Tofaş Türk Otomobil Fabrikası A.Ş.

Convenience translation into English of condensed consolidated financial statements for the interim period 1 January - 30 June 2018

(Originally issued in Turkish)

Building a better
working world

Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere
Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

(Convenience translation of a report and condensed consolidated financial statements originally issued in Turkish)

Report on Review of Interim Condensed Consolidated Financial Statements

To Board of Directors of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of TOFAŞ Türk Otomobil Fabrikası Anonim Şirketi (the Company) and its subsidiaries (the Group) as of June 30, 2018 and the interim condensed [consolidated] statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

July 26, 2018
İstanbul, Türkiye

(Convenience translation into english of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.
Interim condensed consolidated financial statements
for the interim perıod 1 January - 30 June 2018

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as of 30 June 2018 and 31 December 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Limited review	*Audited*
	Notes	**30 June 2018**	**31 December 2017**
ASSETS			
Current assets:			
Cash and cash equivalents	3	2,385,104	2,625,681
Financial assets	4	517	613,811
Trade receivables			
- Related parties	*20*	*1,043,565*	*959,280*
- Third parties	*7*	*871,167*	*805,479*
Receivables from finance sector operations	8	1,337,764	1,339,483
Other receivables		4,746	186
-Related parties		2,381	
-Third parties		2,365	186
Inventories	9	1,418,362	1,055,582
Prepaid expenses	13	108,348	89,738
Current tax assets		7,238	986
Other current assets	13	263,841	235,755
Total current assets		**7,440,652**	**7,725,981**
Non-current assets:			
Receivables from finance sector operations	8	1,226,787	1,196,634
Other receivables			
-Third parties		160	147
Derivative instruments		-	5,650
Investment properties	10	31,175	31,175
Property, plant and equipment	11	2,262,291	2,350,019
Intangible assets	11	1,614,320	1,703,865
Prepaid expenses	13	78,989	92,229
Deferred tax assets	18	858,962	769,448
Total non-current assets		**6,072,684**	**6,149,167**
Total assets		**13,513,336**	**13,875,148**

These consolidated financial statements for the period ended 1 January - 30 June 2018 have been approved for issue by the Board of Directors on 26 April 2018.

(Convenience translation into English of interim condensed consolidated financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of financial position as of 30 June 2018 and 31 December 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*Limited review* 30 June 2018	*Audited* 31 December 2017
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	75,800	679,920
Short-term portion of long-term financial liabilities	5	1,878,613	1,900,391
Trade payables			
- Related parties	*20*	2,402,630	2,035,499
- Third parties	*7*	2,097,505	1,830,107
Employee benefit liabilities		80,850	97,451
Other payables			
-Third parties		15,797	25,561
Government incentives and grants		8,374	8,374
Derivative Instruments		208	-
Deferred income		42,235	47,382
Income tax liabilities		4,074	-
Short-term provisions	12	199,896	211,029
Other current liabilities	13	18,131	9,638
Total current liabilities		**6,824,113**	**6,845,352**
Non-current liabilities:			
Long-term financial liabilities	5	3,259,134	3,230,600
Derivative Instruments	6	15,301	-
Government incentives and grants		17,737	21,924
Long-term provisions			
- Provisions for employment termination benefits		*178,451*	*194,235*
Total non-current liabilities		**3,470,623**	**3,446,759**
Total liabilities		**10,294,736**	**10,292,111**
Equity:			
Paid-in share capital		500,000	500,000
Adjustment to share capital		348,382	348,382
Other comprehensive losses not to be reclassified under profit or losses			
- Actuarial loss on employment termination benefit obligation		*(28,904)*	*(36,419)*
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		*(935,217)*	*(672,364)*
Restricted reserves		387,363	309,863
Retained earnings		2,254,002	1,850,757
Net profit for the year		692,974	1,282,818
Total equity		**3,218,600**	**3,583,037**
Total liabilities and equity		**13,513,336**	**13,875,148**

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of profit and loss for the interim periods ended 30 June 2018 and 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

		Limited Reviewed	*Not Limited Reviewed*	*Limited Reviewed (Reclassified Note 2.1.2)*	*Not Limited Reviewed (Reclassified Note 2.1.2)*
	Notes	**1 January - 30 June 2018**	**1 April - 30 June 2018**	**1 January - 30 June 2017**	**1 April - 30 June 2017**
Revenue	14	9,491,563	5,050,438	8,596,801	4,498,540
Cost of sales (-)	14	(8,405,033)	(4,427,400)	(7,763,233)	(4,058,253)
Gross profit from operations		**1,086,530**	**623,038**	**833,568**	**440,287**
Revenue from finance sector operations		237,356	119,865	192,023	95,399
Expenses from finance sector operations (-)		(185,173)	(95,903)	(137,975)	(68,282)
Gross profit from finance sector operations		**52,183**	**23,962**	**54,048**	**27,117**
Gross profit		**1,138,713**	**647,000**	**887,616**	**467,404**
General administrative expenses (-)	15	(148,814)	(77,286)	(127,970)	(63,891)
Marketing expenses (-)	15	(172,322)	(97,818)	(164,130)	(91,697)
Research and development expenses (-)	15	(37,414)	(17,971)	(21,581)	(10,721)
Other income from main operations	16	811,295	551,283	590,712	154,961
Other expense from main operations (-)	16	(940,597)	(621,109)	(670,304)	(179,282)
Operating profit		**650,861**	**384,099**	**494,343**	**276,774**
Financial income	17	638,885	331,100	542,683	96,367
Financial expense (-)	17	(603,982)	(350,388)	(517,927)	(84,610)
Profit before tax		**685,764**	**364,811**	**519,099**	**288,531**
Tax income for the period		**7,210**	**3,170**	**55,792**	**23,952**
- Taxes on income	18	(12,787)	(6,780)	(10,308)	(5,672)
- Deferred tax income	18	19,997	9,950	66,100	29,624
Net profit for the period		**692,974**	**367,981**	**574,891**	**312,483**
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		692,974	367,981	574,891	312,483
Earnings per share (Kr)	19	**1.39**	**0.74**	**1.15**	**0.62**

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of other comprehensive income for the interim periods ended 30 June 2018 and 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Limited Reviewed	***Not Limited Reviewed***	***Limited Reviewed***	***Not Limited Reviewed***
	1 January - 30 June 2018	**1 April - 30 June 2018**	**1 January - 30 June 2017**	**1 April - 30 June 2017**
Net profit for the year	**692,974**	**367,981**	**574,891**	**312,483**
Other comprehensive income:				
Other comprehensive income that will not be reclassified to profit or loss				
- (Losses) on remeasurements of defined benefit plans	9,506	13,848	(8,136)	(8,136)
- Taxes relating to remeasurements of defined benefit plans	(1,991)	(2,900)	1,627	1,627
Other comprehensive income that will be reclassified to profit or loss				
- Gains (losses) on cash flow hedges	(334,361)	(188,246)	(134,585)	(53,854)
- Taxes relating to cash flow hedges	71,508	40,304	26,917	10,771
Other comprehensive (expense) / income (after tax)	**(255,338)**	**(136,994)**	**(114,177)**	**(49,592)**
Total comprehensive income	**437,636**	**230,987**	**460,714**	**262,891**
Attributable to:				
Non-controlling interests	-	-	-	-
Equity holders of the parent	437,636	230,987	460,714	262,891

