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

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 AND INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

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 accompanying consolidated financial statements of Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group. as at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year ended in accordance with Turkish Accounting Standards (''TAS'').

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued 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 Ethical Rules for the Independent Auditors* issued by Public Oversight Accounting and Auditing Standards Authority ("POA") and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities related to ethics within the scope of the Ethical Rules and regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	**How the matters were addressed in the audit**
Sales Discounts In Anadolu Isuzu Otomotiv Sanayi ve Ticaret A.Ş., revenue is measured by considering the discounts made in various sales contracts with customers. Regarding the extend and variety of conditions of the related contract, recording sales discounts is determined as a key audit matter in terms of our audit because calculating discounts that were recorded referring sale transactions occured in the year ending on 31 December 2017 is a complicated operation and these calculations may involve significant mistakes and incorrectness. Accounting policy on discounts is clarified in the Note 2, and the related note is in the Note 17.	Audit procedures applied related to recording sales discounts in financial statements are as follows: -Design and application of controls determined by the Management are evaluated to understand the sales process in question and ensure that sales discount transactions are made according to the supply contract. -The conformity of the transactions to the declared conditions is evaluated by testing with the sample method in order to determine whether the discounts are recognized at the correct amount. -The exactness and correctness of the data that is the basis of the discount calculations are controlled. -The mathematical correctness of discount amount calculariıns are confirmed by using the sample method and the recalculation method. -Current account reconciliations with dealers that constitutes a significant part of sales discounts are tested with the external confirmation method and substantive confirmation procedures. Besides, the sufficiency of the information in financial statements and Note 17 is evaluated according to the TAS.

Key Audit Matters	**How the matters were addressed in the audit**
Revaluation and Impairment in Property, Plant and Equipment As stated in Note 2 and Note 9, the Group appraises lands and buildings with the revaluation method. Fair values of the land in the amount of 94,164,000 TL and the building in the amount of 462,796,546 TL that were stated in consolidated financial statements as of 31 December 2017 are determined by independent appraisal companies and the details are clarified in Note 9.	During our audit, audit procedures as below are applied regarding apprasing lands and buildings according to fair value. -Competence, licenses and independence of real estate appraisers assigned by the Management are evaluated. -Other appraisers from another company in audit network in which we are involved are included in the studies in order to examine the legal statuses and investigations related to the market data used in the appraisals of real estate appraisers assigned by the Management.

Fair value calculations of lands and buildings for current year are considered as a key audit matter by our party for the reason that lands and buildings constitute a significant part of the total assets of the Group and the applied appraisal methods includes significant estimations and presumptions.	-The correctness and conformity of the information provided to real estate appraisers are controlled and the conformity of appraisal methods used by appraisers in appraisal reports of lands and buildings, and whether the determined value is fair value are evaluated by our Party with the participation of the external appraiser. -Consistency of lands and buildings located near the region of the lands and buildings of the Group and sold during the year with the equivalent sales value predicted by real estate appraisers of the Management is evaluated. -Consistency of values of lands and buildings in the financial statements with the appraisal report issued by appraisers is controlled. Besides, the sufficiency and conformity of disclosures in Note 7 Property, Plant and Equipment note are evaluated by our Party according to TAS 16.

Audit Matter	How the matters were addressed in the audit
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 2017 is 126,418,854 TL, and 65,435,472 TL of this amount is 2016 financial loss and the remaining 60,983,382 TL is 2017 financial loss. As stated in Note 24 related to consolidated financial statemements, The Group has 26,080,108 TL deferred tax asset calculated on previous years' tax losses as of 31 December 2017. 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.	Our audit procedures applied in this field include the issues below: -To evaluate and investigate the assumptions and reasonings used in determination of future taxable earning estimations by analizing assumptions made by the Group Management; -To evaluate the correctness of future taxable profit estimations of the Management historically and evaluate whether there are indicators related to partialism of the management in choosing key assumptions by comparing previous year estimations of the Group Management with taxable profits in current year; -To consider the effect of adjustments in the legislation if required; -To ensure the conformity of previous years' financial losses and their validity periods with tax returns; and -To evaluate whether the disclosures in consolidated financial statements for applications of reasonings 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.

4) Other Matter

Consolidated financial statements of the Group for the accounting period that ends on 31 December 2016 were audited by another independent auditor, and a positive opinion was issued for these consolidated financial statements on 28 February 2017.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS"), 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.

6) Auditor’s Responsibilities fort he Audit of the Financial Statements

In an independent audit, our responsibilities as independent auditors 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 Independent Auditing Standards published by the Capital Markets Board 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 Independent Audit Standarts issued by the CMB and the ISAs, 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 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 and 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.

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 Group on 2 March 2018.

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 consolidated financial statements prepared for the period 1 January-31 December 2017 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 independent audit herein, is conducted and concluded by the engagement partner Burç Seven.

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

Burç Seven, SMMM
Partner

İstanbul, 2 March 2018

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş.
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current Period 31 December 2017	Prior Period 31 December 2016
ASSETS			
Current Assets		**818,303,047**	**718,133,022**
Cash and cash equivalents	**4**	98,468,892	119,878,595
Trade receivables		*325,294,511*	*289,113,207*
Trade receivables from related parties	**6,26**	2,344,615	254,444
Trade receivables from third parties	**6**	322,949,896	288,858,763
Other receivables			
Other receivables from third parties	**7**	892,645	1,023,019
Inventories	**8**	337,266,267	275,115,719
Prepaid expenses	**15**	15,287,737	5,646,604
Assets related to current tax	**24**	927,758	983,913
Other current assets	**15**	40,165,237	26,371,965
Non-Current Assets		**635,180,946**	**166,933,775**
Other receivables			
Other receivables from third parties	**7**	186	186
Property, plant and equipment	**9**	569,283,614	99,664,077
Intangible assets		*65,883,413*	*53,030,442*
Goodwill	**11**	2,340,995	2,340,995
Other intangible assets	**10**	63,542,418	50,689,447
Prepaid expenses	**15**	13,733	75,376
Deferred tax assets	**24**	-	14,163,694
TOTAL ASSETS		**1,453,483,993**	**885,066,797**

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

	Notes	Current Period 31 December 2017	Prior Period 31 December 2016
LIABILITIES			
Current Liabilities		**595,098,693**	**387,476,997**
Short-Term Borrowings	**5**	243,575,134	149,750,358
Trade Payables		*296,879,346*	*211,966,288*
Trade Payables to Related Parties	**6,26**	209,917,665	151,329,317
Trade Payables to Third Parties	**6**	86,961,681	60,636,971
Other Payables		*28,911,679*	*7,157,202*
Other Payables to Related Parties	**26**	9,109	9,109
Other Payables to Third Parties	**7**	28,902,570	7,148,093
Payables Related to Employee Benefits	**7**	4,531,279	3,887,846
Deferred Income	**15**	2,773,879	666,640
Short-Term Provisions			
Short-Term Provisions for Employee Benefits	**14**	3,107,996	-
Other Short-Term Provisions	**13**	15,319,380	14,048,663
Non-Current Liabilities		**230,259,282**	**235,125,229**
Long-Term Borrowings	**5**	189,175,667	220,495,000
Deferred Income	**15**	642,247	698,920
Long-Term Provisions for Employee Benefits			
Long-Term Provisions	**14**	19,448,903	13,931,309
Deferred Tax Liability	**24**	20,992,465	-
EQUITY		**628,126,018**	**262,464,571**
Equity Attributable to Owners of the Company		**628,126,018**	**262,464,571**
Share Capital	**16**	84,000,000	25,419,707
Adjustments to Share Capital	**16**	30,149,426	86,901,880
Other Comprehensive Income (Expenses) That Will Not Be Reclassified Subsequently to Profit (Loss)	**16**	412,086,655	(1,963,156)
Restricted Reserves Appropriated from Profit	**16**	162,175,629	163,579,754
Prior Years' Profit/Losses	**16**	(11,897,328)	34,863,033
Net Profit/Loss for The Year	**16**	(48,388,364)	(46,336,647)
Non-Controlling Interests		**-**	**-**
TOTAL LIABILITIES		**1,453,483,993**	**885,066,797**

