167
Change in Finished Goods and Semi-Finished Goods	(24,401,253)	5,717,385
Other Expenses	89,003,960	80,912,654
Personnel Expenses	88,189,588	71,496,588
Depreciation And Amortisation Expenses	29,763,473	22,495,656
Other Production Expenses	13,180,957	12,223,630
<b>Total Expenses</b>	<b>1,123,213,148</b>	<b>950,489,976</b>

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**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Other Income from Operating Activities:</b>		
Foreign Exchange Income on Trade Receivables and Payables	74,409,060	13,825,756
Discount Income on Trade Payables	8,921,845	3,889,310
Sale Support Income	9,209,567	-
Service Income	1,179,802	1,436,278
Incentive Income	-	1,168,834
MESS Incentive	-	537,565
Tubitak R&D Incentive	516,015	617,787
Export D.F.I.F Support	878,660	479,561
Released Provisions	-	158,323
Rent Income	279,628	70,000
Insurance Indemnity Income	44,116	40,250
Other Income	7,044,367	2,295,214
<b>Total</b>	<b>102,483,060</b>	<b>24,518,878</b>
<b>Other Expense from Operating Activities:</b>		
Foreign Exchange Expense on Trade Receivables and Payables	(111,564,820)	(27,371,660)
Discount Income on Trade Receivables	(5,007,176)	(6,720,531)
Donations and Contributions	(34,250)	(122,961)
Other Expenses	(1,856,013)	(832,209)
<b>Total</b>	<b>(118,462,259)</b>	<b>(35,047,361)</b>

**NOTE 21 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Income From Investing Activities</b>		
Gain on Sale of Machinery and Equipment	726,273	169,402
<b>Total</b>	<b>726,273</b>	<b>169,402</b>
<b>Expenses from Investing Activities</b>		
Loss on Sale of Machinery and Equipment	(306,332)	(278,394)
<b>Total</b>	<b>(306,332)</b>	<b>(278,394)</b>

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**NOTE 22 - FINANCE INCOME**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Finance Income:</b>		
Interest Income	6,985,048	6,360,714
Delay Interest Income	4,489,857	3,070,852
Foreign Exchange Gain	76,904,569	25,883,604
<b>Total</b>	<b>88,379,474</b>	<b>35,315,170</b>

**NOTE 23 - FINANCE EXPENSES**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Finance Expense:</b>		
Interest Expense	(56,560,201)	(28,547,012)
Foreign Exchange Losses	(154,078,767)	(69,672,970)
Expense from Derivative Transactions	(691,432)	(2,056,672)
Forward Purchase Expense	(1,947,378)	(3,397,307)
Other Finance Expenses	(4,872,029)	(1,932,917)
<b>Total</b>	<b>(218,149,807)</b>	<b>(105,606,878)</b>

**NOTE 24 - TAXATION ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

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

<b>Account</b>	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
Current Income Tax Provision (-)	(262,785)	(136,265)
Deferred Tax Income/(Expense) - Profit or Loss Statement	13,716,965	20,040,598
<b>Tax Income/(Expense) - Income Statement</b>	<b>13,454,180</b>	<b>19,904,333</b>
Tax Income/(Expense) - Other Comprehensive Income Statement	744,839	(55,196,757)
<b>Total Tax Income/(Expense)</b>	<b>14,199,019</b>	<b>(35,292,424)</b>
	<b>31 December 2018</b>	<b>31 December 2017</b>
Current Corporate Tax Provision	262,785	136,265
Less: Prepaid Taxes and Funds	(1,098,616)	(1,064,023)
<b>Tax Payable</b>	<b>(835,831)</b>	<b>(927,758)</b>

As of 31 December 2018, the amount of corporate tax paid in advance is amounted to TL 835,831 which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation.