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of changes in equity for the interim periods ended 30 June 2018 and 2017

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

			Other comprehensive income not to be reclassified under profit and loss	Other comprehensive income to be reclassified under profit and loss		Retained earnings				
	Paid in share capital	Adjustments to share capital	Actuarial loss on employment termination benefit obligation	Loss on cash flow hedge	Restricted reserves	Retained earnings	Net profit for the period	Equity holders of the parent	Non-controlling interest	Total equity
Balances at 1 January 2017	**500,000**	**348,382**	**(23,222)**	**(378,329)**	**277,363**	**1,263,029**	**970,228**	**2,957,451**	**-**	**2,957,451**
Transfers	-	-	-	-	32,500	937,728	(970,228)	-	-	-
Total comprehensive income	-	-	(6,509)	(107,668)	-	-	574,891	460,714	-	460,714
Dividends paid	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
Balances at 30 June 2017	**500,000**	**348,382**	**(29,731)**	**(485,997)**	**309,863**	**1,850,757**	**574,891**	**3,068,165**	**-**	**3,068,165**
Balances at 1 January 2018	**500,000**	**348,382**	**(36,419)**	**(672,364)**	**309,863**	**1,850,757**	**1,282,818**	**3,583,037**	**-**	**3,583,037**
Transfers	-	-	-	-	-	(2,073)	-	(2,073)	-	(2,073)
Total comprehensive income	-	-	-	-	77,500	1,205,318	(1,282,818)	-	-	-
Dividends paid	-	-	7,515	(262,853)	-	-	692,974	437,636	-	437,636
	-	-	-	-	-	(800,000)	-	(800,000)	-	(800,000)
Balances at 30 June 2018										
	500,000	**348,382**	**(28,904)**	**(935,217)**	**387,363**	**2,254,002**	**692,974**	**3,218,600**		**3,218,600**

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

Consolidated statements of cash flows
for the interim periods ended 30 June 2018 and 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*Limited Reviewed* 30 June 2018	*Limited Reviewed* 30 June 2017
A. Cash flows from operating activities		**969,444**	**741,270**
Net profit for the period		692,974	574,891
Adjustments to reconcile profit for the period		**355,264**	**314,411**
- Adjustments related to depreciation and amortization		380,726	343,873
- Adjustments related to interest income	17	(58,534)	(30,959)
- Adjustments related to provision for inventories	8	7,552	4,701
- Gain on sale of property, plant and equipment		(3,206)	(2,693)
- Provision for employment termination benefits		17,239	11,410
- Adjustments related to warranty provisions	12	49,152	36,104
- Adjustments related to doubtful receivables	7	10,536	6,193
-Lawsuit provision / cancellation		2,490	-
- Adjustments related to interest expense	17	41,406	46,490
- Adjustments for tax losses/ income	18	(7,210)	(55,792)
- Due date charges on term purchases and sales	16	6,849	5,022
- Adjustments related to unrealized foreign currency differences		84,657	45,566
- Adjustments related to exchange differences of cash and cash equivalents		(176,393)	(95,504)
Changes in net working capital		**(4,613)**	**(99,069)**
- Change in inventories		(370,332)	(178,137)
- Change in trade receivables		6,564	(22,363)
- Change in receivables from related parties		(84,285)	(476,429)
- Change in other receivables from operating activities		(4,571)	421
- Change in trade payables		267,398	(4,765)
- Change in trade payables due to related parties		277,493	323,468
- Change in receivables from finance sector operations		(28,434)	64,522
- Change in prepaid expenses		(5,370)	(46,813)
- Change in deferred revenue		(14,296)	117
- Change in government incentives and grants		(4,187)	(4,187)
- Change in other assets from operating activities		(28,086)	15,924
- Change in other liabilities from operating activities		(37,666)	227,689
- Change in fair value gains on derivative financial instruments		21,159	1,484
Net cash generated from operating activities		**1,043,625**	**790,233**
- Income taxes paid		(14,380)	5,167
- Payments related to employment termination benefits		(23,517)	(18,104)
- Other cash inflows (outflows)		(36,284)	(36,026)
B. Cash flows from investing activities		**482,309**	**(171,907)**
- Purchases of tangible assets	10	(119,964)	(179,917)
- Purchases of intangible assets		(88,109)	(154,870)
- Proceeds from sale of tangible and intangible assets		7,826	4,388
- Interest received		69,262	39,426
- Change in financial assets		613,294	119,066
C. Cash flows from financing activities		**(1,863,540)**	**(766,947)**
- Proceeds from financial liabilities		369,120	322,342
- Bank loans paid		(1,414,898)	(696,363)
- Dividends paid		(800,000)	(350,000)
- Interest paid		(12,217)	(46,490)
- Other cash inflows (outflows)		(5,545)	3,564
Net (decrease)/ increase in cash and cash equivalents before the foreign exchange differences from cash and cash equivalents		**(411,787)**	**(197,584)**
D. Effects of foreign exchange differences on cash and cash equivalents		**176,393**	**95,504**
Net change in cash and cash equivalents		**(235,394)**	**(102,080)**
E. Cash and cash equivalents at the beginning of the period		**2,582,067**	**2,185,361**
Cash and cash equivalents at the end of the period	**3**	**2,346,673**	**2,083,281**

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

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Tofaş Türk Otomobil Fabrikası A.Ş. (the "Group" or "Tofaş") was established in 1968 as a Turkish-Italian cooperation venture. The core business of the Company is manufacturing, exporting and selling passenger cars and light commercial vehicles under licenses of FCA Italy S.p.A. ("Fiat"). Tofaş, which is a joint venture of Koç Holding A.Ş. ("Koç Holding") and Fiat, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars, except for Mini Cargo, New Doblo and Egea, pursuant to license agreements between the Company and Fiat. The Company has been registered with the Turkish Capital Market Board ("CMB") and quoted on the İstanbul Stock Exchange ("ISE") since 1991.

The Company conducts a significant portion of its business with affiliates of Koç Holding and Fiat Group (Note 20).