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

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

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
PROFIT OR LOSS			
Revenue	**17**	963,126,462	829,811,333
Cost of Sales (-)	**17**	(838,161,920)	(721,710,056)
GROSS PROFIT/LOSS		**124,964,542**	**108,101,277**
Administrative Expenses (-)	**18**	(41,670,453)	(37,734,296)
Marketing Expenses (-)	**18**	(67,465,058)	(59,092,606)
Research and Development Expenses (-)	**18**	(3,192,545)	(3,025,702)
Other Income from Operating Activities	**20**	24,518,878	16,183,595
Other Expenses from Operating Activities (-)	**20**	(35,047,361)	(30,733,777)
OPERATING PROFIT/(LOSS)		**2,108,003**	**(6,301,509)**
Income from Investing Activities	**21**	169,402	271,640
Expenses from Investing Activities (-)	**21**	(278,394)	(54,518)
OPERATING PROFIT/LOSS BEFORE FINANCE INCOME (EXPENSE)		**1,999,011**	**(6,084,387)**
Finance Income	**22**	35,315,170	22,684,204
Finance Expenses (-)	**23**	(105,606,878)	(77,501,047)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(68,292,697)**	**(60,901,230)**
Tax Income/(Expense) From Continuing Operations		**19,904,333**	**14,564,583**
Current Tax (Expense) Income	**24**	(136,265)	(1,389,582)
Deferred Tax (Expense) Income	**24**	20,040,598	15,954,165
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(48,388,364)**	**(46,336,647)**
PROFIT/(LOSS) FOR THE YEAR		**(48,388,364)**	**(46,336,647)**
Profit/(Loss) for the Year Attributable to:	16	**(48,388,364)**	**(46,336,647)**
Owners of The Company	16	(48,388,364)	(46,336,647)
Earnings/(Losses) Per 100 Share from Continuing Operations	25	**(0,5761)**	**(0,5516)**
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items That Will Not Be Reclassified Subsequently to Profit or Loss			
Gain (Loss) on Remeasurement of Property, Plant and Equipment	**9**	473.400.611	-
Gain (Loss) on Remeasurement of Defined Benefit Plans	**14**	(4.154.043)	(2.309.924)
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**	830.809	461.985
OTHER COMPREHENSIVE INCOME (EXPENSE)		**414.049.811**	**(1.847.939)**
TOTAL COMPREHENSIVE INCOME (EXPENSE)		**365.661.447**	**(48.184.586)**
Non-Controlling Interests		-	-
Owners of The Company		365.661.447	(48.184.586)

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

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

	Notes	Current Period 1 January - 31 December 2017	Prior Period 1 January - 31 December 2016
Cash Flows from Operating Activities		**18,995,551**	**37,878,472**
Profit/Loss for The Year	**16**	**(48,388,364)**	**(46,336,647)**
Adjustments to Reconcile Profit/Loss for The Year		**84,443,890**	**65,462,180**
Adjustments Related to Depreciation and Amortization Expenses	**9-10**	24,033,456	22,942,790
Adjustments Related to Provision for Employee Benefits (Released)	**14**	4,085,237	2,360,312
Adjustments Related to Tax (Income)/Expense	**24**	(19,904,333)	(14,564,583)
Adjustments Related to Interest Incomes	**22**	(9,431,566)	(7,700,235)
Adjustments Related to Interest Expenses	**23**	31,944,319	23,491,576
Adjustments Related to Unrealized Currency Translation Differences		47,183,600	37,833,160
Other Adjustments Related to Profit Or Loss		6,424,185	1,316,282
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	**21**	108,992	(217,122)
Changes in Working Capital		**(13,274,266)**	**25,412,272**
Adjustments Related to Decrease (Increase) in Trade Receivables		(42,265,803)	(6,520,621)
Adjustments Related to Decrease (Increase) in Inventories	**8**	(62,150,548)	45,548,656
Adjustments Related to Decrease (Increase) in Other Receivables from Operations	**7-15**	(23,247,876)	14,713,676
Adjustments Related to Increase (Decrease) in Trade Payables		84,973,400	(14,217,000)
Adjustments Related to İnrcrease (Decrease) in Other Payables from Operations		71,218,790	(32,404,282)
Adjustments Related to Decrease (Increase) in Other Assets from Operations		(41,802,229)	18,291,843
Cash Generated from Operations		**22,781,260**	**44,537,805**
Income Tax Returns (Paid)		(1,064,023)	(2,373,495)
Payments to Provision of Employee Benefits	**14**	(2,721,686)	(4,285,838)
Cash Flows from Investing Activities		**(33,214,345)**	**(27,972,824)**
Proceeds from Sale of Property, Plant and Equipment	**9-21**	244,022	735,214
Payments For Purchase of Property, Plant and Equipment	**9**	(9,522,095)	(9,192,182)
Payments For Purchase of İntangible Assets	**10**	(23,936,272)	(19,515,856)
Cash Flows from Financing Activities		**(7,065,923)**	**31,641,395**
Dividends Paid		-	(12,709,853)
Interest Received		9,556,553	7,926,785
Interest Paid		(28,712,576)	(22,682,477)
Proceeds from Loans		165,965,100	205,887,500
Cash Outflows from Repayment of Loans		(153,875,000)	(146,780,560)
Net Increase/(Decrease) in Cash and Cash Equivalents		**(21,284,717)**	**41,547,043**
Before The Effect of Exchange Rate Changes		**(21,284,717)**	**41,547,043**
Net Increase/(Decrease) in Cash and Cash Equivalents	**4**	**119,642,178**	**78,095,135**
Cash and Cash Equivalents at The Beginning of The Year	**4**	**98,357,461**	**119,642,178**

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

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated)

					Other Comprehensive Income or Expenses Not Be Reclassified to Profit or Loss			Retained Earnings				
Prior Period	**Notes**	**Paid-in Capital**	**Adjustments to Share Capital**	**Total Paid in Capital**	**Gain on Revaluation of Property, Plant and Equipment**	**Gain/Loss on Remeasurement of Defined Benefit Plans**	**Restricted Reserves Allocated from Profit**	**Prior Years' Profit/ Losses**	**Net Profit/ Loss for The Year**	**Equity Attributable to Owners of The Company**	**Non-Controlling Interests**	**Total Equity**
Balances as of 01.01.2016	16	**25,419,707**	**86,901,880**	**112,321,587**	**-**	**(115,217)**	**162,363,654**	**31,047,813**	**17,743,897**	**323,361,734**	**-**	**323,361,734**
Total Comprehensive Income / (Expense)		**-**	**-**	**-**	**-**	**(1,847,939)**	**-**	**-**	**(46,336,647)**	**(48,184,586)**	**-**	**(48,184,586)**
Profit / (Loss) for The Period		-	-	-	-	-	-	-	(46,336,647)	(46,336,647)	-	(46,336,647)
Other Comprehensive Income / (Expense)		-	-	-	-	(1,847,939)	-	-	-	(1,847,939)	-	(1,847,939)
Transfers		-	**-**	**-**	**-**	**-**	**1,218,824**	**16,525,073**	**(17,743,897)**	**-**	**-**	**-**
Other Adjustments		-	**-**	**-**	**-**	**-**	**(2,724)**	**-**	**-**	**(2,724)**	**-**	**(2,724)**
Dividends		-	**-**	**-**	**-**	**-**	**-**	**(12,709,853)**	**-**	**(12,709,853)**	**-**	**(12,709,853)**
Balances as of 31.12.2016	16	**25,419,707**	**86,901,880**	**112,321,587**	**-**	**(1,963,156)**	**163,579,754**	**34,863,033**	**(46,336,647)**	**262,464,571**	**-**	**262,464,571**
Current Period												
Balances as of 01.01.2017:	16	**25,419,707**	**86,901,880**	**112,321,587**	**-**	**(1,963,156)**	**163,579,754**	**34,863,033**	**(46,336,647)**	**262,464,571**	**-**	**262,464,571**
Total Comprehensive Income / (Expense)		**-**	**-**	**-**	**417,373,045**	**(3,323,234)**	**-**	**-**	**(48,388,364)**	**365,661,447**	**-**	**365,661,447**
Profit / (Loss) for The Period		-	-	-	-	-	-	-	(48,388,364)	(48,388,364)	-	(48,388,364)
Other Comprehensive Income / (Expense)		-	-	-	417,373,045	(3,323,234)	-	-	-	414,049,811		414,049,811
Transfers (*)		**58,580,293**	**(56,752,454)**	**1,827,839**	**-**	**-**	**(1,404,125)**	**(46,760,361)**	**46,336,647**	**-**	**-**	**-**
Balances as of 31.12.2017	16	**84,000,000**	**30,149,426**	**114,149,426**	**417,373,045**	**(5,286,390)**	**162,175,629**	**(11,897,328)**	**(48,388,364)**	**628,126,018**	**-**	**628,126,018**

(*) In current period, paid-capital of the Group has been raised to TL 84,000,000 from TL 25,419,707 by use of internal resources, As follows, TL 56,752,454 is transferred from adjustments to share capital, TL 1,827,839 is transferred from restricted resources from profit and retained earnings.

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

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

Anadolu Isuzu Otomotiv Sanayi ve Ticaret Anonim Şirketi (the "Company") was established in 1980. 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 2017 is 824 (31 December 2016: 823).

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

As of 31 December 2017 and 31 December 2016, details about the company's subsidiary, which is subject to consolidation, is below:

Company Name	Principal Activity	Capital	31 December 2017 Participation Rate (%)	31 December 2016 Participation Rate (%)
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	Trade of spare parts	716.000	100,00	100,00

Finansal Tabloların Onaylanması

Consolidated financial statements for the period 1 January – 31 December 2017 approved by the Board of Directors on 2 March 2018 and signed by Independent Member of the Board of Director Ahmet Cemal DÖRDÜNCÜ (Audit Committee Chairman) and Kamil Ömer BOZER (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Bora ÖNER.