*i) Provision for Current Period Tax*

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

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

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

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

According to the provisional article 10 added to the Corporate Tax Law, a corporate tax rate of 22% will be taken over the corporate earnings of the corporate taxpayers for the 2018, 2019 and 2020 accounting periods.

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.

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

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/IFRS's accounting standards and statutory tax financial statements. These differences are usually due to the recognition of revenue and expenses in different reporting periods for the TAS/IFRS standards and tax purposes.

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

ii) *Deferred Tax (cont'd)*

	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Cumulative Temporary Differences</b>	<b>Deferred Tax Assets/(Liabilities)</b>	<b>Cumulative Temporary Differences</b>	<b>Deferred Tax Assets/(Liabilities)</b>
Inventories	739,530	162,697	6,836,094	1,503,941
Non-Current Assets (Net)	(517,378,544)	(64,823,153)	(520,585,471)	(65,464,539)
Provision for Employment Termination Benefits	23,885,435	4,777,087	19,448,903	3,889,781
Guarantee Provisions	9,647,216	2,122,388	11,642,227	2,561,290
R&D Discount	101,193,234	20,238,647	41,480,482	8,296,096
Current Year Financial Loss <sup>(1)</sup>	128,649,816	26,242,335	126,418,854	26,080,108
Rediscount Expenses/Income (Net)	1,461,611	321,554	5,374,801	1,182,456
Law Suit Provisions	4,355,690	958,252	3,567,285	784,803
Other (Net)	15,770,600	3,469,532	789,085	173,599
<b>Total</b>		<b>(6,530,661)</b>		<b>(20,992,465)</b>

<sup>(1)</sup> It is foreseen that the financial loss of the current period will be completely lowered in the next 4 years.

<b>Movement of Deferred Tax Assets/(Liabilities):</b>	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
Opening Balance	(20,992,465)	14,163,694
Deferred Tax (Expense)/Income Charged to Profit or Loss	13,716,965	20,040,598
Deferred Tax Income Charged to Comprehensive Income	744,839	(55,196,757)
<b>Closing Balance</b>	<b>(6,530,661)</b>	<b>(20,992,465)</b>

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

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

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
<b>Reconciliation of Tax Provision:</b>		
<b>Income/(Loss) from Continuing Operations</b>	<b>(80,679,954)</b>	<b>(68,292,697)</b>
Corporate Tax (20% or 22%)	17,749,590	15,019,066
<b>Tax Effects of:</b>		
-R&D Incentive	13,136,805	4,797,233
-R&D Support Income	113,523	123,557
-Financial loss not subject to deferred tax <sup>(1)</sup>	(14,858,049)	-
-Other	(2,687,689)	(35,523)
<b>Income Tax Income Recognised in Profit or Loss</b>	<b>13,454,180</b>	<b>19,904,333</b>

\* The Group has ended the accounting of the deferred tax asset amounting to TL 14,858,049 as of 31 December 2018 on the total deductible financial loss amounting to TL 39.816.865 as of 31 December 2017.

**NOTE 25 - EARNINGS PER SHARE**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
Net Profit/(Loss) for The Period	(67,225,774)	(48,388,364)
Weighted Average Number of Shares with Nominal Value of 1 Piastre	8,400,000,000	8,400,000,000
<b>Income/(Loss) Per 100 Share with Nominal Value of TL 1 Each</b>	<b>(0.8003)</b>	<b>(0.5761)</b>

**NOTE 26- RELATED PARTY DISCLOSURES****a) Related Party Balances:**

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

**31 December 2018**

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

<sup>(1)</sup> Non-Trade Payables to shareholders balance is classified under other payables in balance sheet.

