

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

**Consolidated Financial Statements
as at 31 December 2018 and
Independent Auditor's Report**

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

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT 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 consolidated financial statements of Anadolu Isuzu Otomotiv ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3) Key Audit Matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p data-bbox="213 459 829 521"><i>Deferred Tax Assets Calculated over Previous Years' Tax Losses and R&D Incentives</i></p> <p data-bbox="213 571 829 902">According to the Turkish Tax Legislation, financial losses stated in the declaration can be deducted from the profit of the company for the period providing not exceeding 5 years. Total financial losses of the Group transferring as of 31 December 2018 is 135,749 thousand TL, and 32,718 thousand TL of this amount is 2016 financial loss, 30,491 thousand TL of this amount is 2017 and the remaining 72,540 TL is 2018 financial loss.</p> <p data-bbox="213 958 829 1104">As stated in Note 24 related to consolidated financial statements, The Group recognised 26,242 thousand TL of deferred tax asset calculated on previous years' tax losses as of 31 December 2018.</p> <p data-bbox="213 1167 829 1350">Besides the previous years' tax losses, the Group has carried forward R&D expenses which subjects to determination of taxable profit. Total amount of abovementioned R&D expenses is 101,193 thousand TL which has expiry date of 31 December 2023.</p> <p data-bbox="213 1395 829 1541">As stated in Note 24 related to consolidated financial statements, The Group recognised 20,239 thousand TL of deferred tax asset calculated on R&D expenses as of 31 December 2018.</p> <p data-bbox="213 1592 829 1910">Partially or wholly recoverable amount of calculated deferred tax assets is estimated by the Group Management according to assumptions under current circumstances. During the estimation, future business plans, losses in the last 5 years and due dates of unused losses are considered. To what extent the assets in question can be recognized depends on the estimations of the Group Management, therefore these assets are evaluated as a key audit matter.</p>	<p data-bbox="861 459 1468 521">Our audit procedures applied in this field include the issues below:</p> <ul data-bbox="890 589 1468 1496" style="list-style-type: none"> <li data-bbox="890 589 1468 772">• To evaluate and investigate the assumptions and judgements used in determination of future taxable earning estimations together with sensitivity analyses by analysing assumptions made by the Group Management; <li data-bbox="890 835 1468 902">• To evaluate validity and acceptability of assumptions made by the Group Management; <li data-bbox="890 958 1468 1025">• To consider the effect of adjustments in the legislation if required; and <li data-bbox="890 1081 1468 1193">• To reconcile amounts and expiry dates of utilisable previous years' tax losses with tax declarations; <li data-bbox="890 1238 1468 1496">• To evaluate whether the disclosures in consolidated financial statements for applications of judgements used in the estimations of deferred tax assets stated or not stated in the consolidated financial statements include the deferred tax position according to TAS provisions.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 5 March 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

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



Burç Seven, SMMM
Partner

Istanbul, 5 March 2019

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ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Current Period 31 December 2018	Prior Period 31 December 2017
ASSETS			
Current Assets		949,258,343	818,303,047
Cash and cash equivalents	4	96,506,029	98,468,892
Trade receivables		238,883,170	325,294,511
Trade receivables from related parties	6,26	8,021,207	2,344,615
Trade receivables from third parties	6	230,861,963	322,949,896
Other receivables			
Other receivables from third parties	7	41,324,118	892,645
Inventories	8	481,922,342	337,266,267
Prepaid expenses	15	22,340,495	15,287,737
Assets related to current tax	24	835,831	927,758
Other current assets	15	67,446,358	40,165,237
Non-Current Assets		656,609,868	635,180,946
Other receivables			
Other receivables from third parties	7	186	186
Property, plant and equipment	9	560,648,627	569,283,614
Intangible assets		93,901,876	65,883,413
Goodwill	11	2,340,995	2,340,995
Other intangible assets	10	91,560,881	63,542,418
Prepaid expenses	15	2,059,179	13,733
TOTAL ASSETS		1,605,868,211	1,453,483,993

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

	Notes	Current Period 31 December 2018	Prior Period 31 December 2017
LIABILITIES			
Current Liabilities		915,674,974	595,098,693
Short-Term Borrowings	5	552,303,318	243,575,134
Trade Payables		320,286,921	296,879,346
Trade Payables to Related Parties	6,26	109,509,356	209,917,665
Trade Payables to Third Parties	6	210,777,565	86,961,681
Other Payables		987,867	1,180,512
Other Payables to Related Parties	26	9,109	9,109
Other Payables to Third Parties	7	978,758	1,171,403
Payables Related to Employee Benefits	7	6,115,190	4,531,279
Deferred Income	15	20,745,708	30,505,046
Short-Term Provisions			
Short-Term Provisions for Employee Benefits	14	843,195	3,107,996
Other Short-Term Provisions	13	14,392,775	15,319,380
Non-Current Liabilities		132,272,351	230,259,282
Long-Term Borrowings	5	90,420,000	189,175,667
Deferred Income	15	11,436,255	642,247
Long-Term Provisions for Employee Benefits	14	23,885,435	19,448,903
Deferred Tax Liability	24	6,530,661	20,992,465
EQUITY		557,920,886	628,126,018
Equity Attributable to Owners of the Company		557,920,886	628,126,018
Share Capital	16	84,000,000	84,000,000
Adjustments to Share Capital	16	30,149,426	30,149,426
Other Comprehensive Income (Expenses) That Will Not Be Reclassified in Profit or Loss			
Revaluation and Remeasurement Earnings (Losses)		409,107,297	412,086,655
- Increase in Remeasurement of Property, Plant and Equipment		417,373,045	417,373,045
- Remeasurement of Defined Benefit Plans (Losses)	16	(8,265,748)	(5,286,390)
Restricted Reserves Appropriated from Profit	16	162,221,926	162,175,629
Prior Years' Profit/Losses	16	(60,331,989)	(11,897,328)
Net Profit/Loss for The Year	16	(67,225,774)	(48,388,364)
Non-Controlling Interests		-	-
TOTAL LIABILITIES		1,605,868,211	1,453,483,993

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017
(Amounts expressed in Turkish Lira unless otherwise indicated)

	Notes	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
PROFIT OR LOSS			
Revenue	17	1,187,862,785	963,126,462
Cost of Sales (-)	17	(994,834,345)	(838,161,920)
GROSS PROFIT/(LOSS)		193,028,440	124,964,542
Administrative Expenses (-)	18	(47,965,122)	(41,670,453)
Marketing Expenses (-)	18	(77,505,316)	(67,465,058)
Research and Development Expenses (-)	18	(2,908,365)	(3,192,545)
Other Income from Operating Activities	20	102,483,060	24,518,878
Other Expenses from Operating Activities (-)	20	(118,462,259)	(35,047,361)
OPERATING PROFIT/(LOSS)		48,670,438	2,108,003
Income from Investing Activities	21	726,273	169,402
Expenses from Investing Activities (-)	21	(306,332)	(278,394)
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME (EXPENSE)		49,090,379	1,999,011
Finance Income	22	88,379,474	35,315,170
Finance Expenses (-)	23	(218,149,807)	(105,606,878)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		(80,679,954)	(68,292,697)
Tax Income/(Expense) From Continuing Operations		13,454,180	19,904,333
Current Tax (Expense) Income	24	(262,785)	(136,265)
Deferred Tax (Expense) Income	24	13,716,965	20,040,598
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(67,225,774)	(48,388,364)
PROFIT/(LOSS) FOR THE YEAR		(67,225,774)	(48,388,364)
Profit/(Loss) for the Year Attributable to:	16	(67,225,774)	(48,388,364)
Owners of The Company	16	(67,225,774)	(48,388,364)
Earnings/(Losses) Per 100 Share from Continuing Operations	25	(0.8003)	(0.5761)
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	(3,724,197)	(4,154,043)
Gain (Loss) on Remeasurement of Property, Plant and Equipment, Tax Effect	24	-	(56,027,566)
Gain (Loss) on Remeasurement of Defined Benefit Plans, Tax Effect	24	744,839	830,809
OTHER COMPREHENSIVE INCOME (EXPENSE)		(2,979,358)	414,049,811
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(70,205,132)	365,661,447
Non-Controlling Interests		-	-
Owners of The Company		(70,205,132)	365,661,447

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

(Amounts expressed in Turkish Lira unless otherwise indicated)