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

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

Currency Used

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

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

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

2.1 Basis of presentation(cont'd)

2.1.2 Consolidation principles

Subsidiaries

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

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

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

The table below sets out the subsidiaries and their ownership interests as of 31 December 2017 and 31 December 2016.

	Voting Power Held By the Group (%)		Proportion of Ownership Interest (%)	
Subsidiary	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100,00	100,00	100,00	100,00

2.1.3 Offsetting

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

2.1.4 Comparatives and adjustment of prior periods' financial statements

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

The Group has no changes in its prior year consolidated financial statements.

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

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

2.1 Basis of presentation(cont'd)

2.1.5 Amendments in International Financial Reporting Standards

a) Amendments to TFRSs that are mandatorily effective as of 2017

Amendments to TAS 12 Recognition of Deferred Tax Assets for Unrealized Losses 1
Amendments to TAS 7 Disclosure Inıtiative 1
Annual Improvements to TFRS Standards 2014–2016 Cycle TFRS 12 1

* Effective for annual periods beginning on or after 1 January 2017.

Amendments to TAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify recognition of deferred tax related to debt instruments measured at fair value. The amendmements has had no impact on the Group's consolidated financial statements.

Amendments to TAS 7 Disclosure Initiative

This amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes The Group's liabilities arising from financing activities consist of borrowings (Note 5). A reconciliation between the opening and closing balances of these items is provided in Note 5. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 5, the application of these amendments has had no impact on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

TFRS 12: Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

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

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

* Effective for annual periods beginning on or after 1 January 2018.
** Effective for annual periods beginning on or after 1 January 2019.

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

2.1 Basis of presentation(cont'd)

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

b) New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 9 Financial Instruments

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

Key requirements of TFRS 9:

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

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

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

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

The Group Management evaluates the impacts of the hedge accounting requirements of TFRS 9 to the Group's consolidated financial statements.

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

2.1 Basis of presentation(cont'd)

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

TFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

The Group evaluates the impacts of TFRS 15 to Group's financial position and/or financial performance.

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

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

Amendments to TFRS 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.

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

2.1 Basis of presentation(cont'd)

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

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.

Amendments to TAS 40 Transfers of Investment Property

The amendments to TAS 40:

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

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

Annual Improvements to TFRS Standards 2014–2016 Cycle

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

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

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

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

The Group evaluates the effects of these standards, amendments and improvements on the Group's financial position and performance.

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

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

2.2 Summary of Significant Accounting Policies

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.

2.2.4 Property, plant and equipment and related depreciation

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

Type	**Depreciation rates (%)**
Land Improvements	5-6
Buildings	2-5
Machinery and Equipment	10-20
Motor Vehicles	10-20
Fixtures and Furniture	4-10

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

2.2 Summary of Significant Accounting Policies (cont'd)

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

Revaluation Method

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.

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

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

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.

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

2.2 Summary of Significant Accounting Policies (cont'd)

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.

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.9 Taxes on income

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

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

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

2.2.10 Provision for employee benefits

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.

NOTE 2 - BASIS OF PRESENTATION OF 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

Commercial vehicle and spare part sales

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

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

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

Service sales

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

Interest income

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.17 Revenue recognition (cont'd)

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.

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 Derivative instruments

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 Derivative instruments (cont'd)

All derivative financial instruments are classified as financial assets which are measured at fair value and associated with income statement. Fair values of the derivative financial instruments are calculated through fair values determined in the market or using the discounted cash flow method. Fair values of forward contracts which are traded in over the counter markets, are calculated by using the market interest rate of the original currency until the exercise date of forward contract and the foreign currency exchange rate is determined by comparing the original forward rate with current forward rate at end of period. Derivative financial instruments are accounted for asset or liability if the fair value is positive or negative respectively. Held-for-trading derivative financial instruments are initially recognised in the consolidated financial statements at cost and are subsequently re-measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the statements of comprehensive income. Some of derivative instruments, while providing more effective protection against risks economically, they are accounted for as "financial assets at fair value through profit or loss" in accordance with TAS 39 and their fair value changes are reflected in the income statement for the period

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 2017, the Group recognised deferred tax assets of TL 26,592,480 (31 December 2016: TL 13,087,094) based on total deductible financial losses of TL 126,418,854 (31 December 2016: TL 65,435,471) as sufficient taxable profit is likely to occur in the upcoming periods.

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

2.2.24 Subsequent events

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

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

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

NOTE 3 –SEGMENT REPORTING

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

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Cash	130.494	146.013
Banks-Demand deposits	19.257.596	2.016.799
Banks-Time deposits (up to 3 months)	78.968.916	113.246.533
Other cash and cash equivalents (*)	111.886	4.469.250
Total	**98.468.892**	**119.878.595**

(*) As of 31 December 2017 and 31 December 2016, the balance in other cash and cash equivalents is consist of directly debting system assets in bank of group.

There are no blocked deposits as of 31 December 2017 and 31 December 2016.

Cash and cash equivalents presented in the consolidated cash flow statements as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Liquid Assets	98.468.892	119.878.595
Interest Accruals (-)	(111.431)	(236.417)
Total (Excluding interest accruals)	**98.357.461**	**119.642.178**

The details of time deposits are as follows:

	31 December 2017		31 December 2016	
	Amount in TL	Annual Interest Rate (%)	Amount in TL	Annual Interest Rate (%)
TL	53,952.431	7,00-15,50	88.775.255	6,00-11,55
USD	17,746.481	0,25-4,20	7.108.864	0,25
EUR	7,270.004	0,10	17.362.414	0,10
Total	**78.968.916**		**113.246.533**	

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

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

NOTE 5 - FINANCIAL LIABILITIES

The details of bank loans as of 31 December 2017 and 31 December 2016 are as follows:

Short-term Bank Loans

	Annual Effective Interest Rate (%)		Original Currency		Amount in TL	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Short-term Bank Loans						
EUR	2,40	2,64	43.043.730	17.495.360	194.363.965	64.906.035
TL	12,97	13,04	49.211.169	84.844.323	49.211.169	84.844.323
Total					**243.575.134**	**149.750.358**

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

Period	31 December 2017	31 Deember 2016
Up to one month	10.019.792	20.485.833
Total	**10.019.792**	**20.485.833**

Long-term Bank Loans

	Annual Effective Interest Rate (%)		Original Currency		Amount in TL	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Long-term Bank Loans						
EUR	2,92	2,62	11.333.333	50.000.000	51.175.667	185.495.000
TL	14,85	12,60	138.000.000	35.000.000	138.000.000	35.000.000
Total					**189.175.667**	**220.495.000**

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

Financial net debt reconciliation as of 31 December 2017 is as follows:

Opening balance	**370.245.358**
Interest expense	31.944.319
Interest paid	(28.712.576)
Newly obtained credits	165.965.100
Loans repaid	(153.875.000)
Exchange difference	47.183.600
Closing balance	**432.750.801**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-term Trade Receivables	**31 December 2017**	**31 December 2016**
Trade Receivables from Third Parties	329.035.874	292.038.375
Trade Receivables from Related Parties	2.344.615	254.444
Rediscount Expenses (-)	(6.085.978)	(3.179.612)
Doubtful Receivables	175.000	333.324
Allowance for Doubtful Receivables (-)	(175.000)	(333.324)
Total	**325.294.511**	**289.113.207**

Movements of provision for doubtful receivables are as follows:

	2017	**2016**
Opening Balance – 1 January	**333.324**	**333.324**
Provision for the Period	-	-
Collections in the Period	(158.324)	-
Closing Balance – 31 December	**175.000**	**333.324**

Trade payables as of period ends are as follows:

Trade Payables	**31 December 2017**	**31 December 2016**
Trade Payables to Third Parties	87.612.457	61.207.482
Trade Payables to Related Parties	209.917.665	151.329.317
Rediscount on Trade Payables (-)	(650.776)	(570.511)
Totak	**296.879.346**	**211.966.288**

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other Short-term Receivables **Other Receivables from Third Parties**	**31 December 2017**	**31 December 2016**
Receivables from Tax Office (*)	262.841	500.277
Due from Personnel	615.767	522.718
Deposits and Guarantees Given	14.037	24
Total	**892.645**	**1.023.019**

(*) As of 31 December 2017, the amount of Group's receivables was TL 110,000 which consists of the receivables related to the VAT refund request (31 December 2016 TL 370.939).