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**NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)****31 December 2017**

<b>Balances with Related Parties</b>	<b>Receivables Trade</b>	<b>Payables Trade</b>	<b>Non-Trade</b>
Adel Kalemçilik 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 <sup>(*)</sup>	-	-	9,109
<b>Total</b>	<b>2,344,615</b>	<b>209,917,665</b>	<b>9,109</b>

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

**b) Related Party Transactions:****1 January-31 December 2018**

<b>Sales to Related Parties</b>	<b>Goods and Services</b>	<b>Fixed Assets</b>	<b>Other</b>	<b>Total Expense/</b>
	<b>Purchases</b>	<b>Purchases</b>		<b>Purchases</b>
Anadolu Motor Üretim ve Pazarlama A.Ş.	360,684	-	-	<b>360,684</b>
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	-	-	43,130	<b>43,130</b>
Anadolu Bilişim Hizmetleri A.Ş.	71,639	-	-	<b>71,639</b>
Migros Ticaret A.Ş.	-	101,400	-	<b>101,400</b>
AG Anadolu Grubu Holding A.Ş.	-	305,400	-	<b>305,400</b>
Çelik Motor Ticaret A.Ş.	805,089	-	15,037	<b>820,126</b>
Isuzu Motors International Operation Thailand	3,228,112	-	-	<b>3,228,112</b>
Isuzu Motors Ltd. Tokyo	15,198,274	-	-	<b>15,198,274</b>
Itochu Corporation Tokyo	14,727,509	-	-	<b>14,727,509</b>
<b>Total</b>	<b>34,391,307</b>	<b>406,800</b>	<b>58,167</b>	<b>34,856,274</b>

**1 January-31 December 2017**

<b>Sales to Related Parties</b>	<b>Goods and Services</b>	<b>Other</b>	<b>Total Expense/</b>
	<b>Purchases</b>		<b>Purchases</b>
Adel Kalemçilik Tic. ve San. A.Ş.	3,928	-	<b>3,928</b>
Anadolu Endüstri Holding A.Ş.	16,298	-	<b>16,298</b>
Anadolu Bilişim Hizmetleri A.Ş.	19,513	-	<b>19,513</b>
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	102,206	-	<b>102,206</b>
Isuzu Motors Co. Thailand Ltd.	1,311	-	<b>1,311</b>
Isuzu Motors International Operation Thailand	974,689	-	<b>974,689</b>
Isuzu Motors Ltd. Tokyo	4,226,746	-	<b>4,226,746</b>
Itochu Corporation Tokyo	2,284,981	-	<b>2,284,981</b>
<b>Total</b>	<b>7,629,672</b>	<b>-</b>	<b>7,629,672</b>



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**NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)****b) Related Party Transactions (cont'd):****1 January-31 December 2018**

	<u>Goods and Services</u>	<u>Fixed Assets</u>	<u>Other</u>	<u>Total Expense/</u>
	<u>Purchases</u>	<u>Purchases</u>		<u>Purchases</u>
<b>Purchases from Related Parties</b>				
Adel Kalemcilik Tic. ve San. A.Ş.	53,663	1,919	-	55,582
Anadolu Bilişim Hizmetleri A.Ş.	1,167,663	3,185	-	1,170,848
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	35,999	12,296	-	48,295
AG Anadolu Grubu Holding A.Ş.	6,554,703	-	-	6,554,703
Anadolu Motor Üretim ve Paz. A.Ş.	115,818	-	-	115,818
Anadolu Sağlık Merkezi İktisadi İşletmesi	603	-	-	603
Çelik Motor Ticaret A.Ş.	2,075,067	-	93,706	2,168,773
Efestur Turizm İşletmeleri A.Ş.	4,209,663	-	-	4,209,663
Isuzu Motors Co. Thailand Ltd.	602,019	-	-	602,019
Isuzu Motors International Operation Thailand	120,829,399	-	-	120,829,399
Isuzu Motors Ltd. Tokyo	6,531,338	-	-	6,531,338
Isuzu Motors Germany GMBH	47,899	-	-	47,899
Itochu Corporation Tokyo	202,716,307	-	-	202,716,307
Migros Ticaret A.Ş.	134,034	-	-	134,034
Oyex Handels Gmbh	60,358	-	-	60,358
Kipa Ticaret A.Ş.	159	-	-	159
<b>Total</b>	<b>345,134,692</b>	<b>17,400</b>	<b>93,706</b>	<b>345,245,798</b>