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
Cash Flows from Operating Activities		(1,754,575)	18,995,551
Profit (Loss) for The Year	16	(67,225,774)	(48,388,364)
Adjustments to Reconcile Profit (Loss) for The Year		182,085,106	84,443,890
Adjustments Related to Depreciation and Amortization Expenses	9,10	33,932,262	24,033,456
Adjustments Related to Provision for Employee Benefits (Released)	14	4,005,684	4,085,237
Adjustments Related to Tax (Income) Expense	24	(13,454,180)	(19,904,333)
Adjustments Related to Interest Incomes	22	(11,474,905)	(9,431,566)
Adjustments Related to Interest Expenses	23	58,507,579	31,944,319
Adjustments Related to Unrealized Currency Translation Differences		110,252,333	47,183,600
Other Adjustments to Profit/(Loss) Reconciliation		736,274	6,424,185
Adjustments Related to Loss (Gain) on Disposal of Property, Plant and Equipment	21	(419,941)	108,992
Changes in Working Capital		(112,221,942)	(13,274,266)
Adjustments Related to Decrease (Increase) in Trade Receivables		82,054,941	(42,265,803)
Adjustments Related to Decrease (Increase) in Inventories	8	(144,656,075)	(62,150,548)
Adjustments Related to Decrease (Increase) in Other Receivables from Operations	7,15,24	(74,673,425)	(23,247,876)
Adjustments Related to Increase (Decrease) in Trade Payables		23,231,608	84,973,400
Adjustments Related to Increase (Decrease) in Other Payables from Operations		3,866,455	71,218,790
Adjustments Related to Decrease (Increase) in Other Assets from Operations		(2,045,446)	(41,802,229)
Cash Generated from Operations		2,637,390	22,781,260
Income Tax Returns (Paid)		(1,098,616)	(1,064,023)
Payments to Provision of Employee Benefits	14	(3,293,349)	(2,721,686)
Cash Flows from Investing Activities		(52,895,797)	(33,214,345)
Proceeds from Sale of Property, Plant and Equipment	9,21	2,373,134	244,022
Payments for Purchase of Property, Plant and Equipment	9	(13,475,238)	(9,522,095)
Payments for Purchase of Intangible Assets	10	(41,793,693)	(23,936,272)
Cash Flows from Financing Activities		52,774,399	(7,065,923)
Interest Received		11,561,794	9,556,553
Interest Paid		(49,869,395)	(28,712,576)
Proceeds from Loans		501,511,800	165,965,100
Cash Outflows from Repayment of Loans		(410,429,800)	(153,875,000)
Net Increase (Decrease) in Cash and Cash Equivalents		(1,875,973)	(21,284,717)
Cash and Cash Equivalents at The Beginning of The Year	4	98,357,461	119,642,178
Cash and Cash Equivalents at The End of The Year	4	96,481,488	98,357,461

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

ANADOLU ISUZU OTOMOTİV SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARY
AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017
(Amounts expressed in Turkish Lira unless otherwise indicated)

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Prior Period	Notes	Paid-in Capital	Adjustments to Share Capital	Total Paid in Capital	Other Comprehensive Income or Expenses Not Be Reclassified to Profit or Loss		Restricted Reserves Allocated from Profit	Retained Earnings		Equity Attributable to Owners of The Company	Non-Controlling Interests	Total Equity
					Gain on Revaluation of Property, Plant and Equipment	Gain/Loss on Remeasurement of Defined Benefit Plans		Prior Years' Profit/Losses	Net Profit/Loss for The Year			
Balances as of 1 January 2017:	16	25,419,707	86,901,880	112,321,587	-	(1,963,156)	163,579,754	34,863,033	(46,336,647)	262,464,571	-	262,464,571
Total Comprehensive Income (Expense)		-	-	-	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 December 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
Current Period												
Balances as of 1 January 2018:	16	84,000,000	30,149,426	114,149,426	417,373,045	(5,286,390)	162,175,629	(11,897,328)	(48,388,364)	628,126,018	-	628,126,018
Total Comprehensive Income (Expense)		-	-	-	-	(2,979,358)	-	-	(67,225,774)	(70,205,132)	-	(70,205,132)
Profit (Loss) for The Period		-	-	-	-	-	-	-	(67,225,774)	(67,225,774)	-	(67,225,774)
Other Comprehensive Income (Expense)		-	-	-	-	(2,979,358)	-	-	-	(2,979,358)	-	(2,979,358)
Transfers		-	-	-	-	-	46,297	(48,434,661)	48,388,364	-	-	-
Balances as of 31 December 2018:	16	84,000,000	30,149,426	114,149,426	417,373,045	(8,265,748)	162,221,926	(60,331,989)	(67,225,774)	557,920,886	-	557,920,886

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE GROUP

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

The Company carries out its operations as a partnership formed by Isuzu Motors Ltd., Itochu Corporation and Anadolu Group Companies. The Company runs its manufacturing operations in a factory which is established in Çayirova/Kocaeli. The average number of employees as of 31 December 2018 is 802 (31 December 2017: 875).

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

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

As of 31 December 2018 and 31 December 2017, details about the company’s subsidiary, which is subject to consolidation, is below:

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

Approval of Financial Statements

Consolidated financial statements for the period 1 January – 31 December 2018 approved by the Board of Directors on 5 March 2019 and signed by Independent Member of the Board of Director Ahmet Orhan ÖZER (Audit Committee Chairman) and Ahmet Murat SELEK (Audit Committee Member), General Manager Yusuf Tuğrul ARIKAN and Finance Director Fatma Aksoy ÖZEK.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of Compliance TAS

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

In addition, the financial statements and disclosures are presented in accordance with the publication by CMB dated 7 June 2013.

The Company (and its Subsidiary registered in Turkey) takes the Turkish Commercial Code (“TCC”), tax legislation and Uniform Chart of Accounts introduced by Turkish Ministry of Finance as basic for book keeping and preparation of the statutory financial statements. Consolidated financial statements have been prepared in Turkish Lira based on the historical costs, as well as the financial assets and liabilities presented in their fair values. Historical costs are generally based on the fair value of the amount paid for the assets. Consolidated financial statements have been arranged by applying the required adjustments and classifications to the statutory records prepared on historical cost basis in order to provide accurate presentation in line with TAS/IFRS. The most important adjustment records are the application of consolidation accounting, deferred tax calculation, calculation of employee termination benefit and other provisions.

Currency Used

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.1 Basis of Presentation (cont'd)

2.1.2 Consolidation principles

Subsidiaries

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

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

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

The table below sets out the subsidiaries and their ownership interests as of 31 December 2018 and 31 December 2017.

Subsidiary	Voting power held by the Group (%)		Proportion of ownership interest (%)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Ant Sınai ve Ticari Ürünleri Pazarlama A.Ş.	100.00	100.00	100.00	100.00

2.1.3 Adjustment of Financial Statements During High Inflation Periods

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

2.1.4 Offsetting

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

2.1.5 Comparatives and Adjustment of Prior Periods' Financial Statements

The Group's consolidated financial statements for the current period are prepared in comparison with the previous periods in order to be able to determine the financial position and performance trends. The comparative information is reclassified when necessary with the aim of ensuring consistency with the presentation of the current period's consolidated financial statements and significant differences are disclosed. In the current period, the Group has made some reclassifications in prior period financial statements. The nature, reason and amounts of the classifications are explained below:

In 2017 the Group has presented "advances given for inventory" amounting to TL 10,334,103 under current assets in the financial statement. In the current year, the Group management has classified these advances under "Prepaid Expenses".

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

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations

New and amended Turkish Financial Reporting Standards that are effective as of 2018

IFRS 9 Financial Instruments

The Group has applied IFRS 9 “Financial Instruments” which replaces TAS 39 as of the first application date of 1 January 2018. This application includes the requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model to replace the currently used impairment model. The Group has carried out evaluation studies to determine the cumulative impact of the first adoption and concluded that it has no significant impact on the consolidated financial statements.

Classification and measurement of financial assets

Group classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

“Financial assets measured at amortised cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortised cost comprise “cash and cash equivalents” and “trade receivables”. Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the consolidated statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income. Changes regarding the classification of financial assets and liabilities in terms of IFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

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

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations (cont'd)

New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

IFRS 9 Financial Instruments (cont'd)

Financial assets	Prior classification under TAS 39	Prior classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Receivables from related parties	Loans and receivables	Amortized cost
Derivative financial assets	Fair value through profit or loss	Fair value through profit or loss
Financial liabilities	Prior classification under TAS 39	Prior classification under IFRS 9
Derivative financial liabilities	Fair value through profit or loss	Fair value through profit or loss
Loans	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

Impairment

“The expected credit loss model” in IFRS 9 “Financial Instruments” standard has been defined instead of “realized credit losses model” in TAS 39 “Financial Instruments: Recognition and Measurement” which was effective until 1 January 2018. The expected credit losses are a weighted estimate of the probability of loan losses over the expected life of a financial instrument. In the calculation of the expected credit losses, both the Group's future estimates and past loan loss experiences are taken into account.

IFRS 15 Revenue from Contracts with Customers

The Group has applied “IFRS 15 Revenue from Customer Contracts”, which replaces “TAS 18 Revenue” starting from 1 January 2018. In this context, the retrospective effect of applying the standard for the first time is disclosed under “Comparative Information and Restatement of Prior Period Financial Statements”.

Revenue

The Group recognizes the revenue by transferring a committed product or service to its customers and when or as the performance obligation is fulfilled. When or as an asset is controlled by the customer, the asset is transferred.