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

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

Other Long-term Receivables **Other Receivables from Third Parties**	**31 December 2017**	**31 December 2016**
Deposits and Guarantees Given	186	186
Total	**186**	**186**

	31 December 2017	**31 December 2016**
Other Short-term Payables		
Other Payables From Third Parties		
Long term provision for the employee benefits	4.531.279	3.887.846
Advances received	27.731.167	6.326.846
Tax and funds payables	1.138.780	808.846
Other current payables	32.623	12.401
Total	**33.433.849**	**11.035.939**

NOTE 8 - INVENTORIES

Inventory balances as of period ends are as follows:

	31 December 2017	**31 December 2016**
Raw materials	133.664.449	96.940.388
Work in process goods	6.300.127	1.255.460
Finished goods	111.315.468	112.915.680
Trade goods	33.701.823	21.018.732
Other inventory	1.199.293	1.088.263
Goods in transit	51.892.430	43.111.266
	338.073.590	276.329.789
Impairment in Finished Goods and Trade Goods	(807.323)	(1.214.070)
Total	**337.266.267**	**275.115.719**

Movement of Provision for Inventory Impairment	**2017**	**2016**
Opening Balance – 1 January	1.214.070	706.632
Provision released (-)	(406.747)	(15.772)
Current Period Impairment (+)	-	523.210
Closing Balance – 31 December	**807.323**	**1.214.070**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	TOTAL
Opening Balance as of 1 January 2017	**1.292.239**	**12.212.028**	**82.068.647**	**184.928.916**	**7.089.454**	**4.476.234**	**774.199**	**578.207**	**293.419.924**
Additions	-	62.196	199.049	5.464.795	3.006.777	46.434	-	742.844	**9.522.095**
Transfer from Construction in Progress	-	11.868	-	827.739	-	-	-	(839.607)	**-**
Disposals	-	-	-	(9.031.919)	(2.220.541)	(530.063)	-	-	**(11.782.523)**
Gain on Revaluation of Property, Plant and Equipment	92.871.761	-	380.528.850	-	-	-	-	-	**473.400.611**
Closing Balance as of 31 December 2017	**94.164.000**	**12.286.092**	**462.796.546**	**182.189.531**	**7.875.690**	**3.992.605**	**774.199**	**481.444**	**764.560.107**
Accumulated Depreciation									
Opening Balance as of 1 January 2017	**-**	**(7.564.532)**	**(40.621.417)**	**(137.124.706)**	**(4.757.483)**	**(2.926.451)**	**(761.258)**	**-**	**(193.755.847)**
Charge for the year	-	(444.515)	(2.742.288)	(8.378.742)	(1.107.996)	(273.746)	(2.868)	-	**(12.950.155)**
Disposals	-	-	-	8.756.901	2.146.039	526.569	-	-	**11.429.509**
Closing Balance as of 31 December 2017	**-**	**(8.009.047)**	**(43.363.705)**	**(136.746.547)**	**(3.719.440)**	**(2.673.628)**	**(764.126)**	**-**	**(195.276.493)**
Net Carrying Value									
Opening Balance as of 1 January 2017	**1.292.239**	**4.647.496**	**41.447.230**	**47.804.210**	**2.331.971**	**1.549.783**	**12.941**	**578.207**	**99.664.077**
Closing Balance as of 31 December 2017	**94.164.000**	**4.277.045**	**419.432.841**	**45.442.984**	**4.156.250**	**1.318.977**	**10.073**	**481.444**	**569.283.614**

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 1,278,888 to R&D capitalization as of 31 December 2017.

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

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

Cost Value	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Fixed Assets	Construction in Progress	TOTAL
Opening Balance as of 1 January 2016	**1.292.239**	**12.011.653**	**80.144.791**	**178.035.058**	**7.601.890**	**4.011.516**	**774.199**	**2.041.608**	**285.912.954**
Additions	-	95.889	104.882	5.317.292	415.466	90.708	-	3.167.945	**9.192.182**
Transfer from Construction in Progress		104.486	1.818.974	2.332.426		375.460	-	(4.631.346)	**-**
Disposals	-	-	-	(755.860)	(927.902)	(1.450)	-	-	**(1.685.212)**
Closing Balance as of 31 December 2016	**1.292.239**	**12.212.028**	**82.068.647**	**184.928.916**	**7.089.454**	**4.476.234**	**774.199**	**578.207**	**293.419.924**
Accumulated Depreciation									
Opening Balance as of 1 January 2016	**-**	**(7.130.209)**	**(37.965.821)**	**(129.909.645)**	**(4.121.417)**	**(2.687.324)**	**(758.333)**	**-**	**(182.572.749)**
Charge for the Period	-	(434.323)	(2.655.596)	(7.946.294)	(1.070.503)	(240.577)	(2.925)	-	**(12.350.218)**
Disposals	-	-	-	731.233	434.437	1.450	-	-	**1.167.120**
Closing Balance as of 31 December 2016	**-**	**(7.564.532)**	**(40.621.417)**	**(137.124.706)**	**(4.757.483)**	**(2.926.451)**	**(761.258)**	**-**	**(193.755.847)**
Net Carrying Value									
Opening Balance as of 1 January 2016	**1.292.239**	**4.881.444**	**42.178.970**	**48.125.413**	**3.480.473**	**1.324.192**	**15.866**	**2.041.608**	**103.340.205**
Closing Balance as of 31 December 2016	**1.292.239**	**4.647.496**	**41.447.230**	**47.804.210**	**2.331.971**	**1.549.783**	**12.941**	**578.207**	**99.664.077**

Amounting to TL 9,434,388 of the depreciation expenses has been charged to cost of sales, and TL 222,925 to research and development expenses and TL 964,673 to marketing expenses, TL 527,710 to general administrative expenses and TL 1,200,522 to R&D capitalization as of 31 December 2016.

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

NOTE 10 - INTANGIBLE ASSETS

31 December 2017

	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Cost Value					
Opening Balance as of 1 January 2017	**367.311**	**61.404.133**	**12.099.141**	**19.037.099**	**92.907.684**
Additions	2.696	-	1.791.470	22.142.106	**23.936.272**
Transfer from Construction in Progress		11.875.224	4.433.647	(16.308.871)	-
Closing balance as of 31 December 2017	**370.007**	**73.279.357**	**18.324.258**	**24.870.334**	**116.843.956**
Accumulated Amortization					
Opening Balance as of 1 January 2017	**(67.598)**	**(33.328.537)**	**(8.822.102)**	**-**	**(42.218.237)**
Charge for the period	(27.920)	(9.035.198)	(2.020.183)	-	**(11.083.301)**
Closing balance as of 31 December 2017	**(95.518)**	**(42.363.735)**	**(10.842.285)**	**-**	**(53.301.538)**
Carrying Value					
Opening Balance as of 1 January 2017	**299.713**	**28.075.596**	**3.277.039**	**19.037.099**	**50.689.447**
Closing balance as of 31 December 2017	**274.489**	**30.915.622**	**7.481.973**	**24.870.334**	**63.542.418**

(*) 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 802,652 to general administrative expenses and TL 258,914 to R&D capitalization as of 31 December 2017.

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

NOTE 10 – INTANGIBLE ASSETS (cont'd)

31 December 2016

	Rights	Research & Development Operations	Other Intangible Assets	Construction in Progress (*)	TOTAL
Cost Value					
Opening Balance as of 1 January 2016	**158.662**	**52.395.724**	**11.459.438**	**9.378.004**	**73.391.828**
Additions	208.649	-	113.240	19.193.967	**19.515.856**
Transfer from Construction in Progress	-	9.008.409	526.463	(9.534.872)	**-**
Closing Balance as of 31 December 2016	**367.311**	**61.404.133**	**12.099.141**	**19.037.099**	**92.907.684**
Accumulated Amortization					
Opening Balance as of 1 January 2016	**(48.541)**	**(25.020.923)**	**(6.556.201)**	**-**	**(31.625.665)**
Charge for the Period	(19.057)	(8.307.614)	(2.265.901)	-	**(10.592.572)**
Closing Balance as of 31 December 2016	**(67.598)**	**(33.328.537)**	**(8.822.102)**	**-**	**(42.218.237)**
Carrying Value					
Opening Balance as of 1 January 2016	**110.121**	**27.374.801**	**4.903.237**	**9.378.004**	**41.766.163**
Closing Balance as of 31 December 2016	**299.713**	**28.075.596**	**3.277.039**	**19.037.099**	**50.689.447**

(*) As of 31 December 2016, TL 16,332,978 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

Amounting to TL 8,729,435 of the depreciation expenses of intangible assets has been charged to cost of sales, and TL 378,143 to research and development expenses and TL 505,537 to marketing expenses, TL 890,960 to general administrative expenses and TL 88,497 to R&D capitalization as of 31 December 2016.

NOTE 11 - GOODWILL

31 December 2017

	Net Carrying Value
Opening balance as at 1 January 2017	**2.340.995**
Additions	-
Provision for impairment	-
Closing balance as at 31 December 2017	**2.340.995**

31 December 2016

	Net Carrying Value
Opening balance as at 1 January 2016	**2.340.995**
Additions	-
Provision for impairment	-
Closing Balance as at 31 December 2016	**2.340.995**

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

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

In 2017, TL 675,296 was collected as cash in relation to R&D activities provided by TUBITAK (2016: TL 145.032).