**1 January-31 December 2017**

	<u>Goods and Services</u>	<u>Fixed Assets</u>	<u>Other</u>	<u>Total Expense/</u>
	<u>Purchases</u>	<u>Purchases</u>		<u>Purchases</u>
<b>Purchases from Related Parties</b>				
Adel Kalemcilik Tic. ve San. A.Ş.	31,862	-	-	31,862
AEH Sigorta Acenteliği A.Ş.	-	-	2,452,998	2,452,998
Anadolu Bilişim Hizmetleri A.Ş.	2,522,957	118,601	-	2,641,558
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	11,372	28,117	-	39,489
Anadolu Endüstri Holding A.Ş.	5,763,329	-	7,440	5,770,769
Anadolu Motor Üretim ve Paz. A.Ş.	25,404	-	-	25,404
Anadolu Sağlık Merkezi İktisadi İşletmesi	2,106	-	-	2,106
Çelik Motor Ticaret A.Ş.	1,297,937	-	1,119,724	2,417,661
Efestur Turizm İşletmeleri A.Ş.	3,229,330	-	-	3,229,330
Isuzu Motors Co. Thailand Ltd.	12,513	-	-	12,513
Isuzu Motors International Operation Thailand	134,583,723	-	-	134,583,723
Isuzu Motors Ltd. Europe	469	-	-	469
Isuzu Motors Ltd. Tokyo	9,699,380	-	-	9,699,380
Itochu Corporation Tokyo	267,306,478	-	-	267,306,478
Migros Ticaret A.Ş.	40,468	-	-	40,468
Oyex Handels Gmbh	62,649	-	-	62,649
Kipa Ticaret A.Ş.	136	-	-	136
<b>Total</b>	<b>424,590,113</b>	<b>146,718</b>	<b>3,580,162</b>	<b>428,316,993</b>

**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 2017 (Donation was not made in 2017)

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**NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)****d) Key management compensation:**

	<b>1 January 2018- 31 December 2018</b>	<b>1 January 2017- 31 December 2017</b>
Salaries and other short-term benefits	9,184,708	6,270,826
<b>Total</b>	<b>9,184,708</b>	<b>6,270,826</b>

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

**NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS****a) Capital risk management**

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

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

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

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Net Debt	866,504,210	631,161,255
Total Equity	557,920,886	628,126,018
<b>Debt/Total Equity</b>	<b>1.55</b>	<b>1.00</b>

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

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

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

**(b) Price risk**

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

**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.

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

(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****31 December 2018**

	Profit/Loss	
	Appreciation of Foreign Currency	Appreciation 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 (-)	-	-
<b>3- Net Effect of US Dollar (1 +2)</b>	<b>(400,151)</b>	<b>400,151</b>
In case of Euro increases in 10% against TL;		
4- Euro Net Asset/(Liability)	(16,751,965)	16,751,965
5- Euro Hedges (-)	-	-
<b>6- Net Effect of Euro (4+5)</b>	<b>(16,751,965)</b>	<b>16,751,965</b>
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset/(Liability)	(6,795,018)	6,795,018
8- Other Exchange Rates Hedges (-)	-	-
<b>9- Net Effect of Other Exchange Rates (7+8)</b>	<b>(6,795,018)</b>	<b>6,795,018</b>
<b>TOTAL (3+6+9)</b>	<b>(23,947,134)</b>	<b>23,947,134</b>