The Company's subsidiaries as of 30 June 2018 and 31 December 2017 which are subject to consolidation are as follows: Rate of ownership of the Company (%)

		Rate of ownership of the Company (%)	
Name of the company	**Operating area**	**30 June 2018**	**31 December 2017**
Koç Fiat Kredi Finansman A.Ş. ("KFK")	Consumer financing	99.9	99.9
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	100	100

For the purpose of the interim consolidated financial statements, Tofaş and its consolidated subsidiaries are referred to as the "Group".

The average number of personnel in accordance with the Group's categories is as follows:

	30 June 2018	30 June 2017
Hourly-rated	7,198	8,524
Monthly-rated	1,749	1,681
	8,947	**10,205**

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") Turkish Accounting Standards Boards.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

2.1.1 Financial reporting standards (Continued)

In accordance with the decision taken in the CMB meeting held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

The Company and its subsidiaries operating in Turkey, maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

2.1.2 Comparatives and adjustment of prior periods' financial statements

In order to allow for the determination of the financial situation and performance trends the Group's consolidated financial statements have been presented comparatively with the previous year. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

Late payment penalty income amounting to 9,010 previously presented in finance income is reclassified to other operating income in the statement of profit or loss for the period ended as of 30 June 2017.

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TRY"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.1.4 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. Minority shares of Tofaş in subsidiaries were not recognized under non-controlling interest ("Minority interest" or "Non-controlling Interests") since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

2.1.5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered.

b) KFK Management decides to recognize a provision for losses arising from non recoverable receivables based on the assessment on provided loans.Impairment and uncollectability are measured and recognized individually for loans and receivables that are individually significant, and measured and recognized on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

c) The cost of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

d) While recording provisions for litigations, the Group makes evaluations in accordance with the Group's legal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost (Note 12).

e) The data in the discounted price list are used to calculate inventory impairment. If expected net realizable value is less than cost, the Group allocates provisions for inventory impairment (Note 9).

f) Group management has made assumptions based on the experience of the technical staff in determining the useful life of tangible and intangible assets (Note 10-11).

g) Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. In determination of deferred tax asset to be recognized, there are certain assumptions and judgments made about future taxable income to be recognized in the future. Key factors to be considered include potential future income, accumulated losses from previous years, tax planning strategies to be implemented if necessary, and the nature of the income that can be used to generate cash from deferred tax asset (Note 18).

h) The Group capitalized its ongoing development expenditures and assesses whether there is an impairment loss on these capitalized assets. As of June 31, 2018 and December 31, 2017, no impairment was recognized for capitalized development costs (Note 11).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at June 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

a) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments
- TFRS 4 Insurance Contracts (Amendments)
- TFRIC 22 Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- TAS 40 Investment Property: Transfers of Investment Property (Amendments)
- Annual Improvements to TFRSs - 2014-2016 Cycle

The amendments did not have a significant impact on the Group's financial position and performance except for IFRS 15 and IFRS 9. The effect of IFRS 15 and IFRS 9 is shown in Note 2.4.

b) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. the Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 16 Leases
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRIC 23 Uncertainty over Income Tax Treatments

Excluding TAS 28, The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group. The amendments in TAS 28 are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

c) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 - The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

2.3 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the period ended 30 June 2018 have been prepared in accordance of TAS 34.

Excluding the changes explained in Note 2.4, the accounting policies used in the preparation of these condensed interim consolidated financial statements for the period ended as of 30 June 2018 are consistent with those used in the preparation of consolidated financial statements and for the year ended as of 31 December 2017.Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements as of and for the year ended 31 December 2017.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Changes in significant accounting policies

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to TFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. TFRS 15 effective date is January 1, 2018. The Group adopted TFRS 15 using modified retrospective approach and disclosed the impact of the standard on financial position or performance of the Group in below.

- Service sales under extended warranty, which the Group has made with the sale of goods, have started to be recognized as revenue in the income statement as of January 1, 2018. Accordingly, as of 1 January 2018, the statement of financial position and profit or loss has changed as follows.

	1 January 2018 – Before the change	The Effect of new standard	1 January 2018 – After the change
Deferred tax assets	769,448	(585)	768,863
Total assets	**13,875,148**	**(585)**	**13,874,563**
Other current liabilities	*211,029*	(6,491)	204,538
Current liabilities	*9,638*	*9,149*	*18,787*
Total Liabilities	***10,292,111***	***2,658***	***10,294,769***
Retained Earnings	*1,850,757*	*(2,073)*	*1,848,684*
Equity	***3,583,037***	***(2,073)***	***3,580,964***

- As of June 31, 2018, the effects of TFRS 15 are as follows:

	Before Change	The effect of new standard	After Change
Other current liabilities	*60,519*	4,984	65,503
Deferred tax	*21,093*	(1,096)	19,997
Deferred tax assets	*857,866*	1,096	858,962
Net profit for the period	*689,086*	3,888	692,974

TFRS 9 Financial Instruments

Impairment;

All borrowing instruments of the Group are recorded impairment losses on loans and receivables as 12-month expected credit losses or expected life expectancies. The Company has applied simplified method and recognized the expected life-time losses on trade receivables. The effects of TFRS 9 has evaluated as of January 1, 2018 and additional provision for trade receivable impairment amounting to TRY 532 has been recorded as of June 31, 2018.

2.5 Seasonality in Operation

Sales and operating profits are expected to be higher in the fourth quarter of the year than in other quarters because the Group's operating automotive sector is subject to seasonal trends.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash on hand	20	24
Due from banks		
- time deposits	*2,263,314*	*2,557,799*
- demand deposits	*121,770*	*67,858*
	2,385,104	**2,625,681**

The breakdown of time deposits as of 30 June 2017 and 31 December 2017 is as follows:

	30 June 2018		31 December 2017	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,420,875	1.50-1.80	1,228,391	1.55 – 2.50
TRY	842,439	14.45-18.80	1,329,408	14.20 – 15.65
	2,263,314		**2,557,799**	

As of 30 June 2018, the maturities of time deposits vary between 3 and 32 days (31 December 2017: between 4 and 49 days).

As of 30 June 2018, the cash at banks comprise time and demand deposits amounting to TRY 1,418,982 (31 December 2017: TRY 1,679,752) which are deposited at a bank which is a related party of the Group.