Under IFRS 15 “Revenue from Contracts with Customers” effective as of 1 January 2018 the Group recognizes the revenue in accordance with the following five fundamental principles:

- Identify the contracts with a customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contract,
- Recognize the revenue.

The Group evaluates the goods or services committed on the contract with the customer and defines each commitment given to be transferred to the customer as a performance obligation.

The Group considers the terms of the contract and business practices to determine the transaction price. The transaction price is the amount that the Group expects to earn in return for the transfer of goods or services to the customer, excluding the amounts collected on behalf of third parties (e.g. certain sales taxes).

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations (cont'd)

New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

IFRS 15 Revenue from Contracts with Customers (cont'd)

If the sum of the sale price of the goods or services exceeds the value committed in the contract, the customer receives a discount for the purchase of the goods or services. The Group distributes the discount in a proportionate manner to all performance obligations in the contract, except where there are observable indicators that the discount is related to only one or some of the performance obligations.

For each performance obligation, it is determined at the beginning of the contract that if the performance obligation will be fulfilled in time or at a certain time. When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

- Presence of Group's collection right of the consideration for the goods or services,
- Customer's ownership of the legal title on goods or services,
- Physical transfer of the goods or services,
- Customer's ownership of significant risks and rewards related to the goods or services,
- Customer's acceptance of goods or services.

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

The amendments clarify the standard in respect of the share-based payment arrangement has a "net settlement feature" such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Amendments to IFRS 2 have no impact on the Group's financial statements.

Amendments to IAS 40 Transfers of Investment Property:

The amendments to IAS 40: amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. A detailed list of the evidence referred to in paragraph 57 between (a) and (d) has been amended as a list of examples.

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

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations (cont'd)

New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

Annual Improvements to 2014-2016 Cycle:

TFRS 1 "First-time adoption of Turkish financial reporting standards" has abolished the short-term exceptions during the first-time adoption of TFRS 7, TAS 19 and TFRS 10.

TAS 28: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Annual improvements to TFRS Standards 2014-2016 cycle have no impact on the Group's financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration:

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

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

The Interpretations Committee came to the following conclusion:

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

New and revised TFRS Standards in issue but not yet

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

TFRS 16	<i>Leases</i> ¹
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
<i>Amendments to TMS 19</i>	<i>Amendments to Employee Benefits</i> ¹
<i>Annual Improvements to 2015-2017 Cycle</i>	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i> ¹

¹ Effective from periods on or after 1 January 2019.

The Group management, do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

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

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations (cont'd)

New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

IFRS 16 Leases

IFRS 16, 'Leases' is effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. The new standard replaces existing TMS 17 guidance and eliminates the separation of operating leasing and financial leasing. Thus, operating leases that are off balance sheet according to TAS 17 are combined with financial leases under a single model. The IASB provides an exception for short-term leases of lessee (with a leasing period of 12 months or less) and leases of low-valued assets. For lessors, the accounting stays almost the same.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group's study related with such standards is still in process. The lessee shall recognize the lease liabilities and the right to use assets over the present value of unpaid lease payments. Lease payments will be discounted using this rate if the implied interest rate in the lease can be easily determined. In case the lessee cannot easily determine this ratio, the lessee's alternative borrowing interest rate will be used. The lessee should separately recognize the interest expense on the lease liability and the depreciation expense that the asset utilization right has allocated for the lease period.

The Group has started compliance studies for this standard that will be effective as of 1 January 2019.

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

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

IFRS Interpretation 23 Uncertainty over Income Tax Treatments

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

IFRS 10 Consolidated Financial Statements and TAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies that all profit or loss from the sale or contribution of assets between an investor and its associate or joint venture are required to be recognized by the investor.

Amendments to TMS 19 Employee Benefits

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

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

2.1 Basis of Presentation (cont'd)

2.1.6 Amendments in Standards and Interpretations (cont'd)

New and amended Turkish Financial Reporting Standards that are effective as of 2018 (cont'd)

Annual Improvements to TFRS Standards 2015–2017 Cycle

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

The potential impact of the mentioned standards, changes and improvements on the Group's consolidated financial position and performance is evaluated.

2.2 Summary of Significant Accounting Policies

2.2.1 Cash and cash equivalents

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

2.2.2 Trade receivables and provision for allowance

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

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

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

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

2.2.3 Inventories

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.4 Property, plant and equipment and related depreciation

While property, plant and equipment are presented on financial statement according to the adjusted values based on the effects of inflation as of 31 December 2015 for the assets acquired before 1 January 2005, they are presented on the financial statements by deducting accumulated depreciation from cost values for the assets acquired after 2005. As of 31 December 2017, lands and buildings have been monitored by revaluation method. Depreciation is calculated using the straight-line method based on their economic lives. The following rates, determined in accordance with the economic lives of the fixed assets, are used in calculation of depreciation:

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

Revaluation Method

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

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

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

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

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

Except for land and investments in progress, cost or valued amounts of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes in estimates and accounted for prospectively if there is a change in the estimates.

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

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

Revaluation Method (cont'd)

Depreciation calculations have been made for buildings subject to revaluation as of 31 December 2018 by taking into consideration their remaining useful lives.

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

2.2.5 Intangible assets and related amortisation

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

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

2.2.6 Goodwill

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

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

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

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

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

2.2.7 Impairment of assets

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

2.2.8 Bank loans and borrowing costs

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.9 Taxes on income

Tax liability on current period's profit or loss includes current period tax and deferred tax. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date.

Deferred tax is provided, using the liability method, on the temporary differences between the carrying values of assets and liabilities and their carrying. The tax value of assets and liabilities represent the amounts that will affect the tax base in the future periods related to the assets and liabilities within the framework of tax legislation. Deferred tax is calculated over the tax rates that are expected to apply in the period when the tax asset or the liability will be realized by taking into consideration the tax rates and tax legislation in effect as of the balance sheet date.

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

2.2.10 Provision for employee benefits

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

2.2.11 Provisions

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

2.2.12 Research and development expenses

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

2.2.13 Warranty provision expenses

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.14 Related parties

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

2.2.15 Foreign currency transactions

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

2.2.16 Earnings per share

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

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

2.2.17 Revenue recognition

First-time Adoption of TFRS 15 Revenue from Contracts with Customers

Impact on the Financial Statements

As a result of the adoption of TFRS 15, some changes have occurred in the accounting policies as of 1 January 2018 and within the scope of transitional provisions of TFRS 15 the Group is required to recognize the sales of commercial vehicles and service extended under warranty as revenue to be recorded in the consolidated statement of profit and loss in the relevant period.

As of the first application date 1 January 2018 the Group has carried out studies to evaluate TFRS 15 "Revenue from Contracts with Customers" which replaces "TAS 18 Revenue" and presented it in profit or loss in accordance with TFRS 15.

Warranties given for sales cannot be purchased separately. These warranties are assured that the products sold are in compliance with the pre-determined conditions. In this respect, the Group will continue to recognize the warranty provisions in accordance with the provisions of the existing TAS 37 Provisions, Contingent Liabilities and Conditional Assets.

Commercial vehicle and spare part sales

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

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.17 Revenue recognition (cont'd)

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

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

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

Service rendering

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

Interest income

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

Dividend income

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

Rent income

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

When there is significant amount of cost of financing included in the sales, the fair value is determined by discounting all probable future cash flows with the yield rate, which is embedded in the cost of financing. The difference is included in financial statements on accrual basis.

2.2.18 Reporting of cash flows

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

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

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

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

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

2.2.19 Contingent assets and liabilities

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.20 Government Grants

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

2.2.21 TFRS 9 Financial Instruments

TFRS 9, Financial instruments; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Group has carried out valuation studies to determine the cumulative effect of the first transition and concluded that no changes should be made to the consolidated financial statements.

Financial assets

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

In the initial measurement of financial assets except at fair value through profit or loss, transaction costs directly attributable to the acquisition or export of such assets are added to or deducted from the fair value. Financial assets that are traded in the normal course are recognized at the date of the transaction (delivery date).

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

Financial assets measured at amortized cost

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

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

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

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 TFRS 9 Financial Instruments (cont'd)

First-time adoption of TFRS 9 “Financial instruments” (cont'd)

Financial assets (con'd)

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

Financial assets measured at fair value through profit or loss

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

Financial assets that are not designated as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss. The related financial assets are presented with their fair values and the gains and losses arising from the valuation are recognized in profit or loss.

Impairment

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.21 TFRS 9 Financial Instruments (cont'd)

First-time adoption of TFRS 9 “Financial instruments” (cont'd)

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

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

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

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

Financial liabilities

Financial liabilities are initially measured at fair value. During initial recognition of financial liabilities not designated fair value through profit or loss, all directly attributable transaction costs related to underwriting of financial liabilities, added to this fair value.

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

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

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

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

The Group does not reclassify any financial liability.