The Group can use R&D deduction in its tax calculations in the amount of TL 41,480,482 as of 31 December 2017. 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 17.494.318 as of 31 December 2016)

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 55.041.689 spent as of 31 December 2017 in accordance with Incentive Certificate No. 5487 dated 26 February 2010: the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short-term Provisions	**31 December 2017**	**31 December 2016**
Warranty Provisions	11.642.227	12.338.519
Provision for Lawsuits	3.567.284	1.710.144
Provision for Premium and Comission	109.869	-
Total	**15.319.380**	**14.048.663**

Movements of provisions during the period are as follows:

	Warranty Provisions	**Provision for Lawsuits**	**Provision for Premium and Comission**	**Total**
Opening Balance as at 1 January 2017	12.338.519	1.710.144	-	**14.048.663**
Additions During The Period	9.854.703	2.216.245	109.869	**12.180.817**
Less: Paid During The Period(-)	(10.550.995)	(241.105)	-	**(10.792.100)**
Reversal of provision (-)	-	(118.000)	-	**(118.000)**
Closing Balance as at 31 December 2017	**11.642.227**	**3.567.284**	**109.869**	**15.319.380**

	Warranty Provisions	**Provision for Lawsuits**	**Total**
Opening Balance as at 1 January 2016	12.679.176	912.832	**13.592.008**
Additions During The Period	9.331.095	1.162.032	**10.493.127**
Less: Paid During The Period (-)	(9.671.752)	(31.825)	**(9.703.577)**
Reversal of provision (-)	-	(332.895)	**(332.895)**
Closing Balance as at 31 December 2016	**12.338.519**	**1.710.144**	**14.048.663**

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

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

Lawsuits against the Group:

Amount of provisions allocated for the lawsuits which were filed against the Group as of 31 December 2017 and have not ended as of the balance sheet date equals TL 3,567,284 (31 December 2016: TL 1.710.144).

A 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 892,934,291 as of 31 December 2017 (31 December 2016: TL 782.599.168).

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

Type	**31 December 2017**	**31 December 2016**
Given Letters of Guarantee	116.292.868	46.172.346
Total	**116.292.868**	**46.172.346**

Collaterals, pledges and mortgages "CPM" given by the Company as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	**31 December 2016**
A. CPMs given in the name of its own legal personality	**116.292.868**	**46.172.346**
i. Collateral	116.292.868	46.172.346
ii. Mortgage	-	-
B. CPMs given on behalf of fully consolidated companies	-	-
C. CPMs given in the normal course of business activities on behalf of third parties		
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	**116.292.868**	**46.172.346**

The ratio of other CPM's given by the Group to the Group's equity is 0% as of 31 December 2017 (0% as of 31 December 2016).

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

NOTE 14 - EMPLOYEE BENEFITS

Short-term Provisions for Employee Benefits	**31 December 2017**	**31 December2016**
Provision for Wage Differential in Collective Labour Agreement	2.452.546	-
Provision for Unused Vacation	655.450	-
	3.107.996	**-**

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

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

NOTE 14 - EMPLOYEE BENEFITS (cont'd)

Long-Term Provisions for Employee Benefits	**31 December 2017**	**31 December 2016**
Provision for Employment Termination Benefits	**19.448.903**	**13.931.309**

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

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TL 5,001,76 (1 January 2017 TL 4.426,16) applicable as of 01 January 2018 has been regarded for the calculation of the Group's provision of severance pay.

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

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

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

	31 December 2017	**31 December 2016**
Annual Net Discount Rate (%)	4,21	3,77
Turnover Rate to Estimate the Probability of Retirement (%)	3,98	2,92

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:

	2017	**2016**
Opening Balance – 1 January	**13.931.309**	**13.546.911**
Service cost	3.559.527	1.026.732
Interest cost	525.710	1.333.580
Actuarial loss	4.154.043	2.309.924
Retirement payment paid	(2.721.686)	(4.285.838)
Closing Balance – 31 December	**19.448.903**	**13.931.309**

NOTE 15 - OTHER ASSETS AND LIABILITIES

Prepaid Expenses	**31 December 2017**	**31 December 2016**
Advances Given	10.334.103	5.113.121
Prepaid Insurance Expenses	84.319	211.800
Prepaid Subscription Expenses	24.691	20.896
Prepaid Advertisement Expenses	455.026	27.819
Prepaid Comission Expenses	3.904.729	-
Prepaid Other Expenses	484.869	272.968
Total	**15.287.737**	**5.646.604**

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

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

Other Current Assets	**31 December 2017**	**31 December 2016**
Deferred VAT	39.804.274	25.682.834
Other Current Assets	360.963	689.131
Total	**40.165.237**	**26.371.965**

Prepaid Expenses	**31 December 2017**	**31 December 2016**
Other Expenses	13.733	75.376
Total	**13.733**	**75.376**

Deferred Income (Short-Term)	**31 December 2017**	**31 December 2016**
Deferred Income (*)	2.773.879	666.640
Total	**2.773.879**	**666.640**

(*) 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 2017, is TL 419,046 (31 December 2016: R&D cash support income that will be transferred to the income statement for upcoming months is TL 482,727).

Deferred Income (Long-Term)	**31 December 2017**	**31 December 2016**
Deferred Income (*)	642.247	698.920
Total	**642.247**	**698.920**

(*) The amount which will be transferred to the consolidated income statement related to the upcoming years from the cash support received for R&D activities of the Company as of 31 December 2017 is TL 562,948 (31 December 2016: TL 441,758).

NOTE 16 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital / Elimination Adjustments

As of 31 December 2017 the share capital of the Company is TL 84,000,000 (31 December 2016: TL 25,419,707).

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

This share capital is divided into 8.400.000.000 in total, including 4.515.314.511 A Group registered shares, 2.498.204.373 B Group registered shares, 1.386.481.116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows:

31 December 2017

SHAREHOLDERS	**GROUP A**	**GROUP B**	**GROUP C**	**SHARE AMOUNT**	**SHARE (%)**
AG ANADOLU GRUBU HOLDİNG A.Ş.	44.844.772	-	1.690.629	46.535.401	**55,40**
ISUZU MOTORS LTD.	-	14.275.509	-	14.275.509	**16,99**
ITOCHU CORPORATION TOKYO	-	7.948.322	-	7.948.322	**9,46**
ITOCHU CORPORATION İSTANBUL	-	2.758.212	-	2.758.212	**3,28**
OTHER	308.373	-	12.174.183	12.482.556	**14,87**
TOTAL	**45.153.145**	**24.982.043**	**13.864.812**	**84.000.000**	**100,00**

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

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

31 December 2016

ADI	GROUP A	GROUP B	GROUP C	SHARE AMOUNT	SHARE (%)
YAZICILAR HOLDİNG A.Ş.	9.073.187	-	4.478	9.077.665	**35,71**
ÖZİLHAN SINAİ YATIRIM A.Ş.	4.269.734	-	2.108	4.271.842	**16,81**
ANADOLU ENDÜSTRİ HOLDİNG A.Ş.	227.805	-	40.141	267.946	**1,05**
ISUZU MOTORS LTD.	-	4.319.991	-	4.319.991	**16,99**
ITOCHU CORPORATION TOKYO	-	2.405.286	-	2.405.286	**9,46**
ITOCHU CORPORATION İSTANBUL	-	834.678	-	834.678	**3,28**
BEARER SHARES OPEN TO PUBLIC	-	-	4.148.981	4.148.981	**16,32**
OTHER BEARER SHARES	93.318	-	-	93.318	**0,38**
TOTAL	**13.664.044**	**7.559.955**	**4.195.708**	**25.419.707**	**100,00**

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

Privileges Granted to the Share Groups

The Company 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.

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	(11.897.328)
Gain/(loss) on Revaluation and Remeasurement	412.086.655
Net Profit (Loss) for The Period	(48.388.364)
Shareholders' Equity Attributable to Equity Holders of the Group	**628.126.018**
Non-Controlling Shares	**-**
Total Shareholders' Equity	**628.126.018**

31 December 2016

Paid-in Capital	25.419.707
Capital Inflation Adjustment Difference	86.901.880
Reserves on Retained Earning	163.579.754
Retained Earnings	34.863.033
Gain/(loss) on Revaluation and Remeasurement	(1.963.156)
Net Profit (Loss) for The Period	(46.336.647)
Shareholders' Equity Attributable to Equity Holders of the Group	**262.464.571**
Non-Controlling Shares	**-**
Total Shareholders' Equity	**262.464.571**

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

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

Restricted reserves appropriated from profit

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

	31 December 2017	31 December 2016
Legal Reserves	23.738.381	23.695.839
Real Estate Sale Profit Exemption	138.437.248	138.437.248
Profit Reserves from Sale of Affiliates	-	1.446.666
Profit on Cancelled Shares Certificates	-	1
Total	**162.175.629**	**163.579.754**

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 2017, the Group's total restricted reserves are TL 162,175,629 (31 December 2016: TL 163,579,754).

Retained earnings

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

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

	31 December 2017	31 December 2016
Extraordinary reserves	9.661.446	9.781.181
Inflation difference of legal reserves	24.820.415	24.820.414
Subsidiaries sales profitability inflation	-	260.632
Inflation difference of cancelled shares certificates	-	806
Retained earnings / losses	(46.379.189)	-
Total	**(11.897.328)**	**34.863.033**

Quoted companies make profit distributions as follows:

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

Inflation adjustment 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.

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

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

Retained earnings (cont'd)

Group's retained earnings is TL 11,897,328 based on the financial statements prepared in according with TAS/TFRS Financial Reporting Standard for the period ended 31 December 2017.