As of 30 June 2018 and 2017, the reserves of cash and cash equivalent in cash flow statement;

	30 June 2018	30 June 2017
Cash and banks	2,385,104	2,110,626
Less: interest accruals	(1,813)	(2,036)
Less: restricted cash	(36,618)	(25,309)
	2,346,673	**2,083,281**

NOTE 4 - FINANCIAL ASSETS

a) Short-term financial assets:

As of 30 June 2018, there is no short–term financial assets of the Group. (31 December 2017: TRY 613,139 with a maturity of 118 - 119 days containing an interest rate of %2.25 – 2.50).

b) The financial investment that its change in fair value recognized in comprehensive income

As of 30 June 2018, the Group's has available for sale financial investments amounting to TRY 517 (31 December 2017: TRY 672).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	30 June 2018			31 December 2017		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	-	-	-	135,000	589,120	0.40
Borrowings in TRY (*)	75,800	75,800	15.75 – 21.37	-	90,800	14.39 – 15.75
		75,800			**679.920**	

b) Short-term portion of long-term financial liabilities

	30 June 2018			31 December 2017		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in TRY (*)	636,482	636,482	13.13 – 24.36	-	861,599	11.00 - 18.25
Borrowings in EUR	157,077	833,958	Euribor + %0.55 - Euribor + %2.90	164,227	741,568	Euribor+0.55 - Euribor + 2.90
Borrowings in USD (*)	-	-	-	10,000	39,962	3.89
Bonds (1,2,3,...7)	-	408,173	11.13- 18.20	-	257,262	11.13 - 15.22
		1,878,613			**1,900,391**	

c) Long-term financial liabilities

	30 June 2018			31 December 2017		
	Original Amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	371,299	1,971,300	Euribor +%0.55 - Euribor + %2.90	435,039	1,964,420	Euribor+0.55- Euribor+2.90
Borrowings in TRY (*)	-	1,185,421	13.13 – 24.36	-	1,064,244	11.00 - 18.25-
Bonds (1,2,3,...7)	-	102,413	11.13- 18.20	-	201,936	11.13 - 15.22
		3,259,134			**3,230,600**	

(*) The short and long-term bank borrowings which are denominated in TRY and USD obtained by KFK, consolidated subsidiary, to finance consumer financing loans as of 30 June 2018 and 31 December 2017.

NOTE 5 - FINANCIAL LIABILITIES (Continued)

(1) In accordance with the minutes of Board of Directors meeting held on 30 March 2017, based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 4 July 2017, with a nominal amount of TRY 60,000 and at an interest rate by 14.46%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(2) In accordance with the minutes of Board of Directors meeting held on 30 March 2017, based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 6 November 2017, with a nominal amount of TRY 50,000 and at an interest rate by 14.34%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(3) In accordance with the minutes of Board of Directors meeting held on 20 September 2017, based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 5 December 2017, with a nominal amount of TRY 50,000 and at an interest rate by 15.04%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(4) Based on the board of directors meeting decision at 26 February 2016 of Group's subsidiary KFK, according to the Capital Market Law with the necessary permission, commercial papers amounting to TRY 30,000 comprise of bonds which is issued on 10 August 2016 with 24 months maturity, %11,13 coupon interest rate, and nominal value with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Yatırım Menkul Değerler A.Ş. which is a related party to the Group with closed issuance.

(5) In accordance with the minutes of Board of Directors meeting held on 20 September 2017, based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 4 May 2018, with a nominal amount of TRY 100,000 and at an interest rate by 15.86%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(6) Based on the board of directors meeting decision at 26 February 2016 of Group's subsidiary KFK, according to the Capital Market Law with the necessary permission, commercial papers amounting to TRY 70,000 comprise of bonds which is issued on 23 November 2016 with 24 months maturity, %12,29 coupon interest rate, and nominal value with principle and interest payment at maturity. These commercial papers were sold Yapı Kredi Yatırım Menkul Değerler A.Ş. with closed issuance.

(7) In accordance with the minutes of Board of Directors meeting held on 20 September 2017, based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 22 December 2017, with a nominal amount of TRY100,000 and at an interest rate by 15.22%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(8) In accordance with the minutes of Board of Directors meeting held on 20 September 2017, based on the required authorization of the Capital Markets Law, the Group issued 8-month maturity bonds on 6 June 2018, with a nominal amount of TRY100,000 and at an interest rate by 18.20%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Financial liabilities denominated in TRY have bear fixed interest rates while financial liabilities denominated Euro and US Dollar bear floating interest rates.

As of 30 June 2018, TRY 764,885 (31 December 2017: TRY 863,778) of short-term and long-term financial liabilities are obtained through banks which are related parties of the Group.

The redemption schedule of the long-term bank borrowings as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	**31 December 2017**
1-2 years	1,622,345	1,478,034
2-3 years	916,758	920,603
3-4 years	489,099	496,615
4-5 years	230,932	335,348
	3,259,134	**3,230,600**

In 2011, The Group has obtained a credit line by EUR 36 million in order to use in capacity increase of New Doblo constructions. The repayment of principle amounts will be on equal installments starting in 2012 until 2018. As of 30 June 2018, the unpaid portion of the loan amount to TRY 13,652 (equivalent of EUR 2,571 thousand) (31 December 2017: TRY 23,223 (equivalent of EUR 5,143 thousand)).

The Group has obtained a loan of TRY 121,669 (equivalent of EUR 22,916 thousand) (31 December 2017: TRY 124,176 (equivalent of EUR 27,500 thousand) on 9 December 2014 from European Investment Bank (EIB) with a maturity until 2020 in order to be used in "New Sedan R&D" projects as of 30 June 2018.

The Group has a working capital loan obtained with a maturity until 2020 from HSBC PLC on 30 March 2014, the carrying value of which is TRY 81,122 (equivalent of EUR 16,666 thousand) on the consolidated financial statements (31 December 2017: TRY 94,071 (equivalent of EUR 20,833 thousand)).

The Group signed the long-term external financing amounting by EUR 250 million with HSBC Bank plc, J.P. Morgan Limited, Societe General and BNP Paribas as authorized regulators and HSBC Bank plc, J.P Morgan Limited/ JPMorganChase Bank N.A London Branch, Societe General and BNP Paribas Fortis SA/NV as creditor, HSBC Bank Plc as coordinator corporation and BNP Paribas Fortis SA/NV as per procuration on 17 February 2015, the carrying amount of aforementioned loan which is used on Doblo FL and US projects investments in the consolidated balance sheet is TRY 663,650 (equivalent of EUR 125,000 thousand) (31 December 2017: TRY 645,071 (equivalent of EUR 142,857 thousand)).

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 200 million with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 11 August 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 2.4%. As of 30 June 2018, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 735,120 TRY (equivalent of EUR 138,461 thousand) (31 December 2017: TRY 694,692 (equivalent of EUR 153,846 thousand)).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES (Continued)

At 26 May 2017 a loan agreement has been signed between the Company and HSBC Bank Plc and Ing Bank, A Branch Of Ing-Diba Ag as creditor, HSBC Bank Plc as coordinator SACE as credit agent role amounting to EUR 70,000 thousand with a maturity until 2022. Maturity schedule of interest payments every six months, which expires in December 2022 and the average maturity is taken into account, the total annual costs, including insurance premiums will be about 6 months Euribor + 1.91%. As of 30 June 2018 the remaining amount is TRY 304,072 (the equivalent of EUR 52,272 thousand).