**Statement of Foreign Exchange Rate Sensitivity Analysis****31 December 2017**

	Profit/Loss	
	Appreciation of Foreign Currency	Appreciation of Foreign Currency
In case of US Dollar increases in 10% against TL;		
1 - US Dolar Net Asset/(Liability)	1,833,670	(1,833,670)
2- US Dolar Hedges (-)	-	-
<b>3- Net Effect of US Dollar (1 +2)</b>	<b>1,833,670</b>	<b>(1,833,670)</b>
In case of Euro increases in 10% against TL;		
4- Euro Net Asset/(Liability)	(34,043,127)	34,043,127
5- Euro Hedges (-)	-	-
<b>6- Net Effect of Euro (4+5)</b>	<b>(34,043,127)</b>	<b>34,043,127</b>
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset/(Liability)	(5,621,822)	5,621,822
8- Other Exchange Rates Hedges (-)	-	-
<b>9- Net Effect of Other Exchange Rates (7+8)</b>	<b>(5,621,822)</b>	<b>5,621,822</b>
<b>TOTAL (3+6+9)</b>	<b>(37,831,279)</b>	<b>37,831,279</b>

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

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

		<b>Statement of Foreign Currency Position</b>				
		<b>31 December 2018</b>				
	<b>TL Amount</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>	<b>Other</b>	
1.	Trade Receivables	150,546,729	265,471	18,536,897	-	37,409,698
2a.	Monetary Financial Assets (Including Cash and Bank Accounts)	47,088,238	85,856	6,848,211	300,383	5,341,260
2b.	Non-monetary Financial Assets	-	-	-	-	-
3.	Other	-	-	-	-	-
<b>4.</b>	<b>Current Assets (1+2+3)</b>	<b>197,634,967</b>	<b>351,327</b>	<b>25,385,108</b>	<b>300,383</b>	<b>42,750,958</b>
5.	Trade Receivables	-	-	-	-	-
6a.	Monetary Financial Assets	-	-	-	-	-
6b.	Non-monetary Financial Assets	-	-	-	-	-
7.	Other	-	-	-	-	-
<b>8.</b>	<b>Non-current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9.</b>	<b>Total Assets (4+8)</b>	<b>197,634,967</b>	<b>351,327</b>	<b>25,385,108</b>	<b>300,383</b>	<b>42,750,958</b>
10.	Trade Payables	180,454,842	1,111,940	10,847,512	2,257,101,986	1,897,807
11.	Financial Liabilities	161,751,331	-	26,833,333	-	-
12a.	Monetary Other Liabilities	735,681	-	122,044	-	-
12b.	Non-Monetary Other Liabilities	3,744,449	-	372,473	31,530,528	-
<b>13.</b>	<b>Current Liabilities (10+11+12)</b>	<b>346,686,303</b>	<b>1,111,940</b>	<b>38,175,362</b>	<b>2,288,632,514</b>	<b>1,897,807</b>
14.	Trade Payable	-	-	-	-	-
15.	Financial Liabilities	90,420,000	-	15,000,000	-	-
16a.	Monetary Other Liabilities	-	-	-	-	-
16b.	Non-Monetary Other Liabilities	-	-	-	-	-
<b>17.</b>	<b>Non-current Liabilities (14+15+16)</b>	<b>90,420,000</b>	<b>-</b>	<b>15,000,000</b>	<b>-</b>	<b>-</b>
<b>18.</b>	<b>Total Liabilities (13+17)</b>	<b>437,106,303</b>	<b>1,111,940</b>	<b>53,175,362</b>	<b>2,288,632,514</b>	<b>1,897,807</b>
<b>19.</b>	<b>Off-balance Sheet Derivative Instruments Net Asset/(Liability) Position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.a.	Amount of active foreign derivative currency off-balance sheet	-	-	-	-	-
19.b.	Amount of passive foreign derivative currency off-balance sheet	-	-	-	-	-
<b>20.</b>	<b>Net Foreign Currency Assets (Liabilities) Position (9-18+19)</b>	<b>(239,471,336)</b>	<b>(760,613)</b>	<b>(27,790,254)</b>	<b>(2,288,332,131)</b>	<b>40,853,151</b>
<b>21.</b>	<b>Monetary Items Net Foreign Currency Assets/(Liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(235,726,887)</b>	<b>(760,613)</b>	<b>(27,417,781)</b>	<b>(2,256,801,603)</b>	<b>40,853,151</b>
<b>22.</b>	<b>Fair Value of Financial Instruments Used for Currency Hedge</b>					
<b>23.</b>	<b>Hedged Foreign Currency Assets</b>	<b>-</b>				
<b>24.</b>	<b>Hedged Foreign Currency Liabilities</b>	<b>-</b>				
<b>25.</b>	<b>Export</b>	<b>528,831,949</b>				
<b>26.</b>	<b>Import</b>	<b>521,332,895</b>				