Recognition and derecognition of financial assets

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.22 Accounting Policies, Changes in Accounting Estimates and Errors

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

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

2.2.23 Other Accounting Estimates

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

- a) Deferred tax assets can be recognised only when sufficient taxable profit is likely to occur in the upcoming periods. If a tax advantage is likely, deferred tax assets are calculated based on the deductible financial losses. As of 31 December 2018, the Group recognised deferred tax assets of TL 128,649,816 (31 December 2017: TL 126,418,854) based on total deductible financial losses of TL 26,242,335 (31 December 2017: TL 26,080,108) as sufficient taxable profit is likely to occur in the upcoming periods..
- b) The Group determined the warranty provision based on warranty costs for each vehicle model in previous years and the remaining warranty periods for each vehicle.
- c) Useful lives of property, plant and equipment:
The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The Company may shorten or prolong the useful lives and related depreciation of property, plant and equipment by taking into consideration the intended use of property, plant and equipment, technological progress according to their types and other factors.
- d) Revaluation of land improvements and buildings:
Land improvements, evaluation of buildings and machinery have been made by taking into consideration the current market conditions. As a result of the revaluation, provision for impairment of the fixed assets with fair value lower than the cost value is made.

The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The Group's land improvements and buildings have been revalued by independent appraisals accredited by the Capital Markets Board. The revaluation fund which is composed of the difference between the book value and the fair value is offset with deferred tax and shown under the equity as revaluation fund. Revaluation is performed periodically.
- e) Estimated impairment of goodwill
The Group annually tests goodwill for impairment. The recoverable amounts of cash generating units are determined based on the calculations of value in use. The estimation usage required by these calculations is disclosed in Note 12.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

2.2 Summary of Significant Accounting Policies (cont'd)

2.2.24 Events after the reporting period

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

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

NOTE 3 –SEGMENT REPORTING

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Cash	135,442	130,494
Banks-Demand Deposits	10,910,388	19,257,596
Banks-Time Deposits (up to 3 months)	85,072,854	78,968,916
Other Liquid Assets (*)	387,345	111,886
Total	96,506,029	98,468,892

(*) As of 31 December 2017 and 31 December 2016, the balance in "Other Liquid Assets" is consist of directly debting system assets in bank of group.

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

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Liquid Assets	96,506,029	98,468,892
Interest Accruals (-)	(24,541)	(111,431)
Total (Excluding interest accruals)	96,481,488	98,357,461

The details of time deposits are as follows:

	<u>31 December 2018</u>		<u>31 December 2017</u>	
	<u>Amount in TL</u>	<u>Annual Interest Rate (%)</u>	<u>Amount in TL</u>	<u>Annual Interest Rate (%)</u>
TL	46,747,044	15.00-23.49	53,952,431	7.00-15.50
USD	-	-	17,746,481	0.25-4.20
EUR	38,325,810	0.05-1.00	7,270,004	0.10
Total	85,072,854		78,968,916	

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

NOTE 5 - FINANCIAL LIABILITIES

The details of bank loans as of 31 December 2018 and 31 December 2017 are as follows:

Short-term Bank Loans

	<u>Annual</u>		<u>Original Currency</u>		<u>Amount in TL</u>	
	<u>Effective Interest Rate (%)</u>					
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Short-term Bank Loans						
EUR	4.71	2.40	27,318,167	43,043,730	164,673,908	194,363,965
TL	23.03	12.97	387,629,410	49,211,169	387,629,410	49,211,169
Total					552,303,318	243,575,134

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

Period	<u>31 December 2018</u>	<u>31 December 2017</u>
Up to one month	84,649,083	10,019,792
Total	84,649,083	10,019,792

Long-Term Bank Loans

	<u>Annual</u>		<u>Original Currency</u>		<u>Amount in TL</u>	
	<u>Effective Interest Rate (%)</u>					
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Long-term Bank Loans						
EUR	4.85	2.92	15,000,000	11,333,333	90,420,000	51,175,667
TL	-	14.85	-	138,000,000	-	138,000,000
Total					90,420,000	189,175,667

The maturity of all long-term bank loans is 2020.

Financial net debt reconciliation as of 31 December 2018 and 31 December 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Opening balance - 1 January	432,750,801	370,245,358
Interest expense	58,507,579	31,944,319
Interest paid	(49,869,395)	(28,712,576)
Newly obtained credits	501,511,800	165,965,100
Loans repaid	(410,429,800)	(153,875,000)
Exchange difference	110,252,333	47,183,600
Closing balance – 31 December	642,723,318	432,750,801

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Trade receivables at period ends are as follows:

Short-term Trade Receivables	<u>31 December 2018</u>	<u>31 December 2017</u>
Trade Receivables from Third Parties	235,218,363	329,035,874
Trade Receivables from Related Parties	8,021,207	2,344,615
Rediscount Expenses (-)	(4,356,400)	(6,085,978)
Doubtful Receivables	175,000	175,000
Allowance for Doubtful Receivables (-)	(175,000)	(175,000)
Total	238,883,170	325,294,511

Movements of provision for doubtful receivables are as follows:

	<u>2018</u>	<u>2017</u>
Opening Balance – 1 January	175,000	333,324
Collections in the Period	-	(158,324)
Closing Balance – 31 December	175,000	175,000

Trade receivables at period ends are as follows:

Trade Payables	<u>31 December 2018</u>	<u>31 December 2017</u>
Trade Payables to Third Parties	213,553,886	87,612,457
Trade Payables to Related Parties	109,509,356	209,917,665
Rediscount on Trade Payables (-)	(2,776,321)	(650,776)
Total	320,286,921	296,879,346

Disclosures on the nature and level of risks in trade receivables are given in Note 27.

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other Short-term Receivables	<u>31 December 2018</u>	<u>31 December 2017</u>
Other Receivables from Third Parties		
Due from Personnel	668,284	615,767
Receivables from Tax Office (*)	40,655,834	262,841
Deposits and Guarantees Given	-	14,037
Total	41,324,118	892,645

(*) As of 31 December 2018, the amount of Group's receivables was TL 39,610,027 which consists of the receivables related to the VAT refund request (31 December 2017 TL 110,000).

Other Long-term Receivables	<u>31 December 2018</u>	<u>31 December 2017</u>
Other Receivables from Third Parties		
Deposits and Guarantees Given	186	186
Total	186	186

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Other Short-term Payables		
Other Payables to Third Parties		
Payables Under Employee Benefit	6,115,190	4,531,279
Tax and Funds Payables	944,298	1,138,780
Other Miscellaneous Payables	34,460	32,623
Total	7,093,948	5,702,682

NOTE 8 - INVENTORIES

Inventory balances as of period ends are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Raw materials	156,880,979	133,664,449
Work in process goods	1,162,353	6,300,127
Finished goods	183,893,976	111,315,468
Trade goods	49,960,148	33,701,823
Other inventory	1,799,729	1,199,293
Goods in transit	89,017,661	51,892,430
Impairment in Finished Goods and Trade Goods	(792,504)	(807,323)
Total	481,922,342	337,266,267

Movement of Provision for Inventory Impairment	<u>2018</u>	<u>2017</u>
Opening Balance – 1 January	807,323	1,214,070
Provision released (-)	(333,080)	(406,747)
Current Period Impairment (+)	318,261	-
Closing Balance – 31 December	792,504	807,323

(Amounts expressed in Turkish Lira 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 at 1 January 2018	94.164.000	12.286.092	462.796.546	182.189.531	7.875.690	3.992.605	774.199	481.444	764.560.107
Additions	-	16.764	38.200	9.055.660	2.098.964	46.432	-	2.219.218	13.475.238
Transfer from Construction in Progress	-	-	255.866	1.381.421	-	-	-	(1.637.287)	-
Disposals	-	-	-	(964.934)	(2.569.653)	-	-	-	(3.534.587)
Closing Balance as at 31 December 2018	94.164.000	12.302.856	463.090.612	191.661.678	7.405.001	4.039.037	774.199	1.063.375	774.500.758
Accumulated Depreciation									
Opening Balance as at 1 January 2018	-	(8,009,047)	(43,363,705)	(136,746,547)	(3,719,440)	(2,673,628)	(764,126)	-	(195,276,493)
Charge for the year	-	(448,210)	(9,129,322)	(8,732,948)	(1,567,455)	(276,228)	(2,869)	-	(20,157,032)
Disposals	-	-	-	910,064	671,330	-	-	-	1,581,394
Closing Balance as at 31 December 2018	-	(8,457,257)	(52,493,027)	(144,569,431)	(4,615,565)	(2,949,856)	(766,995)	-	(213,852,131)
Net Carrying Value									
Opening Balance as at 1 January 2018	94,164,000	4,277,045	419,432,841	45,442,984	4,156,250	1,318,977	10,073	481,444	569,283,614
Closing Balance as at 31 December 2018	94,164,000	3,845,599	410,597,585	47,092,247	2,789,436	1,089,181	7,204	1,063,375	560,648,627

Amounting to TL 13,864,571 of the depreciation expenses has been charged to cost of sales, and TL 373,930 to research and development expenses and TL 2,212,911 to marketing expenses, TL 1,116,368 to general administrative expenses and TL 2,589,252 to R&D capitalization as of 31 December 2018.