The Group signed the loan agreement amounting to EUR 200 million with European Bank for Reconstruction and Development, HSBC Bank Plc and Bank of America, N.A., London Branch as authorized regulators and as per procuration of creditors on 22 October 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, Yearly total cost will be 6 months Euribor + 2.3%. EUR 100 million of the total loan has been used as of 5 November 2015 and the remaining 100 million Euro is used on March 2016. The remaining balance as of 30 June 2018: TRY 735,120 (equivalent of EUR 138,461 thousand) (31 December 2017: TRY 694,692 (equivalent of EUR 153,846 thousand)).

The Group signed the loan agreement amounting to EUR 44.300 thousand with Citibank NA Jersey for MCV FL Project as of 24 May 2016. Annual interest is Euribor + %1.80 for five years. The carrying amount of aforementioned loan in the consolidated balance sheet is TRY 150,934 (equivalent of EUR 31,010 thousand) (31 December 2017: TRY 140,026 (equivalent of EUR 31,010 thousand)) as of 30 June 2018.

NOTE 6 – DERIVATIVE ASSETS AND LIABILITIES

	30 June 2018				31 December 2017			
	Fair Value				Fair Value			
	Purchase Contract Amount	**Sale Contract Amount**	**Assets**	**Liabilities**	Purchase Contract Amount	Sale Contract Amount	Assets	Liabilities
Cash Flow Hedge								
Interest rate swap	**3.361.296**	**3.361.296**	**-**	**15.509**	-	-	-	-
Short term derivative instruments	**3.361.296**	**3.361.296**	**-**	**15.509-**	-	-	-	-

The Group has swap transactions that consist of repayments of borrowings with fixed interest rate and repayments of borrowings with floating interest rate in order to hedge its cash flow risk as of 30 June 2018 (31 Aralık 2017: None)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	30 June 2018	**31 December 2017**
Trade receivables	883,253	820,239
Doubtful trade receivables	10,628	7,364
Less: provision for doubtful receivables	(10,409)	(7,146)
Less: unearned credit finance income	(12,305)	(14,978)
	871,167	**805,479**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables (Continued)

Movement of the provision for doubtful receivables in the current period is as follows:

	2018	2017
1 January	7,146	7,119
Current year provision	3,263	-
30 June	**10,409**	**7,119**

Collaterals received related with trade receivables

As of 30 June 2018, the letter of guarantees amounting to TRY125,593, guarantee cheques and notes amounting to TRY2,274, mortgages amounting to TRY41,298 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY706,543, respectively (31 December 2017: letter of guarantees amounting to TRY105,452, guarantee cheques and notes amounting to TRY2,274 , mortgages amounting to TRY49,748 and direct debit system limit amounting to TRY659,932).

b) Trade payables

	30 June 2018	31 December 2017
Trade payables	2,119,202	1,849,418
Less: not accrued credit finance expense	(21,697)	(19,311)
	2,097,505	**1,830,107**

NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	30 June 2018	31 December 2017
Short-term consumer financing loans	1,324,711	1,327,381
Non-performing loans	70,895	66,209
	1,395,606	**1,393,590**
Provisions for impairment on loans		
Provision for specific loan impairment	(43,991)	(39,980)
Provision for general loan impairment	(13,851)	(14,127)
	1,337,764	**1,339,483**
Long-term consumer financing loans	1,239,422	1,209,039
Provision for general loan impairment		
Provision for general loan impairment	(12,635)	(12,405)
	1,226,787	**1,196,634**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 8 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

As of 30 June 2018, TRY denominated loans originated by the Group bear interest rates ranging between %0.01 and %1.99 per month (31 December 2017: between %0.01 and %1.59).

The maturities of long-term consumer financing loans are as follows:

Years	30 June 2018	31 December 2017
1 to 2 years	713,520	703,788
2 to 3 years	388,810	363,796
3 to 4 years	124,242	128,966
4 years and more	215	84
	1,226,787	**1,196,634**

Movements in the allowance for loan impairment are as follows:

	30 June 2018	30 June 2017
1 January	66,512	55,275
Current year provision	7,273	6,193
Recoveries from loans under follow-up	(3,308)	(2,443)
30 June	**70,477**	**59,025**

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. As of 30 June 2018, the fair value of guarantees obtained for the consumer loans amounting to TRY 3.134.101 (31 December 2017: TRY 3.068.049). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY 21,467 (31 December 2017: TRY 21,973) as of 30 June 2018.

NOTE 9 – INVENTORIES

	30 June 2018	31 December 2017
Raw materials	333,178	223,297
Work-in-progress	139,476	205,305
Finished goods	316,915	247,466
Imported vehicles	215,246	162,791
Spare parts	87,902	73,694
Goods in transit	361,715	171,547
Less: provision for impairment on inventories	(36,070)	(28,518)
Total	**1,418,362**	**1,055,582**

Movements in the provision for impairment on inventory are as follows:

	2018	2017
1 January	28,518	(7,464)
Used during the year	-	5,023
Current year provision	7,552	(4,701)
30 June	**36,070**	**(7,142)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 30 June 2018 is as follows:

	Land, land Improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	462,954	5,093,048	622,766	82,434	12,623	15,325	6,289,150
Accumulated depreciation	(235,238)	(3,251,062)	(389,432)	(55,972)	(7,427)	-	(3,939,131)
Net book value	**227,716**	**1,841,986**	**233,334**	**26,462**	**5,196**	**15,325**	**2,350,019**
1 January 2018, net book value	227,716	1,841,986	233,334	26,462	5,196	15,325	2,350,019
Additions	-	-	62	780	46	119,076	119,964
Disposals, net	-	(177)	(227)	(4,216)	-	-	(4,620)
Transfers	12,464	63,452	13,712	9,506	-	(99,134)	-
Depreciation charge for the period	(4,535)	(167,594)	(24,968)	(5,305)	(670)	-	(203,072)
30 June 2018, net book value	**235,645**	**1,737,667**	**221,913**	**27,227**	**4,572**	**35,267**	**2,262,291**
As of 30 June 2018							
Cost	475,418	5,156,323	636,313	88,504	12,669	35,267	6,404,494
Accumulated depreciation	(239,773)	(3,418,656)	(414,400)	(61,277)	(8,097)	-	(4,142,203)
30 June 2018, net book value	**235,645**	**1,737,667**	**221,913**	**27,227**	**4,572**	**35,267**	**2,262,291**

As of 30 June 2018, there are no pledges or collaterals on property, plant and equipment (31 December 2017: None).
Asof 30 June 2018, there is insurance coverage amounting to TRY 7,149,870 on property, plant and equipment (30 Haziran 2017: TRY 5,157,763).