**Statement of Foreign Currency Position****31 December 2017**

<b>TL Amount</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Yen</b>	<b>Other</b>
60,206,193	150,538	12,537,794	20,155,554	2,499,396
35,051,422	4,712,493	3,815,962	1,358,245	-
-	-	-	-	-
-	-	-	-	-
<b>95,257,615</b>	<b>4,863,031</b>	<b>16,353,756</b>	<b>21,513,799</b>	<b>2,499,396</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>95,257,615</b>	<b>4,863,031</b>	<b>16,353,756</b>	<b>21,513,799</b>	<b>2,499,396</b>
220,354,405	1,636	34,052,343	1,726,554,667	1,684,870
194,363,967	-	43,043,731	-	-
14,973,669	-	3,316,060	-	-
-	-	-	-	-
<b>429,692,041</b>	<b>1,636</b>	<b>80,412,134</b>	<b>1,726,554,667</b>	<b>1,684,870</b>
-	-	-	-	-
51,175,665	-	11,333,333	-	-
-	-	-	-	-
-	-	-	-	-
<b>51,175,665</b>	<b>-</b>	<b>11,333,333</b>	<b>-</b>	<b>-</b>
<b>480,867,706</b>	<b>1,636</b>	<b>91,745,467</b>	<b>1,726,554,667</b>	<b>1,684,870</b>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>(385,610,091)</b>	<b>4,861,395</b>	<b>(75,391,711)</b>	<b>(1,705,040,868)</b>	<b>814,526</b>
<b>(385,610,091)</b>	<b>4,861,395</b>	<b>(75,391,711)</b>	<b>(1,705,040,868)</b>	<b>814,526</b>
-	-	-	-	-
-	-	-	-	-
<b>230,532,668</b>	-	-	-	-
<b>507,815,364</b>	-	-	-	-

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

(e) Interest rate risk

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

**Interest Rate Position Table**

	<b><u>31 December 2018</u></b>	<b><u>31 December 2017</u></b>
<b>Financial Assets with Fixed Rates</b>		
Financial Assets	85,072,854	78,968,916
Cash and Cash Equivalents	(634,669,115)	(414,653,046)
<b>Financial Liabilities With Variable Rates</b>		
Financial Assets	-	-
Financial Liabilities	(8,054,202)	(18,097,754)

As of 31 December 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 80,542 (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

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. Receivables from foreign costumers as of 31 December 2018 are TL 150,546,729 and there is no geographical concentration (31 December 2017: TL 60,206,193).

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

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

(g) Credit risk management (cont'd)