As of 31 December 2018 net book values of the lands and buildings owned by the Group is TL 1,292,239 and TL 36,439,167 respectively, if they are valued according to historical cost basis.

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 at 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 at 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 at 1 January 2017	-	(7,564,532)	(40,621,417)	(137,124,706)	(4,757,483)	(2,926,451)	(761,258)	-	(193,755,847)
Charge for the Period	-	(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 at 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 at 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 at 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 1,278,886 to R&D capitalization as of 31 December 2017.

As of 31 December 2017 net book values of the lands and buildings owned by the Group is TL 1,292,239 and TL 38,903,991 respectively, if they are valued according to historical cost basis

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 10 - INTANGIBLE ASSETS

31 December 2018

	<u>Cost Value</u>	<u>Rights</u>	<u>Research & Development Operations</u>	<u>Other Intangible Assets</u>	<u>Construction in Progress (*)</u>	<u>TOTAL</u>
Opening Balance as at 1 January 2018	370,007	73,279,357	18,324,258	24,870,334	116,843,956	
Additions	438,213	-	3,154,318	38,201,162	41,793,693	
Transfer from Construction in Progress	-	29,568,329	796,990	(30,365,319)	-	
Closing balance as at 31 December 2018	808,220	102,847,686	22,275,566	32,706,177	158,637,649	

Accumulated Amortization

Opening Balance as at 1 January 2018	(95,518)	(42,363,735)	(10,842,285)	-	(53,301,538)
Charge for the period	(30,369)	(10,752,930)	(2,991,931)	-	(13,775,230)
Closing balance as at 31 December 2018	(125,887)	(53,116,665)	(13,834,216)	-	(67,076,768)

Carrying Value

Opening Balance as at 1 January 2018	274,489	30,915,622	7,481,973	24,870,334	63,542,418
Closing Balance as at 31 December 2018	682,333	49,731,021	8,441,350	32,706,177	91,560,881

(*) As of 31 December 2018, TL 36,704,294 of the "Investment in Progress" amounts to R&D projects and the remainder relates to other intangible assets.

Amounting to TL 10,907,970 of the depreciation expenses of intangible assets has been charged to cost of sales, and TL 353,318 to research and development expenses and TL 341,218 to marketing expenses, TL 593,187 to general administrative expenses and TL 1,579,537 to R&D capitalization as of 31 December 2018.

NOTE 10 – INTANGIBLE ASSETS (cont'd)

31 December 2017

	<u>Cost Value</u>	<u>Rights</u>	<u>Research & Development Operations</u>	<u>Other Intangible Assets</u>	<u>Construction in Progress (*)</u>	<u>TOTAL</u>
Opening Balance as at 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 at 31 December 2017		370,007	73,279,357	18,324,258	24,870,334	116,843,956
Accumulated Amortization						
Opening Balance as at 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 at 31 December 2017		(95,518)	(42,363,735)	(10,842,285)	-	(53,301,538)
Carrying Value						
Opening Balance as at 1 January 2017		299,713	28,075,596	3,277,039	19,037,099	50,689,447
Closing Balance as at 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 802,625 to general administrative expenses and TL 258,914 to R&D capitalization as of 31 December 2017.

NOTE 11 - GOODWILL

As of 31 December 2018, there is goodwill amounted to TL 2,340,995 (31 December 2017: TL 2,340,995). The Group has calculated the recoverable amount of goodwill and no impairment is recognized. In this calculation, a discount rate of 25% (2017: 25% per annum) was used with 5-year cash flows prepared based on the budgets approved by the management.

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2018, is the TL 484,841. The cash support amount, which was collected from TUBITAK in relation to R&D activities in 2017, was the TL 675,296.

The Group has R&D expenses which can be utilized for tax calculations with an amount of TL 101,193,233 as of 31 December 2018. As per amendment made in Article 35 of the Law on Supporting Research and Development No. 5746 which became effective on 1 April 2008, R&D deduction rate from which will be benefited for the expenses of R&D has been increased from 40% to 100% (TL 41,480,482 as of 31 December 2017).

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

Regarding the TL 5,606,548 spent as of 31 December 2018 in accordance with Incentive Certificate the Group has started to benefit from the 20% investment incentive and 50% discounted corporate income tax incentive within the framework of Article 32/A of the Corporate Income Tax Law in proportion to the effect of the investment on generated income.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short-term Provisions	31 December 2018	31 December 2017
Warranty Provisions	9,647,216	11,642,227
Provision for Lawsuits	4,355,690	3,567,284
Provision for Premium and Comission	389,869	109,869
Total	14,392,775	15,319,380

Movements of provisions during the period are as follows:

	<u>Warranty Provisions</u>	<u>Provision for Lawsuits</u>	<u>Provision for Premium and Comission</u>	<u>Total</u>
Opening Balance as at 1 January 2018	11,642,227	3,567,284	109,869	15,319,380
Additions During The Period	10,433,281	2,209,093	389,869	13,032,243
Less: Paid During The Period (-)	(12,428,292)	(989,915)	(109,869)	(13,528,076)
Reversal of provision (-)	-	(430,772)	-	(430,772)
Closing Balance as at 31 December 2018	9,647,216	4,355,690	389,869	14,392,775

	<u>Warranty Provisions</u>	<u>Provision for Lawsuits</u>	<u>Provision for Premium and Comission</u>	<u>Total</u>
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

Lawsuits against the Group:

Amount of provisions allocated for the lawsuits which were filed against the Group as of 31 December 2018 and have not ended as of the balance sheet date equals TL 4,355,690 (31 December 2017: TL 3,567,284).

Mortgages and guarantees on assets:

There are not any mortgages and guarantees on assets.

Total insurance coverage on assets:

Total insurance coverage on assets is TL 812,616,800 as of 31 December 2018 (31 December 2017: TL 892,934,291).

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

Type	31 December 2018	31 December 2017
Given Letters of Guarantee	158,145,516	116,292,868
Total	158,145,516	116,292,868

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

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
A. CPMs given in the name of its own legal personality	158,145,516	116,292,868
i. Letter of Guarantee	158,145,516	116,292,868
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	158,145,516	116,292,868

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

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

NOTE 14 - EMPLOYEE BENEFITS

Short-term Provisions for Employee Benefits	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision for Wage Differential in Collective Labour Agreement	-	2,452,546
Provision for Unused Vacation	843,195	655,450
	843,195	3,107,996

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

Long-Term Provisions for Employee Benefits	<u>31 December 2018</u>	<u>31 December 2017</u>
Provision for Employment Termination Benefits	23,885,435	19,448,903

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

The severance payments are calculated over 30-days gross salary for each service year. Primary assumption is that ceiling liability set for each service year increases in proportion to inflation. In parallel with this, real discount rate which is cleared of the potential inflation impacts is considered at the implementation stage. The severance pay cap is revised in every six months, the ceiling amount of TL 6,017.60 (1 January 2018 TL 5,001.76) applicable as of 1 January 2019 has been regarded for the calculation of the Group's provision of severance pay.

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

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

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 14 - EMPLOYEE BENEFITS (cont'd)

	<u>31 December 2018</u>	<u>31 December 2017</u>
Annual Net Discount Rate (%)	3.64	4.21
Turnover Rate to Estimate the Probability of Retirement (%)	3.99	3.98

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

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

	<u>2018</u>	<u>2017</u>
Opening Balance – 1 January	19,448,903	13,931,309
Service cost	3,202,747	3,559,527
Interest cost	802,937	525,710
Gain/(Loss) on Remeasurement of Defined Benefit Plans	3,724,197	4,154,043
Retirement payment paid	(3,293,349)	(2,721,686)
Closing Balance – 31 December	23,885,435	19,448,903

NOTE 15 - OTHER ASSETS AND LIABILITIES

Prepaid Expenses	<u>31 December 2018</u>	<u>31 December 2017</u>
Advances Given	20,516,548	10,334,103
Prepaid Insurance Expenses	181,116	84,319
Prepaid Advertisement Expenses	315,378	455,026
Prepaid Subscription Expenses	27,240	24,691
Prepaid Commission Expenses	-	3,904,729
Prepaid Other Expenses	1,300,213	484,869
Total	22,340,495	15,287,737

Other Current Assets	<u>31 December 2018</u>	<u>31 December 2017</u>
Deferred VAT	66,635,534	39,804,274
Other Current Assets	810,824	360,963
Total	67,446,358	40,165,237

Prepaid Expenses	<u>31 December 2018</u>	<u>31 December 2017</u>
Prepaid Expenses	2,059,179	13,733
Total	2,059,179	13,733

Deferred Income (Short-Term)	<u>31 December 2018</u>	<u>31 December 2017</u>
Advances Received	6,309,007	27,731,167
Deferred Income (*)	14,436,701	2,773,879
Total	20,745,708	30,505,046

(*) The amount of cash incentives received for the company's R&D activities, and which should be transferred to the income statement for upcoming months as of 31 December 2018, is TL 360,791 (31 December 2017: R&D cash support income that will be transferred to the income statement for upcoming months is TL 419,046).