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 30 June 2017 is as follows:

	Land, land Improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	456,988	4,717,797	554,310	72,753	11,233	76,785	5,889,866
Accumulated depreciation	(226,686)	(2,945,388)	(343,768)	(46,604)	(6,802)	-	(3,569,248)
Net book value	**230,302**	**1,772,409**	**210,542**	**26,149**	**4,431**	**76,785**	**2,320,618**
1 January 2017, net book value	230,302	1,772,409	210,542	26,149	4,431	76,785	2,320,618
Additions	-	-	-	-	305	179,612	179,917
Disposals, net	-	(771)	(287)	(3,330)	-	-	(4,388)
Transfers	(1,656)	181,392	28,452	8,408	-	(216,596)	-
Depreciation charge for the period	(4,212)	(146,134)	(21,520)	(4,496)	(265)	-	(176,627)
30 June 2017, net book value	**224,434**	**1,806,896**	**217,187**	**26,731**	**4,471**	**39,801**	**2,319,520**
As of 30 June 2017							
Cost	455,332	4,898,418	582,475	77,831	11,538	39,801	6,065,395
Accumulated depreciation	(230,898)	(3,091,522)	(365,288)	(51,100)	(7,067)	-	(3,745,875)
30 June 2017, net book value	**224,434**	**1,806,896**	**217,187**	**26,731**	**4,471**	**39,801**	**2,319,520**

As of 30 June 2017 there are no pledges or collaterals on property, plant and equipment (31 December 2016: None).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 30 June 2018 and 2017, are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January			
Cost	3,427,131	117,031	3,544,162
Accumulated amortization	(1,755,879)	(84,418)	(1,840,297)
Net book value	**1,671,252**	**32,613**	**1,703,865**
1 January 2018, net book value			
Additions	95,807	1,269	97,076
Amortization charge for the period	(182,189)	(4,432)	(186,621)
30 June 2018, net book value	**1,584,870**	**29,450**	**1,614,320**
As of 30 June 2018			
Cost	3,522,938	118,300	3,641,238
Accumulated amortization	(1,938,068)	(88,850)	(2,026,918)
30 June 2018, net book value	**1,584,870**	**29,450**	**1,614,320**

	License fees and development costs	Other	Total
As of 1 January			
Cost	3,169,735	98,510	3,268,245
Accumulated amortization	(1,423,126)	(74,920)	(1,498,046)
Net book value	**1,746,609**	**23,590**	**1,770,199**
1 January 2017, net book value	1,746,609	23,590	1,770,199
Additions	145,461	2,003	147,464
Amortization charge for the period	(155,646)	(4,193)	(159,839)
30 June 2017, net book value	**1,736,424**	**21,400**	**1,757,823**
As of 30 June 2017			
Cost	3,315,196	100,513	3,415,709
Accumulated amortization	(1,578,772)	(79,113)	(1,657,884)
30 June 2017, net book value	**1,736,424**	**21,400**	**1,757,824**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	30 June 2018	31 December 2017
Provision for warranty claims	139,800	135,401
Provision for legal cases	10,244	7,754
Administrative expense accruals	-	6,312
Other	49,852	61,562
	199,896	**211,029**

Movement of the warranty provision is as follows:

	2018	2017
1 January	135,401	91,551
Paid during the period	(38,262)	(31,272)
Increase during the period	49,152	36,104
The effect of IFRS 15	(6,491)	-
30 June	**139,800**	**96,383**

Movement of the provision for litigation is as follows:

	2018	2017
1 January	7,754	5,857
Increase during the period	2,490	-
30 June	**10,244**	**5,857**

Litigations against the Group

As of 30 June 2018 the total amount of outstanding legal claims brought against the Group is TRY 14,162 (31 December 2017: TRY 11,128). The Group has reflected a reserve amounting to TRY 10,244 (31 December 2017: TRY 7,754) in the financial statements.

Tax penalties

In the tax inspection reports, prepared based on the tax audits carried out by the tax authority, various payments made to foreign based tax payer institutions are criticized in the scope of withholding and VAT.The filing by the Group in order to benefit from restructure articles for penalized tax calculations calculated and declared for the periods between 2007 and 2012 as stated special consideration announcement as at June 21, 2018 has been concluded by Public authority that the exact amount of payable is TRY 55.000. Accordingly, the Group regonized a provision amounting to TRY 46.936. The remaining part is related to Value Added Tax. Besides it will be utilized from the restructuring terms if the payment is performend on time, the Group litigate nonconcunrrence matters on the method of calculation of the related amount.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees provided by the Group:

The breakdown of letters of guarantee, guarantee notes given, mortgage and pledges (together referred to as guarantees) by the Group as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018			31 December 2017		
	TRY equivalent	EUR	TRY	TRY equivalent	EUR	TRY
A. Total amount of guarantees provided by the Company on behalf of itself	29,211	2,000	18,593	358,733	77,000	11,039
B. Total amount of guarantees provided on behalf of the associates accounted under full consolidation method	-	-	-	-	-	-
C. Provided on behalf of third parties in order to maintain operating activities (to secure third party payables)	-	-	-	-	-	-
D. Other guarantees given	-	-	-	-	-	-
i) Total amount of guarantees given	-	-	-	-	-	-
on behalf of the parent Company	-	-	-	-	-	-
i) Total amount of guarantees provided on behalf of the associates which are not in the scope of B and C	-	-	-	-	-	-
ii) Total amount of guarantees provided on behalf of third parties which are not in the scope of C	-	-	-	-	-	-
Total	29,211	2,000	18,593	358,733	77,000	11,039

As of 30 June 2018 and 31 December 2017, the ratio of guarantees given by the Group on behalf of third parties or on behalf of its parent/associates to total equity is zero.

Other

As of 30 June 2018 the Group has realized USD 2,932,933,823 of export commitments numbered 2017/D1-03216 dated 23 May 2017 to be realized until 22 October 2018 in connection with the export incentive certificates amounting to USD 3,007,737,000. The Group has realized USD 1,349,052,548 of export commitments in connection with the export incentive certificates amounting to USD 1,867,164,580. The Group has realized USD 3,538,334,664 of export commitments numbered 2016/D1-2494 dated 06 May 2016 to be realized until 05 November 2018 in connection with the export incentive certificates amounting to USD 3,484,607,140. In connection with the export incentive certificates amounting to USD 2,176,924,124 the Group has realized USD 1,423,233,190. The Group has realized USD 385,146,070 of export commitments numbered 2018/D1-02520 dated 18 April 2018 to be realized until 17 April 2019 in connection with the export incentive certificates amounting to USD 2,423,272,000. The Group has realized USD 84,759,151 of export commitments in connection with the export incentive certificates amounting to USD 1,545,230,100.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 13 - PREPAID EXPENSES AND INCOMES, OTHER ASSETS AND LIABILITES

a) Other current assets

	30 June 2018	31 December 2017
Value Added Tax ("VAT")	256,518	228,216
Other	7,323	7,539
	263,841	**235,755**

b) Short-term prepaid expenses

	30 June 2018	31 December 2017
Credit commission expenses (*)	41,861	47,447
Advances given	34,851	18,053
Prepaid vendor expenses	17,868	-
Prepaid insurance expenses	11,298	-
Other	2,470	24,238
	108,348	**89,738**

c) Non-current prepaid expenses

As of 30 June 2018, TRY 78,989 (31 December 2017: TRY 92,229) non-current prepaid expenses are composed of advances given for fixed asset purchases.