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

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

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

NOTE 17 - REVENUE AND COST OF SALES

Revenue	**1 January 2017** **31 December 2017**	**1 January 2016** **31 December 2016**
Domestic Sales	789.381.081	704.723.470
Foreign Sales	230.532.668	184.384.900
Other Income	6.825.860	5.177.377
Sales Total (Gross)	**1.026.739.609**	**894.285.747**
Sales Discounts (-)	(63.613.147)	(64.474.414)
Sales (Net)	**963.126.462**	**829.811.333**
Cost of Sales	**(838.161.920)**	**(721.710.056)**
Gross Operating Profit	**124.964.542**	**108.101.277**

Cost of sales are summarised as follows;

Cost of Sales	**1 January 2017** **31 December 2017**	**1 January 2016** **31 December 2016**
Raw Materials and Supplies Expenses	667.920.918	486.112.287
Direct Labor Expenses	43.702.406	34.682.911
Depreciation and Amortization Expenses	18.874.436	18.163.823
Other Production Costs	12.223.630	11.658.868
Total Cost of Production	**742.721.390**	**550.617.889**
Change in Finished ond Work in Process Goods	5.717.385	90.151.258
Cost of Trade Goods Sold	88.029.978	79.872.761
Cost of Other Sales	1.693.167	1.068.148
Cost of Sales	**838.161.920**	**721.710.056**

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

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

a)Research and Development Expenses	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Personnel Expenses	(372.043)	(531.612)
Trade Goods Quality Enhancement Expenses	(971.030)	(1.574.037)
Amortization Expense (Notes 9-10)	(806.635)	(601.068)
Other	(1.042.837)	(318.985)
Total Research and Development Expenses	**(3.192.545)**	**(3.025.702)**
b)Marketing Expenses		
Domestic Sales Expense	(1.678.768)	(1.653.426)
Export Expense	(6.279.570)	(6.924.204)
Personnel Expenses	(12.715.740)	(10.381.975)
Advertisement Expenses	(7.287.097)	(8.308.903)
Guarantee Expenses	(9.854.141)	(9.331.095)
Freight And Expressing Expenses	(9.966.284)	(8.169.577)
Royalty Expenses	(5.852.288)	(4.663.149)
Amortization Expense (Notes 9-10)	(1.224.762)	(1.470.210)
Other	(12.606.408)	(8.190.067)
Total Marketing Expenses	**(67.465.058)**	**(59.092.606)**
C)General Administrative Expenses		
Personnel Expenses	(13.940.219)	(13.711.974)
Provision for Employee Termination Benefits	(766.180)	(1.026.732)
Business and Service Expenses	(15.999.981)	(14.107.570)
Amortization Expense	(1.589.823)	(1.418.670)
Insurance Expenses	(1.828.231)	(1.729.891)
Other	(7.546.019)	(5.739.459)
Total General Administrative Expenses	**(41.670.453)**	**(37.734.296)**

NOTE 19 - EXPENSES BY NATURE

	1 January 2017 31 December 2017	**1 January 2016 31 December 2016**
Direct Raw Material and Supplies Costs	667.920.918	486.112.287
Cost of Trade Goods Sold	88.029.978	79.872.761
Cost of Other Goods Sold	1.693.167	1.068.148
Change in Goods Inventory	5.717.385	90.151.258
Other Expenses	80.912.654	70.710.363
Personnel Expenses	71.496.588	60.335.204
Depreciation And Amortisation Expenses	22.495.656	21.653.771
Other Production Expenses	12.223.630	11.658.868
Total Expenses	**950.489.976**	**821.562.660**

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

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Foreign Exchange Income on Trade Receivables and Payables	13.825.756	6.567.837
Discount Income on Trade Payables	3.889.310	4.359.990
Service Income	1.436.278	1.428.341
Incentive Income	1.168.834	642.176
MESS Incentive	537.565	379.612
Tubitak R&D Incentive	617.787	732.298
Export D.F.I.F Support	479.561	397.344
Non-Contingent Provisions	158.323	-
Rent Income	70.000	487.388
Insurance Indemnity Income	40.250	56.867
Other Income	2.295.214	1.131.742
Total	**24.518.878**	**16.183.595**

Other Expense from Operating Activities:		
Foreign Exchange Expense on Trade Receivables and Payables	(27.371.660)	(25.163.113)
Discount Income on Trade Receivables	(6.720.531)	(4.242.970)
Contribution Expense	(122.961)	(58.016)
Other Expenses	(832.209)	(1.269.678)
Total	**(35.047.361)**	**(30.733.777)**

NOTE 21 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Gain on Sale of Machinery and Equipment	169.402	271.640
Total	**169.402**	**271.640**

Expenses from Investing Activities	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Loss on Sale of Machinery and Equipment	(278.394)	(54.518)
Total	**(278.394)**	**(54.518)**

NOTE 22 - FINANCE INCOME

Finance Income	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Interest Income	6.360.714	6.684.819
Delay Interest Income	3.070.852	1.015.416
Foreign Exchange Gain	25.883.604	14.983.969
Total	**35.315.170**	**22.684.204**

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

NOTE 23 - FINANCE EXPENSES

Finance expense:	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Interest Expense	(28.547.012)	(22.020.515)
Foreign Exchange Losses	(69.672.970)	(51.783.307)
Expense from Derivative Transactions	(2.056.672)	-
Forward Purchase Expense	(3.397.307)	(1.471.061)
Other Finance Expenses	(1.932.917)	(2.226.164)
Total	**(105.606.878)**	**(77.501.047)**

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).

Account	**1 January 2017 31 December 2017**	**1 January 2016 31 December 2016**
Current Income Tax Provision (-)	(136.265)	(1.389.582)
Deferred Tax Income (Expense)		
- Income Statement	20.040.598	15.954.165
Total Tax Income / (Expense)	**19.904.333**	**14.564.583**
Tax Income / (Expense)		
– Other Comprehensive Income Statement	(55.196.757)	461.985
Total Tax Income / (Expense)	**(35.292.424)**	**15.026.568**

	31 December 2017	**31 December 2016**
Current Corporate Tax Provision	136.265	1.389.582
Less: Prepaid Taxes and Funds	(1.064.023)	(2.373.495)
Tax Payable	**(927.758)**	**(983.913)**

As of 31 December 2017, the amount of corporate tax paid in advance is amounted to TL 927,758 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 2017 is 20% (2016: %20).

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

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

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

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

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

Income Withholding Tax:

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

***ii)* Deferred Tax:**

The deferred tax asset and tax liability are based on the temporary differences, which arise between the financial statements prepared according to TAS/TFRS's accounting standards and statutory tax financial statements. These differences are usually due to the recognition of revenue and expenses in different reporting periods for the TAS/TFRS standards and tax purposes.
Timing differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Timing differences are calculated off of the tangible fixed assets (except land and buildings), intangible fixed assets, stocks, the revaluation of prepaid expenses, discount of receivables, provision for termination indemnities, and previous years' loss. Every accounting year, the Group reviews the deferred tax asset and liabilities, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recorded deferred tax asset. Corporate tax rate used in the calculation of deferred taxes is 22% for temporary differences ending in 2018, 2019 and 2020, and 20% for other long-term temporary differences.

	31 December 2017		31 December 2016	
	Cumulative Temporary Differences	Deferred Tax Assets / (Liabilities)	Cumulative Temporary Differences	Deferred Tax Assets / (Liabilities)
Inventories	6.836.094	1.503.941	1.487.672	297.534
Non-Current Assets (Net)	(520.585.471)	(65.464.539)	(44.124.022)	(8.824.805)
Provision for Employment Termination Benefits	19.448.903	3.889.781	13.931.309	2.786.262
Guarantee Provisions	11.642.227	2.561.290	12.338.519	2.467.704
R&D Discount	41.480.482	8.296.096	17.494.318	3.498.864
Current Year Financial Loss (*)	126.418.854	26.080.108	65.435.471	13.087.094
Rediscount Expenses/İncome (Net)	5.374.801	1.182.456	2.545.058	509.012
Law Suit Provisions	3.567.285	784.803	1.710.144	342.029
Other (Net)	789.085	173.599	-	-
Total		**(20.992.465)**		**14.163.694**

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

Movement of Deferred Tax Assets / (Liabilities)	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Opening Balance	14.163.694	(2.252.456)
Charged to Profit or Loss	20.040.598	15.954.165
Charged to Comprehensive Income	(55.196.757)	461.985
Closing Balance	**(20.992.465)**	**14.163.694**

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

Reconciliation of Tax Provision:	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Income / (Loss) from Continuing Operations	**(68.292.697)**	**(60.901.230)**
Corporate Tax (20% or 22%)	15.019.066	12.180.246
Tax Effects of:		
-R&D Deductions	4.797.233	3.498.864
-R&D Support Income	123.557	146.460
-Tax Base Increase	-	(1.225.518)
-Other	(35.523)	(35.469)
Income Tax Income/(Expense) Recognised in Profit or Loss	**19.904.333**	**14.564.583**