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

Deferred Income (Long-Term)	<u>31 December 2018</u>	<u>31 December 2017</u>
Deferred Income (*)	11,436,255	642,247
Total	11,436,255	642,247

(*) The amount of cash incentives received for the company's R&D activities, and which should be transferred to the income statement for upcoming months as of 31 December 2018 is TL 590,029 (31 December 2017: TL 562,948).

NOTE 16 – SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital / Elimination Adjustments

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

In 2017, the Group's share capital has been increased from TL 25,419,707 (TL 56,752,454 of which is from the capital adjustment difference, 1,827,839 of which is from restricted reserves appropriated from profit and prior years' profit/loss calculations) to 84,000,000 by providing from internal resources.

This share capital is divided into 8.400,000,000 in total, including 4.515,314,511 A Group registered shares, 2.498,204,373 B Group registered shares, 1,386,481,116 C Group bearer's shares, each with nominal value of 1 (one) Kr. The distribution of this share capital on the basis of share group is as follows,

31 December 2018

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

31 December 2017

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

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

Privileges Granted to the Share Groups

The Company is directed by the fourteen members of the Board of Directors elected among shareholders by General Assembly in accordance with the regulations of Turkish Commercial Code.

Four members of the Board of Directors are elected from the candidates nominated by the shareholders of Group B and the remaining members of the Board of Directors are elected from the candidates nominated by the shareholders of Group A by the General Assembly.

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

31 December 2018

Paid-in Capital	84,000,000
Capital Inflation Adjustment Difference	30,149,426
Reserves on Retained Earning	162,221,926
Retained Earnings / (Losses)	(60,331,989)
Gain on Revaluation of Property, Plant and Equipment	417,373,045
(Losses) on Remeasurement of Defined Benefit Plans	(8,265,748)
Net Profit (Loss) for The Period	(67,225,774)
Shareholders' Equity Attributable to Equity Holders of the Group	557,920,886
Non-Controlling Shares	-
Total Shareholders' Equity	557,920,886

31 December 2017

Paid-in Capital	84,000,000
Capital Inflation Adjustment Difference	30,149,426
Reserves on Retained Earning	162,175,629
Retained Earnings / (Losses)	(11,897,328)
Gain on Revaluation of Property, Plant and Equipment	417,373,045
(Losses) on Remeasurement of Defined Benefit Plans	(5,286,390)
Net Profit (Loss) for The Period	(48,388,364)
Shareholders' Equity Attributable to Equity Holders of the Group	628,126,018
Non-Controlling Shares	-
Total Shareholders' Equity	628,126,018

Restricted Reserves Appropriated from Profit

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Legal Reserves	23,784,678	23,738,381
Real Estate Sale Profit Exemption	138,437,248	138,437,248
Total	162,221,926	162,175,629

Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. In addition, the Group's profit on the sale of real estate, which is considered to be within the scope of Article 5/e of Corporate Income Tax Law No. 5520, is classified under this accounting category as a "Real estate sale profit exemption". As of 31 December 2018, the Group's total restricted reserves are TL 162,221,926 (31 December 2017: TL 162,175,629).

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

Retained Earnings /Losses

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

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Extraordinary Reserves	9,661,446	9,661,446
Legal Reserves Inflation Difference	24,820,489	24,820,415
Retained Earnings / (Losses)	(94,813,924)	(46,379,189)
Total	(60,331,989)	(11,897,328)

Quoted companies make profit distributions as follows:

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

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

Group's retained earnings is TL 60,331,989 based on the financial statements prepared in according with TAS/TFRS Financial Reporting Standard for the period ended 31 December 2018.

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

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

NOTE 17 - REVENUE AND COST OF SALES

Revenue	<u>1 January 2018</u> <u>31 December 2018</u>	<u>1 January 2017</u> <u>31 December 2017</u>
Domestic Sales	736,727,927	789,381,081
Foreign Sales	528,831,949	230,532,668
Other Income	9,996,220	6,825,860
Sales Total (Gross)	1,275,556,096	1,026,739,609
Sales Discounts (-)	(87,693,311)	(63,613,147)
Sales (Net)	1,187,862,785	963,126,462
Cost of Sales	(994,834,345)	(838,161,920)
Gross Operating Profit	193,028,440	124,964,542

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 17 - REVENUE AND COST OF SALES (cont'd)

Cost of sales are summarised as follows;

Cost of sales	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Raw Materials and Supplies Expenses	748,330,869	667,920,918
Direct Labor Expenses	53,805,678	43,702,406
Depreciation and Amortization Expenses	24,772,541	18,874,436
Other Production Costs	13,180,956	12,223,630
Total Cost of Production	840,090,044	742,721,390
Change in Goods Inventory	(24,401,253)	5,717,385
Cost of Trade Goods Sold	178,068,379	88,029,978
Cost of Other Sales	1,077,175	1,693,167
Cost of Sales	994,834,345	838,161,920

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

a)Research and Development Expenses	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Personnel Expenses	(363.917)	(372.043)
Trade Goods Quality Enhancement Expenses	(1.015.469)	(971.030)
Depreciation and Amortization Expenses (Notes 9-10)	(727.248)	(806.635)
Other	(801.731)	(1.042.837)
Total Research and Development Expenses	(2.908.365)	(3.192.545)

b)Marketing Expenses		
Domestic Sales Expense	(1,857,417)	(1,678,768)
Export Expense	(12,459,294)	(6,279,570)
Personnel Expenses	(15,809,963)	(12,715,740)
Advertisement Expenses	(6,794,841)	(7,287,097)
Guarantee Expenses	(10,429,498)	(9,854,141)
Freight And Expressing Expenses	(10,059,601)	(9,966,284)
Royalty Expenses	(4,190,378)	(5,852,288)
Amortization Expense (Notes 9-10)	(2,554,129)	(1,224,762)
Other	(13,350,195)	(12,606,408)
Total Marketing Expenses	(77,505,316)	(67,465,058)

c)General Administrative Expenses		
Personnel Expenses	(17,864,617)	(13,940,219)
Provision for Employee Termination Benefits	(345,413)	(766,180)
Business and Service Expenses	(17,201,874)	(15,999,981)
Depreciation and Amortization Expenses (Notes 9-10)	(1,709,555)	(1,589,823)
Insurance Expenses	(2,355,647)	(1,828,231)
Other	(8,488,016)	(7,546,019)
Total General Administrative Expenses	(47,965,122)	(41,670,453)

NOTE 19 - EXPENSES BY NATURE

	1 January 2018	1 January 2017
	31 December 2018	31 December 2017
Direct Raw Material and Supplies Costs	748,330,869	667,920,918
Cost of Trade Goods Sold	178,068,379	88,029,978
Cost of Other Goods Sold	1,077,175	1,693,167
Change in Finished Goods and Semi-Finished Goods	(24,401,253)	5,717,385
Other Expenses	89,003,960	80,912,654
Personnel Expenses	88,189,588	71,496,588
Depreciation And Amortisation Expenses	29,763,473	22,495,656
Other Production Expenses	13,180,957	12,223,630
Total Expenses	1,123,213,148	950,489,976

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities:	1 January 2018	1 January 2017
	31 December 2018	31 December 2017
Foreign Exchange Income on Trade Receivables and Payables	74,409,060	13,825,756
Discount Income on Trade Payables	8,921,845	3,889,310
Sale Support Income	9,209,567	-
Service Income	1,179,802	1,436,278
Incentive Income	-	1,168,834
MESS Incentive	-	537,565
Tubitak R&D Incentive	516,015	617,787
Export D.F.I.F Support	878,660	479,561
Released Provisions	-	158,323
Rent Income	279,628	70,000
Insurance Indemnity Income	44,116	40,250
Other Income	7,044,367	2,295,214
Total	102,483,060	24,518,878

Other Expense from Operating Activities:

Foreign Exchange Expense on Trade Receivables and Payables	(111,564,820)	(27,371,660)
Discount Income on Trade Receivables	(5,007,176)	(6,720,531)
Donations and Contributions	(34,250)	(122,961)
Other Expenses	(1,856,013)	(832,209)
Total	(118,462,259)	(35,047,361)

NOTE 21 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income From Investing Activities	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Gain on Sale of Machinery and Equipment	726,273	169,402
Total	726,273	169,402

Expenses from Investing Activities	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Loss on Sale of Machinery and Equipment	(306,332)	(278,394)
Total	(306,332)	(278,394)

NOTE 22 - FINANCE INCOME

Finance Income:	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Interest Income	6,985,048	6,360,714
Delay Interest Income	4,489,857	3,070,852
Foreign Exchange Gain	76,904,569	25,883,604
Total	88,379,474	35,315,170