d) Other current liabilities

	30 June 2018	31 December 2017
Taxes and funds payable	165	808
Other	17,966	8,830
Total	**18,131**	**9,638**

e) Short term deferred income

As of June 30, 2018, TRY 31,619 of deferred income amounting to TRY 42,235 (December 31, 2017: TRY 47,382) consists of the received intelligence income in advance of the KFK and advances received amounting to TRY 10,616 (December 31, 2017: 5,588).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Export sales	7,285,657	3,845,934	6,355,759	3,127,519
Domestic sales	2,113,984	1,152,637	2,173,122	1,334,132
Other income from operational activities	91,922	51,867	67,920	36,889
	9,491,563	**5,050,438**	**8,596,801**	**4,498,540**

b) Production and sales quantities

	Production		Sales	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
Manufactured vehicles				
Yeni Doblo	60,510	57,903	59,010	58,644
Egea Hatchback	55,002	65,482	54,535	65,135
MCV	31,112	36,661	30,059	36,786
Egea	28,514	34,398	30,423	33,967
Linea	-	4,239	1,461	4,219
	175,138	**198,683**	**175,488**	**198,751**

	Import		Sales	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**
Imported vehicles				
Jeep	1,828	836	1,331	868
Ducato	710	1,296	1,186	2,126
Fiat 500	366	709	429	787
Alfa Romeo	311	187	103	180
Panda Futura	55	10	50	48
Maserati	31	26	28	26
Ferrari	9	6	9	6
Fullback	3	285	8	449
Grande Punto	2	159	78	182
Fiat Spider	-	62	5	49
Transit sales	-	-	17	59
	3,315	**3,576**	**3,244**	**4,780**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Direct material expense	(7,140,536)	(3,916,418)	(6,621,101)	(3,622,503)
Depreciation and amortization expense	(365,670)	(185,673)	(314,659)	(160,408)
Direct labor expense	(140,068)	(68,900)	(120,956)	(64,519)
Other production expenses	(250,901)	(125,153)	(236,794)	(121,831)
Total cost of production	**(7,897,175)**	**(4,296,144)**	**(7,293,510)**	**(3,969,261)**
Change in work-in-process	(65,829)	55,464	16,829	138,844
Change in finished goods	69,449	79,924	7,597	38,380
Cost of merchandise sold	(510,975)	(266,502)	(494,110)	(266,214)
Cost of other sales	(503)	(142)	(39)	(2)
	(8,405,033)	**(4,427,400)**	**(7,763,233)**	**(4,058,253)**

NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
General administrative expenses	(148,814)	(77,286)	(127,970)	(63,891)
Marketing expenses	(172,322)	(97,818)	(164,130)	(91,697)
Research and development expenses	(37,414)	(17,971)	(21,581)	(10,721)
	(358,550)	**(193,075)**	**(313,681)**	**(166,309)**

a) Marketing Expenses

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Warranty expenses	(49,152)	(28,928)	(36,104)	(16,860)
Personnel expenses	(34,168)	(16,597)	(28,986)	(14,012)
Transportation and insurance expenses	(30,976)	(17,648)	(32,731)	(18,216)
Advertisement expenses	(28,095)	(18,197)	(33,309)	(21,166)
Travel expenses	(2,393)	(1,715)	(3,538)	(1,544)
Depreciation and amortization expenses	(2,087)	(1,100)	(1,203)	(729)
Other	(25,451)	(13,633)	(28,259)	(19,170)
	(172,322)	**(97,818)**	**(164,130)**	**(91,697)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 15 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

b) General and administrative expenses

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Personnel expense	(59,682)	(29,723)	(53,709)	(27,019)
IT expenses	(17,748)	(9,535)	(13,191)	(5,978)
Outsourcing expenses	(14,466)	(7,009)	(14,315)	(7,062)
Depreciation and amortization expenses	(12,969)	(6,294)	(12,006)	(6,019)
Travel expenses	(3,730)	(1,936)	(3,709)	(1,715)
Insurance expenses	(3,269)	(1,634)	(3,583)	(1,787)
Duties, taxes and levies	(3,007)	(1,063)	(4,283)	(2,325)
Rent expenses	(1,671)	(925)	(1,306)	(611)
Other	(32,272)	(19,167)	(21,868)	(11,375)
	(148,814)	**(77,286)**	**(127,970)**	**(63,891)**

NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange gains on operating activities	699,634	491,309	505,124	97,246
Interest income on operating activities	82,788	44,112	65,006	44,911
Other	28,873	15,862	20,582	12,804
	811,295	**551,283**	**590,712**	**154,961**

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange loss on operating activities	(824,509)	(551,218)	(586,856)	(120,999)
Interest expense on operating activities	(89,637)	(47,889)	(70,028)	(46,220)
Other	(26,451)	(22,002)	(13,420)	(12,063)
	(940,597)	**(621,109)**	**(670,304)**	**(179,282)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange gains	574,586	300,417	511,724	81,795
Interest income	58,534	25,754	30,959	14,572
Gains from derivative instruments	5,765	4,929	-	-
Total financial income	**638,885**	**331,100**	**542,683**	**96,367**
Foreign exchange losses	(561,416)	(327,291)	(471,437)	(60,893)
Interest expenses	(41,406)	(22,517)	(46,490)	(23,717)
Other	(1,160)	(580)	-	-
Total financial expenses	**(603,982)**	**(350,388)**	**(517,927)**	**(84,610)**
Net financial income/(expenses)	**34,903**	**(19,288)**	**24,756**	**11,757**

NOTE 18 - TAX ASSETS AND LIABILITIES

General

Tax expense includes current tax expense and deferred tax expense. Tax is recognized in the statement of profit or loss, provided that it is not related to a transaction accounted directly under equity. Otherwise, the tax effect is recognized under equity as well as the related transaction.

In the Turkish taxation system, tax losses can be offset against future taxable income for the next five years and are not deductible (retrospectively) from previous years' earnings.