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

NOTE 25 - EARNINGS PER SHARE

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Net Profit or Loss for The Period	(48.388.364)	(46.336.647)
Weighted Average Number of Shares with Nominal Value of 1 Piastre	8.400.000.000	8.400.000.000
Income / (Loss) Per 100 Share with Nominal Value of TL 1 Each	**(0,5761)**	**(0,5516)**

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 2017

	Receivables		Payables	
Balances with Related Parties	**Trade**	**Non-Trade**	**Trade**	**Non-Trade**
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	13.393	-
AEH Sigorta Acenteliği A.Ş.	-	-	38.275	-
Anadolu Endüstri Holding A.Ş.	3.353	-	-	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	66.986	-
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	101.872	-	-	-
Anadolu Motor Üretim ve Paz. A.Ş.	-	-	29.977	-
Çelik Motor Ticaret A.Ş.	-	-	784.259	-
Efestur Turizm İşletmeleri A.Ş.	-	-	142.632	-
Isuzu Motors Co. Thailand Ltd.	-	-	6.170	-
Isuzu Motors International Operation Thailand	529.465	-	3.936.174	-
Isuzu Motors Ltd. Tokyo	673.618	-	3.013.604	-
Itochu Corporation Tokyo	1.036.307	-	201.553.790	-
Migros Ticaret A.Ş.	-	-	332.405	-
Payables to Shareholders(*)	-	-	-	9.109
Total	**2.344.615**	**-**	**209.917.665**	**9.109**

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

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

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

31 December 2016

	Receivables		Payables	
Balances with Related Parties	**Trade**	**Non-Trade**	**Trade**	**Non-Trade**
Adel Kalemcilik Tic. ve San. A.Ş.	-	-	41.945	-
AEH Sigorta Acenteliği A.Ş.	-	-	49.296	-
Anadolu Bilişim Hizmetleri A.Ş.	-	-	230.687	-
Anadolu Endüstri Holding A.Ş.	23.963	-	1.009	-
Anadolu Sağlık Merkezi İktisadi İşletmesi	-	-	186	-
Çelik Motor Ticaret A.Ş.	-	-	540.396	-
Efestur Turizm İşletmeleri A.Ş.	-	-	134.410	-
Isuzu Motors Co. Thailand Ltd.	-	-	138	-
Isuzu Motors International Operation Thailand	-	-	7.134.926	-
Isuzu Motors Ltd. Tokyo	225.188	-	3.315.367	-
Itochu Corporation Tokyo	5.293	-	139.579.505	-
Migros Ticaret A.Ş.	-	-	301.452	-
Payables to Shareholders (*)	-	-	-	9.109
Total	**254.444**	**-**	**151.329.317**	**9.109**

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

b) Related party transactions:

1 January-31 December 2017

Sales to Related Parties	**Goods and Service Sales**	**Fixed Asset Sales**	**Other Income**	**Total Revenues/Sales**
Adel Kalemcilik Tic. ve San. A.Ş.	3.928	-	-	**3.928**
Anadolu Endüstri Holding A.Ş.	16.298	-	-	**16.298**
Anadolu Bilişim Hizmetleri A.Ş.	19.513	-	-	**19.513**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	102.206	-	-	**102.206**
Isuzu Motors Co. Thailand Ltd.	1.311	-	-	**1.311**
Isuzu Motors International Operation Thailand	974.689	-	-	**974.689**
Isuzu Motors Ltd. Tokyo	4.226.746	-	-	**4.226.746**
Itochu Corporation Tokyo	2.284.980	-	-	**2.284.980**
Total	**7.629.672**	**-**	**-**	**7.629.672**

1 January -31 December 2016

Sales to Related Parties	**Goods and Service Sales**	**Fixed Asset Sales**	**Other Income**	**Total Revenues/Sales**
Alternatifbank A.Ş.	-	-	3.841.679	**3.841.679**
Anadolu Endüstri Holding A.Ş.	49.450	7.900	-	**57.350**
Anadolu Bilişim Hizmetleri A.Ş.	2.468	-	-	**2.468**
Anadolu Motor Üretim ve Paz. A.Ş.	363.269	-	-	**363.269**
Çelik Motor Ticaret A.Ş.	3.420.218	-	-	**3.420.218**
Isuzu Motors Co. Thailand Ltd.	24.710	-	-	**24.710**
Isuzu Motors International Operation Thailand	2.799.914	-	-	**2.799.914**
Isuzu Motors Ltd. Tokyo	5.316.545	-	-	**5.316.545**
Total	**11.976.574**	**7.900**	**3.841.679**	**15.826.153**

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

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

1 January -31 December 2017

Purchases from Related Parties	Goods and Services Purchases	Fixed Assets Purchases	Other	Total Expense/ Purchases
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**
Total	**424.590.113**	**146.718**	**3.580.162**	**428.316.993**

1 January -31 December 2016

Purchases from Related Parties	Goods and Services Purchases	Fixed Assets Purchases	Other	Total Expense/ Purchases
Adel Kalemcilik Tic. ve San. A.Ş.	59.587	-	-	**59.587**
AND Anadolu Gayrimenkul Yatırımları A.Ş.	12.289	-	-	**12.289**
AEH Sigorta Acenteliği A.Ş.	-	-	1.505.345	**1.505.345**
AES Toptan Elektrik Ticaret A.Ş.	4.000	-	-	**4.000**
Alternatifbank A.Ş.	-	-	424.321	**424.321**
Anadolu Bilişim Hizmetleri A.Ş.	3.336.490	1.507.346	-	**4.843.836**
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	62.156	-	-	**62.156**
Anadolu Endüstri Holding A.Ş.	5.126.697	-	6.480	**5.133.177**
Anadolu Motor Üretim ve Paz. A.Ş.	14.000	8.500	-	**22.500**
Anadolu Sağlık Merkezi İktisadi İşletmesi	17.020	-	-	**17.020**
Çelik Motor Ticaret A.Ş.	650.582	-	902.876	**1.553.458**
Efestur Turizm İşletmeleri A.Ş.	2.967.954	-	-	**2.967.954**
Isuzu Motors Co. Thailand Ltd.	40.959	-	-	**40.959**
Isuzu Motors International Operation Thailand	103.952.674	-	-	**103.952.674**
Isuzu Motors Ltd. Europe	2.805	-	-	**2.805**
Isuzu Motors Ltd. Tokyo	8.737.745	-	-	**8.737.745**
Isuzu Motors Germany Gmbh	68.021	-	-	**68.021**
Itochu Corporation Tokyo	181.794.936	-	-	**181.794.936**
Migros Ticaret A.Ş.	73.728	-	-	**73.728**
Oyex Handels Gmbh	57.045	-	-	**57.045**
Yazıcılar Holding A.Ş.	3.161	-	43.858	**47.019**
Total	**306.981.849**	**1.515.846**	**2.882.880**	**311.380.575**

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

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

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 (In 2016, TL 3.000 donation was made).

d) Key management compensation:

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Salaries and other short-term benefits	6.270.826	5.751.367
Total	**6.270.826**	**5.751.367**

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

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

(a) Capital risk management

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

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

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

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).

	31 December 2017	31 December2016
Net Debt	631.161.255	462.333.051
Total Equity	628.126.018	262.464.571
Debt/Total Equity	**1,00**	**1,76**

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.

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

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

(c) Market risk

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

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

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

(d) Foreign exchange risk

Foreign currency transactions may result in foreign currency fluctuation risk.

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

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2017

	Profit / Loss	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**
In Case of US Dolar Increases in 10% against TL		
1 - US Dolar Net Asset / (Liability)	1.833.670	(1.833.670)
2- US Dolar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	**1.833.670**	**(1.833.670)**
In Case of Euro Increases in 10% against TL		
4 - Euro Net Asset / (Liability)	(34.043.127)	34.043.127
5 - Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	**(34.043.127)**	**34.043.127**
In Case of Other Exchange Rates Increases in 10% against TL		
7- Other Exchange Rates Net Asset / (Liability)	(5.621.822)	5.621.822
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	**(5.621.822)**	**5.621.822**
TOTAL (3+6+9)	**(37.831.279)**	**37.831.279**

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

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

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2016

	Profit / Loss	
	Appreciation of Foreign Currency	**Appreciation of Foreign Currency**
In Case of US Dolar Increases in 10% against TL		
1 - US Dolar Net Asset / (Liability)	714.822	(714.822)
2- US Dolar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	**714.822**	**(714.822)**
In Case of Euro Increases in 10% against TL		
4 - Euro Net Asset / (Liability)	(20.250.564)	20.250.564
5 - Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	**(20.250.564)**	**20.250.564**
In Case of Other Exchange Rates Increases in 10% against TL		
7- Other Exchange Rates Net Asset / (Liability)	(13.959.728)	13.959.728
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	**(13.959.728)**	**13.959.728**
TOTAL (3+6+9)	**(33.495.470)**	**33.495.470**