NOTE 23 - FINANCE EXPENSES

Finance Expense:	1 January 2018 31 December 2018	1 January 2017 31 December 2017
Interest Expense	(56,560,201)	(28,547,012)
Foreign Exchange Losses	(154,078,767)	(69,672,970)
Expense from Derivative Transactions	(691,432)	(2,056,672)
Forward Purchase Expense	(1,947,378)	(3,397,307)
Other Finance Expenses	(4,872,029)	(1,932,917)
Total	(218,149,807)	(105,606,878)

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 2018 31 December 2018	1 January 2017 31 December 2017
Current Income Tax Provision (-)	(262,785)	(136,265)
Deferred Tax Income / (Expense)		
- Profit or Loss Statement	13,716,965	20,040,598
Tax Income / (Expense) – Income Statement	13,454,180	19,904,333
Tax Income / (Expense)		
– Other Comprehensive Income Statement	744,839	(55,196,757)
Total Tax Income / (Expense)	14,199,019	(35,292,424)

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Current Corporate Tax Provision	262,785	136,265
Less: Prepaid Taxes and Funds	(1,098,616)	(1,064,023)
Tax Payable	(835,831)	(927,758)

As of 31 December 2018, the amount of corporate tax paid in advance is amounted to TL 835,831 which is portion of exceeding the corporation tax amount to be paid and it is included in the Assets Related to Current Period Taxation.

i) Provision for Current Period Tax

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

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

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

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

According to the provisional article 10 added to the Corporate Tax Law, a corporate tax rate of 22% will be taken over the corporate earnings of the corporate taxpayers for the 2018, 2019 and 2020 accounting periods.

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

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

Income Withholding Tax:

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

ii) Deferred Tax

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

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

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

ii) *Deferred Tax (cont'd)*

	<u>31 December 2018</u>		<u>31 December 2017</u>	
	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets / (Liabilities)</u>	<u>Cumulative Temporary Differences</u>	<u>Deferred Tax Assets / (Liabilities)</u>
Inventories	739,530	162,697	6,836,094	1,503,941
Non-Current Assets (Net)	(517,378,544)	(64,823,153)	(520,585,471)	(65,464,539)
Provision for Employment Termination Benefits	23,885,435	4,777,087	19,448,903	3,889,781
Guarantee Provisions	9,647,216	2,122,388	11,642,227	2,561,290
R&D Discount	101,193,234	20,238,647	41,480,482	8,296,096
Current Year Financial Loss (*)	128,649,816	26,242,335	126,418,854	26,080,108
Rediscount Expenses/Income (Net)	1,461,611	321,554	5,374,801	1,182,456
Law Suit Provisions	4,355,690	958,252	3,567,285	784,803
Other (Net)	15,770,600	3,469,532	789,085	173,599
Total		(6,530,661)		(20,992,465)

(*) 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):	<u>1 January 2018- 31 December 2018</u>	<u>1 January 2017- 31 December 2017</u>
Opening Balance	(20,992,465)	14,163,694
Deferred Tax (Expense) / Income Charged to Profit or Loss	13,716,965	20,040,598
Deferred Tax Income Charged to Comprehensive Income	744,839	(55,196,757)
Closing Balance	(6,530,661)	(20,992,465)

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

Reconciliation of Tax Provision:	<u>1 January 2018- 31 December 2018</u>	<u>1 January 2017- 31 December 2017</u>
Income / (Loss) from Continuing Operations	(80,679,954)	(68,292,697)
Corporate Tax (20% or 22%)	17,749,590	15,019,066
Tax Effects of:		
-R&D Incentive	13,136,805	4,797,233
-R&D Support Income	113,523	123,557
-Financial loss not subject to deferred tax (*)	(14,858,049)	-
-Other	(2,687,689)	(35,523)
Income Tax Income Recognised in Profit or Loss	13,454,180	19,904,333

* The Group has ended the accounting of the deferred tax asset amounting to TL 14,858,049 as of 31 December 2018 on the total deductible financial loss amounting to TL 39.816.865 as of 31 December 2017.

NOTE 25 - EARNINGS PER SHARE

	<u>1 January 2018 31 December 2018</u>	<u>1 January 2017 31 December 2017</u>
Net Profit / (Loss) for The Period	(67,225,774)	(48,388,364)
Weighted Average Number of Shares with Nominal Value of 1 Piastre	8,400,000,000	8,400,000,000
Income / (Loss) Per 100 Share with Nominal Value of TL 1 Each	(0.8003)	(0.5761)

NOTE 26- RELATED PARTY DISCLOSURES

a) Related Party Balances:

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

31 December 2018

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

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

31 December 2017

Balances with Related Parties	Receivables		Payables	
	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.

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

b) Related Party Transactions:

1 January-31 December 2018

	<u>Goods and Services Purchases</u>	<u>Fixed Assets Purchases</u>	<u>Other</u>	<u>Total Expense/ Purchases</u>
<u>Sales to Related Parties</u>				
Anadolu Motor Üretim ve Pazarlama A.Ş.	360,684	-	-	360,684
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	-	-	43,130	43,130
Anadolu Bilişim Hizmetleri A.Ş.	71,639	-	-	71,639
Migros Ticaret A.Ş.	-	101,400	-	101,400
AG Anadolu Grubu Holding A.Ş.	-	305,400	-	305,400
Çelik Motor Ticaret A.Ş.	805,089	-	15,037	820,126
Isuzu Motors International Operation Thailand	3,228,112	-	-	3,228,112
Isuzu Motors Ltd. Tokyo	15,198,274	-	-	15,198,274
Itochu Corporation Tokyo	14,727,509	-	-	14,727,509
Total	34,391,307	406,800	58,167	34,856,274

1 January-31 December 2017

	<u>Goods and Services Purchases</u>	<u>Other</u>	<u>Total Expense/ Purchases</u>
<u>Sales to Related Parties</u>			
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	2,284,981	-	2,284,981
Total	7,629,672	-	7,629,672

1 January-31 December 2018

<u>Purchases from Related Parties</u>	<u>Goods and Services Purchases</u>	<u>Fixed Assets Purchases</u>	<u>Other</u>	<u>Total Expense/ Purchases</u>
Adel Kalemcilik Tic. ve San. A.Ş.	53,663	1,919	-	55,582
Anadolu Bilişim Hizmetleri A.Ş.	1,167,663	3,185	-	1,170,848
Anadolu Efes Biracılık ve Malt Sanayi A.Ş.	35,999	12,296	-	48,295
AG Anadolu Grubu Holding A.Ş.	6,554,703	-	-	6,554,703
Anadolu Motor Üretim ve Paz. A.Ş.	115,818	-	-	115,818
Anadolu Sağlık Merkezi İktisadi İşletmesi	603	-	-	603
Çelik Motor Ticaret A.Ş.	2,075,067	-	93,706	2,168,773
Efestur Turizm İşletmeleri A.Ş.	4,209,663	-	-	4,209,663
Isuzu Motors Co. Thailand Ltd.	602,019	-	-	602,019
Isuzu Motors International Operation Thailand	120,829,399	-	-	120,829,399
Isuzu Motors Ltd. Tokyo	6,531,338	-	-	6,531,338
Isuzu Motors Germany GMBH	47,899	-	-	47,899
Itochu Corporation Tokyo	202,716,307	-	-	202,716,307
Migros Ticaret A.Ş.	134,034	-	-	134,034
Oyex Handels GmbH	60,358	-	-	60,358
Kipa Ticaret A.Ş.	159	-	-	159
Total	345,134,692	17,400	93,706	345,245,798

(Amounts expressed in Turkish Lira unless otherwise indicated.)

NOTE 26 - RELATED PARTY DISCLOSURES (cont'd)

b) Related Party Transactions (cont'd):

1 January-31 December 2017

<u>Purchases from Related Parties</u>	<u>Goods and Services Purchases</u>	<u>Fixed Assets Purchases</u>	<u>Other</u>	<u>Total Expense/Purchases</u>
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

c) Donations to Anadolu Eğitim ve Sosyal Yardım Vakfı:

As per the the Main Articles of Association of the Group, at least 2% - 5% of the Group's profit before tax following the distribution of 1st dividend shall be donated to Anadolu Eğitim ve Sosyal Yardım Vakfı as long as it is subject to tax exemption. Donation was not made to Anadolu Eğitim ve Sosyal Yardım Vakfı by the Group in 2017 (Donation was not made in 2017)

d) Key management compensation:

	<u>1 January 2018-31 December 2018</u>	<u>1 January 2017-31 December 2017</u>
Salaries and other short-term benefits	9,184,708	6,270,826
Total	9,184,708	6,270,826

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

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

a) Capital risk management

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

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

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

(a) Capital risk management (cont'd)

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).