31 December 2018	Receivables				Notes	Deposits at Bank	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)</b>	<b>8,021,207</b>	<b>238,883,170</b>		<b>41,324,304</b>		<b>95,983,242</b>	
- Secured portion of the maximum credit risk by guarantees vs.	-	238,883,170		-	<b>6</b>	-	
<b>A. Net book value of financial assets which are undue or which is not impaired</b>	<b>8,021,207</b>	<b>209,868,867</b>		<b>41,324,304</b>	<b>6-7-26</b>	<b>95,983,242</b>	<b>4</b>
<b>B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired</b>	-	-		-		-	
<b>C. Net book value of assets, overdue but not impaired</b>	-	<b>29,014,303</b>		-		-	
- Secured by Guarantee, etc.	-	29,014,303		-		-	
<b>D. Net book value of assets decrease in value</b>	-	-		-		-	
- Overdue (gross book value)	-	(175,000)		-	<b>6</b>	-	
- Impairment (-)	-	175,000		-	<b>6</b>	-	
- The Part of Net Value Secured by Guarantee etc.	-	-		-		-	
- Undue (gross book value)	-	-		-		-	
- Impairment (-)	-	-		-		-	
- The part of net value secured by guarantee etc.	-	-		-		-	
<b>E. Elements containing credit risk off the balance sheet</b>	-	-		-		-	

**ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

(g) Credit risk management (cont'd)

31 December 2017	Receivables				Notes	Deposits at Banks	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
<b>Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)</b>	<b>2,344,615</b>	<b>322,949,896</b>	<b>-</b>	<b>892,831</b>		<b>98,226,512</b>	
- Secured portion of the maximum credit risk by guarantees vs.	-	322,949,896	-	-	<b>6</b>	-	-
<b>A. Net book value of financial assets which are undue or which is not impaired</b>	<b>2,344,615</b>	<b>319,920,819</b>	<b>-</b>	<b>892,831</b>	<b>6-7-26</b>	<b>98,226,512</b>	<b>4</b>
<b>B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired</b>	-	-	-	-	-	-	-
<b>C. Net book value of assets, overdue but not impaired</b>	-	<b>3,029,077</b>	-	-	-	-	-
- Secured by Guarantee, etc.	-	3,029,077	-	-	-	-	-
<b>D. Net book value of assets decrease in value</b>	-	-	-	-	-	-	-
- Overdue (gross book value)	-	(175,000)	-	-	<b>6</b>	-	-
- Impairment (-)	-	175,000	-	-	<b>6</b>	-	-
- The Part of Net Value Secured by Guarantee etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value secured by guarantee etc.	-	-	-	-	-	-	-
<b>E. Elements containing credit risk off the balance sheet</b>	-	-	-	-	-	-	-

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

31 December 2018	Receivables		Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables			
Past due up to 30 days	26,112,873	-	-	-	-
Past due 1 - 3 months	2,901,430	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
<b>Assets covered portion with guarantee letter etc.</b>	<b>29,014,303</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

(g) Credit risk management (cont'd)

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

#### Liquidity risk tables

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

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

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

#### 31 December 2018

##### Non-Derivative Financial Liabilities

Contract Terms	Carrying Value	Total Contracted		Less than 3		
		Cash Outflows	Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank Loans	642,723,318	664,959,719	186,190,469	383,902,438	94,866,811	-
Trade Payables	320,286,921	323,181,710	246,854,441	76,327,269	-	-
Other Payables	7,103,057	7,103,057	7,103,057	-	-	-
<b>Non-Derivative Financial Liabilities</b>	<b>970,113,296</b>	<b>995,244,486</b>	<b>440,147,967</b>	<b>460,229,707</b>	<b>94,866,811</b>	<b>-</b>

##### Derivative Financial Liabilities

The Group does not have any derivative financial liabilities as of 31 December 2018.

#### 31 December 2017

##### Non-Derivative Financial Liabilities

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

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE PERIOD ENDED 31 DECEMBER 2018**

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

(g) Credit risk management (cont'd)

##### **Derivative Financial Liabilities**

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

##### **Fair Value and Hedging Disclosures**

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

##### Objectives of financial risk management

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

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

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

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

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

##### **Derivative Financial Instruments**

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

The Group does not have forward exchange from derivative financial instruments as of 31 December 2018 and 31 December 2017.

#### **NOTE 28- EVENTS AFTER REPORTING PERIOD**

None.

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