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

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

Statement of Foreign Currency Position

	31 December 2017					31 December 2016				
	TL Amount (Functional Currency)	US Dollar	Euro	Yen	Other	TL Amount (Functional Currency)	US Dollar	Euro	Yen	Other
1. Trade Receivables	60.206.193	150.538	12.537.794	20.155.554	2.593.434	48.410.898	1.532	12.986.959	7.500.000	-
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	35.051.422	4.712.493	3.815.962	1.358.245	-	25.397.466	2.029.712	4.829.684	10.990.259	1.592
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-		1.458.573	-	-	48.578.616	
4. Current Assets (1+2+3)	**95.257.615**	**4.863.031**	**16.353.756**	**21.513.799**	**2.593.434**	**75.266.937**	**2.031.244**	**17.816.643**	**67.068.875**	**1.592**
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Finacial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	**95.257.615**	**4.863.031**	**16.353.756**	**21.513.799**	**2.593.434**	**75.266.937**	**2.031.244**	**17.816.643**	**67.068.875**	**1.592**
10. Trade Payables	220.354.405	1.636	34.052.343	1.726.554.667	1.748.262	153.536.752	39	3.212.679	4.716.666.020	-
11. Financial Liabilities	194.363.967	-	43.043.731	-	-	64.906.036	-	17.495.360	-	-
12a. Monetary Other Liabilities	14.973.669	-	3.316.060	-	-	6.283.847	-	1.693.805	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	**429.692.041**	**1.636**	**80.412.134**	**1.726.554.667**	**1.748.262**	**224.726.635**	**39**	**22.401.844**	**4.716.666.020**	-
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilties	51.175.665	-	11.333.333	-	-	185.495.000	-	50.000.000	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
17. Non-current Liabilities (14+15+16)	**51.175.665**	-	**11.333.333**	-	-	**185.495.000**	-	**50.000.000**	-	-
18. Total Liabilities (13+17)	**480.867.706**	**1.636**	**91.745.467**	**1.726.554.667**	**1.748.262**	**410.221.635**	**39**	**72.401.844**	**4.716.666.020**	-
19 Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-	-	-	-	-	-	-	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-	-	-	-	-	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	-	-	-	-	-	-	-	-	-	-
20.Net Foreign Currency Assets (Liabilities) Position (9-18+19)	**(385.610.091)**	**4.861.395**	**(75.391.711)**	**(1.705.040.868)**	**845.172**	**(334.954.698)**	**2.031.205**	**(54.585.201)**	**(4.649.597.145)**	**1.592**
21.Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	**(385.610.091)**	**4.861.395**	**(75.391.711)**	**(1.705.040.868)**	**845.172**	**(336.413.271)**	**2.031.205**	**(54.585.201)**	**(4.698.175.761)**	**1.592**
22. Fair value of financial instruments used for currency hedge	-					-				
23. Hedged foreign currency assets	-					-				
24. Hedged foreign currency liabilities	-					-				
25. Export	**230.532.668**					**184.384.900**				
26. Import	**507.815.364**					**351.000.461**				

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

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

e) Interest rate risk

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

Interest Rate Position Table

	31 December 2017	**31 December 2016**
Financial assets with fixed rates		
Financial assets	78.968.916	113.246.533
Cash and cash equivalents	(414.653.046)	(344.026.753)
Financial liabilities with variable rates		
Financial assets	-	-
Financial liabilities	(18.097.754)	(26.218.605)

As of 31 December 2017, 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 180.978 (31 December 2016: TL 262.186).

(f) Funding risk

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

(g) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's collection risk is mainly derived from trade receivables. Trade receivables are evaluated by the management of the Group depending on their past experiences and current economic conditions and are presented in financial statements when necessary allowances for doubtful receivables are provided.
Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 31 December 2017 are TL 60,206,193 and there is no geographical concentration (31 December 2016: TL 48.410.898).

31 December 2017	**Receivables**						
	Trade Receivables		**Other Receivables**				
	Related Party	**Other**	**Related Party**	**Other**	**Notes**	**Deposits at Banks**	**Notes**
Maximum Credit Risk Exposed as of Balance Sheet Date (A+B+C+D+E)	**2.344.615**	**322.949.896**	**-**	**892.831**		**98.226.512**	
- Secured Portion of The Maximum Credit Risk by Guarantees	-	322.949.896	-	-	**6**	-	
A. Net Book Value Of Financial Assets Which Are Undue or Which Is Not Impaired	**2.344.615**	**319.920.819**	**-**	**892.831**	***6-7-26***	**98.226.512**	**4**
B. Book Value of Financial Assets Which Conditions are Renegotiated, and Which Otherwise Would Be Counted as Overdue or Impaired	-	-	-	-	-	-	
C. Net Book Value of Assets, Overdue But Not Impaired	-	**3.029.077**	-	-	-	-	
- Secured by Guarantee, etc.	-	3.029.077	-	-		-	
D. Net Book Value of Assets Decrease in Value	-	-	-	-		-	
- Overdue (Gross Book Value)	-	(175.000)	-	-	**6**	-	
- Impairment (-)	-	175.000	-	-	**6**	-	
- The Part of Net Value Secured by Guarantee etc.	-	-	-	-		-	
- Undue (Gross Book Value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements Containing Credit Risk Off The Balance Sheet	-	-	-	-		-	

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

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

31 December 2016	Receivables				Notes	Deposits at Banks	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
Maximum Credit Risk Exposed as of Balance Sheet Date (A+B+C+D+E)	**254.444**	**288.858.763**	**-**	**1.023.205**		**115.263.332**	
- Secured Portion of The Maximum Credit Risk by Guarantees	-	288.858.763	-	-	**6**	-	
A. Net Book Value Of Financial Assets Which Are Undue or Which Is Not Impaired	**254.444**	**280.271.392**	**-**	**1.023.205**	***6-7-26***	**115.263.332**	**4**
B. Book Value of Financial Assets Which Conditions are Renegotiated, and Which Otherwise Would Be Counted as Overdue or Impaired	**-**	**-**	**-**	**-**	**-**	**-**	
C. Net Book Value of Assets, Overdue But Not Impaired	**-**	**8.587.371**	**-**	**-**	**-**	**-**	
- Secured by Guarantee, etc.	-	8.587.371	-	-		-	
D. Net Book Value of Assets Decrease in Value	**-**	**-**	**-**	**-**		**-**	
- Overdue (gross book value)	-	*(333.324)*	-	-	**6**	-	
- Impairment (-)	-	*333.324*	-	-	**6**	-	
- The Part of Net Value Secured by Guarantee etc.	-	-	-	-		-	
- Undue (gross book value)	-	-	-	-		-	
- Impairment (-)	-	-	-	-		-	
- The part of net value secured by guarantee etc.	-	-	-	-		-	
E. Elements Containing Credit Risk Off The Balance Sheet	**-**	**-**	**-**	**-**		**-**	

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

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	-	-	-	-	-
Assets covered portion with guarantee letter etc.	**3.029.077**	**-**	**-**	**-**	**-**

31 December 2016	Receivables		Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables			
Past due up to 30 days	7.728.634	-	-	-	-
Past due 1 - 3 months	858.737	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	**8.587.371**	**-**	**-**	**-**	**-**

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

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

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

(h) Liquidity risk management

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

Liquidity Risk Tables

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

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

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

31 December 2017

Non-derivative financial liabilities

Contract Terms	Carrying Value	Total Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank loans	432.750.801	473.282.703	16.106.256	251.958.970	205.217.477	-
Trade payables	296.879.346	297.589.044	98.634.100	198.954.944	-	-
Other payables	33.442.958	33.442.958	33.442.958	-	-	-
Total liabilities	**763.073.105**	**804.314.705**	**148.183.314**	**450.913.914**	**205.217.477**	**-**

Derivative financial liabilities

31 December 2017

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

31 December 2016

Non-derivative financial liabilities

Contract Terms	Carrying Value	Total Contracted Cash Outflows	Less than 3 Months	3 to 12 Months	1 to 5 Years	5 Years +
Bank loans	370.245.358	392.890.956	49.282.983	113.374.577	230.233.396	-
Trade payables	211.966.288	212.600.842	130.742.406	81.858.436		-
Other payables	11.045.048	11.045.048	11.045.048	-	-	-
Total liabilities	**593.256.694**	**616.536.846**	**191.070.437**	**195.233.013**	**230.233.396**	**-**

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

Derivative financial liabilities

The Group does not have derivative financial liabilities as of 31 December 2016.

NOTE 28 - FINANCIAL INSTRUMENTS

(Fair value and hedging disclosures)

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

Objectives of Financial Risk Management

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

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

Derivative financial instruments

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

The Group does not have forward exchange from derivative financial instruments as of 31 December 2017 and 31 December 2016.

NOTE 29 – SUBSEQUENT EVENTS

During the Collective Labor Agreement between MIU (Metal Industrialists Union) and United Metalworkers' Union, the parties came to a mutual agreement on the provisions that were negotiated on 30 January 2018, and subsequently they reached a complete agreement.

According to Article 91 of 28 November 2017 dated and 7061 numbered Amendment of Certain Taxes and Laws and Other Acts and temporary Article 10 added to Corporate Tax Law, 22% corporate tax will be received from corporate income in 2018, 2019 and 2020.