	<u>31 December 2018</u>	<u>31 December 2017</u>
Net Debt	866,504,210	631,161,255
Total Equity	557,920,886	628,126,018
Debt/Total Equity	1.55	1.00

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

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

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

(b) Price risk

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

(c) Market risk

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

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

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

(d) Foreign exchange risk management

Foreign currency transactions may result in foreign currency risk.

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

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

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2018

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Appreciation of Foreign Currency</u>
In case of US Dollar increases in 10% against TL;		
1 - US Dolar Net Asset / (Liability)	(400,151)	400,151
2- US Dolar Hedges (-)	-	-
3- Net Effect of US Dollar (1 +2)	(400,151)	400,151
In case of Euro increases in 10% against TL;		
4- Euro Net Asset / (Liability)	(16,751,965)	16,751,965
5- Euro Hedges (-)	-	-
6- Net Effect of Euro (4+5)	(16,751,965)	16,751,965
In case of other exchange rates increase in 10% against TL;		
7- Other Exchange Rates Net Asset / (Liability)	(6,795,018)	6,795,018
8- Other Exchange Rates Hedges (-)	-	-
9- Net Effect of Other Exchange Rates (7+8)	(6,795,018)	6,795,018
TOTAL (3+6+9)	(23,947,134)	23,947,134

Statement of Foreign Exchange Rate Sensitivity Analysis

31 December 2017

	<u>Profit / Loss</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Appreciation of Foreign Currency</u>
In case of US Dollar increases in 10% against TL;		
1 - US Dolar Net Asset / (Liability)	1,833,670	(1,833,670)
2- US Dolar Hedges (-)	-	-
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 increase 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

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

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

	Statement of Foreign Currency Position					31 December 2017				
	31 December 2018					31 December 2017				
	TL Amount	US Dollar	Euro	Yen	Other	TL Amount	US Dollar	Euro	Yen	Other
1. Trade Receivables	150,546,729	265,471	18,536,897	-	37,409,698	60,206,193	150,538	12,537,794	20,155,554	2,499,396
2a. Monetary Financial Assets (Including Cash and Bank Accounts)	47,088,238	85,856	6,848,211	300,383	5,341,260	35,051,422	4,712,493	3,815,962	1,358,245	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	197,634,967	351,327	25,385,108	300,383	42,750,958	95,257,615	4,863,031	16,353,756	21,513,799	2,499,396
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	197,634,967	351,327	25,385,108	300,383	42,750,958	95,257,615	4,863,031	16,353,756	21,513,799	2,499,396
10. Trade Payables	180,454,842	1,111,940	10,847,512	2,257,101,986	1,897,807	220,354,405	1,636	34,052,343	1,726,554,667	1,684,870
11. Financial Liabilities	161,751,331	-	26,833,333	-	-	194,363,967	-	43,043,731	-	-
12a. Monetary Other Liabilities	735,681	-	122,044	-	-	14,973,669	-	3,316,060	-	-
12b. Non-Monetary Other Liabilities	3,744,449	-	372,473	31,530,528	-	-	-	-	-	-
13. Current Liabilities (10+11+12)	346,686,303	1,111,940	38,175,362	2,288,632,514	1,897,807	429,692,041	1,636	80,412,134	1,726,554,667	1,684,870
14. Trade Payable	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	90,420,000	-	15,000,000	-	-	51,175,665	-	11,333,333	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-	-	-
17. Non-current Liabilities (14+15+16)	90,420,000	-	15,000,000	-	-	51,175,665	-	11,333,333	-	-
18. Total Liabilities (13+17)	437,106,303	1,111,940	53,175,362	2,288,632,514	1,897,807	480,867,706	1,636	91,745,467	1,726,554,667	1,684,870
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)	(239,471,336)	(760,613)	(27,790,254)	(2,288,332,131)	40,853,151	(385,610,091)	4,861,395	(75,391,711)	(1,705,040,868)	814,526
21. Monetary Items Net Foreign Currency Assets / (Liabilities) (1+2a+5+6a-10-11-12a-14-15-16a)	(235,726,887)	(760,613)	(27,417,781)	(2,256,801,603)	40,853,151	(385,610,091)	4,861,395	(75,391,711)	(1,705,040,868)	814,526
22. Fair Value of Financial Instruments Used for Currency Hedge	-	-	-	-	-	-	-	-	-	-
23. Hedged Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-
24. Hedged Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-
25. Export	528,831,949	-	-	-	-	230,532,668	-	-	-	-
26. Import	521,332,895	-	-	-	-	507,815,364	-	-	-	-

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

(e) Interest rate risk

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

Interest Rate Position Table

	<u>31 December 2018</u>	<u>31 December 2017</u>
Financial Assets with Fixed Rates		
Financial Assets	85,072,854	78,968,916
Cash and Cash Equivalents	(634,669,115)	(414,653,046)
Financial Liabilities With Variable Rates		
Financial Assets	-	-
Financial Liabilities	(8,054,202)	(18,097,754)

As of 31 December 2018, if the market interest rate had increased/decreased by 100 basis point with all other variables held constant, period income before tax and consolidated equity of participations of the Group would have been higher/lower by TL 80,542 (31 December 2017: TL 180,978).

(f) Funding risk

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

(g) Credit risk management

Holding financial instruments also carries the risk of the other party's not meeting the requirements of the agreement. The Group's collection risk is mainly derived from trade receivables. Trade receivables are evaluated by the management of the Group depending on their past experiences and current economic conditions and are presented in financial statements when necessary allowances for doubtful receivables are provided.

Most of trade receivables are comprised of receivables from costumers who has given an adequate amount of guarantees. An effective control system was established to collect the receivables. Credit risk arising from transactions is followed and these risks are taken into account when assessing each debtor. Because there are so many costumers, The Group's credit risk is dispersed and there is no important credit risk concentration. Receivables from foreign customers as of 31 December 2018 are TL 150,546,729 and there is no geographical concentration (31 December 2017: TL 60,206,193).

<u>31 December 2018</u>	Receivables				Notes	Deposits at Bank	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)	8,021,207	238,883,170	41,324,304			95,983,242	
- Secured portion of the maximum credit risk by guarantees vs.	-	238,883,170	-		6	-	
A. Net book value of financial assets which are undue or which is not impaired	8,021,207	209,868,867	41,324,304		6-7-26	95,983,242	4
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired	-	-	-			-	
C. Net book value of assets, overdue but not impaired	-	29,014,303	-			-	
- Secured by Guarantee, etc.	-	29,014,303	-			-	
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	-	-	-			-	

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

(g) Credit risk management (cont'd)

31 December 2017	Receivables				Notes	Deposits at Banks	Notes
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
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 vs.	-	322,949,896	-	-	6	-	
A. Net book value of financial assets which are undue or which is not impaired	2,344,615	319,920,819	-	892,831	6-7-26	98,226,512	4
B. Book value of financial assets which conditions are renegotiated, and which otherwise would be counted as overdue or impaired	-	-	-	-	-	-	-
C. Net book value of assets, overdue but not impaired	-	3,029,077	-	-	-	-	-
- Secured by Guarantee, etc.	-	3,029,077	-	-	-	-	-
D. Net book value of assets decrease in value	-	-	-	-	-	-	-
- Overdue (gross book value)	-	(175,000)	-	-	6	-	-
- Impairment (-)	-	175,000	-	-	6	-	-
- The Part of Net Value Secured by Guarantee etc.	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value secured by guarantee etc.	-	-	-	-	-	-	-
E. Elements containing credit risk off the balance sheet	-	-	-	-	-	-	-

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

	Receivables		Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables			
31 December 2018					
Past due up to 30 days	26,112,873	-	-	-	-
Past due 1 - 3 months	2,901,430	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Assets covered portion with guarantee letter etc.	29,014,303	-	-	-	-

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

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

(Amounts expressed in Turkish Lira unless otherwise indicated.)

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

(g) Credit risk management (cont'd)

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

Liquidity risk tables

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

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

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

31 December 2018

Non-Derivative Financial Liabilities

<u>Contract Terms</u>	<u>Carrying Value</u>	<u>Total Contracted Cash Outflows</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>5 Years +</u>
Bank Loans	642,723,318	664,959,719	186,190,469	383,902,438	94,866,811	-
Trade Payables	320,286,921	323,181,710	246,854,441	76,327,269	-	-
Other Payables	7,103,057	7,103,057	7,103,057	-	-	-
Non-Derivative Financial Liabilities	970,113,296	995,244,486	440,147,967	460,229,707	94,866,811	-

Derivative Financial Liabilities

The Group does not have any derivative financial liabilities as of 31 December 2018.

31 December 2017

Non-Derivative Financial Liabilities

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

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

(g) Credit risk management (cont'd)

Derivative Financial Liabilities

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

Fair Value and Hedging Disclosures

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

Objectives of financial risk management

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

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

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

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

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

Derivative Financial Instruments

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

The Group does not have forward exchange from derivative financial instruments as of 31 December 2018 and 31 December 2017,

NOTE 28- EVENTS AFTER REPORTING PERIOD

None.