In addition, temporary taxes are levied at a rate of 20% (22% for taxation periods of 2018, 2019 and 2020) over the bases declared in interim periods during the year to be deducted from the corporation tax.

As of March 31, 2018 and December 31, 2017, the tax provision has been set aside under the current tax legislation.

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared. Deferred tax is calculated using tax rates that are currently in effect as of the date of the statement of financial position.

As of 1January 2018, the tax rate of 22% is used for the temporary differences expected to be realized / settled within 3 years (2018, 2019 and 2020) for the deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected / expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

General

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are calculated to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset against each other if the same country is subject to tax legislation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

Tax assets and liabilities

Corporation tax

The Company and its subsidiaries established in Turkey and other countries in the scope of consolidation, associates and joint ventures are subject to the tax legislation and practices in force in the countries they are operating.

The corporate tax rate in Turkey is 20% (However, the Corporate Tax Law added to the provisional 10th in the 20% corporate tax rate in accordance with Article institutions in 2018, 2019 and the taxation period in 2020 (related to corporate defined special accounting period (for the fiscal periods starting within the year) will be applied as 22% for the corporate earnings (2017 - 20%). Institutional tax rate is applied to the income of corporations in the net income which will be deducted from the commercial income according to the tax legislation and deduction of the exemptions and discounts in the tax laws. The corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the year in which it relates, and is paid in one installment until the end of the relevant month.

Corporations declare their advance tax returns at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, until the 14th day of the second month following that period and pay till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. If the prepaid tax amount remains in spite of the indictment, this amount can be refunded or any other financial debt to the state can be deducted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years of tax.

15% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Corporation tax

Turkish tax legislation does not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaires included in the scope of consolidation. On the statement of financial position as of June 31, 2018 and December 31, 2017, taxes payable are netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

For the years ended 30 June 2018 and 2017, the analysis of the tax expense in the profit or loss is as follows:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Current year corporate tax	(12,787)	(6,780)	(10,308)	(5,672)
Less: prepaid corporate tax (-)	19,997	9,950	66,100	29,624
	7,210	**3,170**	**55,792**	**23,952**

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax assets as of 30 June 2018 and 31 December 2017, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Reduced corporate tax	2,310,705	2,259,120	1,028,695	917,388
Provision for employee termination benefits and unused vacation	189,038	206,709	39,645	43,365
Deferred income	40,244	23,105	8,854	5,083
Warranty provisions	139,800	135,401	28,571	27,691
Property, plant and equipment and intangibles	(1,286,089)	(1,151,015)	(267,048)	(238,580)
Inventories	48,471	39,422	10,664	8,673
Other	43,550	27,670	9,581	5,828
Deferred tax asset, net			**858,962**	**769,448**

(*) The Group uses various discounted tax rates in relation to its fixed asset investments.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

The movement of the deferred tax asset balance during the period is as follows:

	2018	**2017**
Deferred tax asset at 1 January	769,448	598,096
Deferred tax income	19,997	66,100
Net gain / (loss) on post-employment termination benefit obligation attributable to equity (*)	(1,991)	1,627
Net gain / (loss) on cash flow hedging attributable to equity (*)	71,508	26,917
Deferred tax assets as of 30 June	**858,962**	**692,740**

(*) Related amount which is accounted under equity in connection with the tax effect of exchange losses subject to allowance from tax base in statutory records and reflected in the deferred tax charge.

The analysis of tax expense accounted for under the statement of profit or loss for the interim period ended 30 June 2018 and 2017 is as follows:

	2018	**2017**
Profit before tax	685,764	519,099
Non-deductible expenses	(389)	-
Income tax charge at effective tax rate (22%)	(150,868)	(103,820)
Research and development incentive expenditures during the period	19,217	21,595
Effect of different tax rates than effective tax rate	29,661	21,584
Effect of investment incentive, net	111,307	124,525
Other	(1,718)	(8,092)
	7,210	**55,792**

NOTE 19 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 30 June 2018 and 2017, the weighted average number of shares outstanding is 50,000,000,000 and as of 30 June 2018 and 2017 earnings per share is Kr 1.39 and Kr 1.15 respectively.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	1 January - 30 June 2018	1 January - 31 December 2017
Yapı ve Kredi Bank A.Ş. (deposit) (1)	1,418,982	1,679,752
Yapı ve Kredi Bank A.Ş. (financial loan) (1)	(764,885)	(863,778)

Trade receivables due from related parties	1 January - 30 June 2018	1 January - 31 December 2017
Fiat (2)	591,913	440,382
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	453,018	522,665
Other (1)	2,785	4,145
Less: Unearned credit finance income	(4,151)	(7,912)
	1,043,565	**959,280**

Trade payables due to related parties		
Fiat (2)	(2,316,513)	(1,932,230)
Other (1)	(87,396)	(104,545)
Less: Unearned credit finance expense	1,279	1,276
	(2,402,630)	**(2,035,499)**

Related party transactions

Sales

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Fiat (2)	7,143,034	3,769,885	6,113,852	2,994,162
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	822,630	429,811	790,284	506,666
Other (1)	79,792	12,378	14,761	8,885
	8,045,456	**4,212,074**	**6,918,897**	**3,509,713**

(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Domestic goods and services purchases

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Ram Dış Ticaret A.Ş. (1)	204,725	96,202	131,418	63,641
Magneti Marelli Mako Elektrik Sanayi ve Ticaret A.Ş. (1)	106,365	55,378	87,065	44,177
Zer Merkezi Hiz. ve Tic. A.Ş. (1)	66,051	41,791	66,699	42,163
Matay Otomotiv Yan Sanayi ve Tic. A.Ş. (1)	55,607	28,653	55,006	29,620
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	48,239	31,921	44,898	30,835
Plastiform Plastik San.Tic. A.Ş. (1)	26,252	14,129	21,888	13,919
Sistemi Comandi Meccanici Otomotiv Sanayi ve Ticaret A.Ş. (1)	23,736	12,873	24,805	13,689
Magneti Marelli Süspansiyon Sistemleri Tic. Ltd. Şti. (1)	22,133	12,221	24,370	11,894
Setur Servis Turistik A.Ş. (1)	9,091	5,887	10,587	7,363
Opet Fuchs Madeni Yağlar Tic. A.Ş. (1)	7,088	3,951	5,389	3,223
Akpa Dayanıklı Tüketim Lpg ve Akaryakıt Ürünleri Paz. A.Ş. (1)	6,224	3,437	6,074	3,184
Koç Holding (2) (*)	5,411	2,706	5,378	3,615
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.(1)	4,481	2,436	7,835	4,819
Other(1)	26,517	7,753	9,033	5,202
	611,920	**319,338**	**500,445**	**277,344**

(1) Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.
(2) Represents the joint ventures.
(*) Balance represents invoices issued by Koç Holding A.Ş. which provides counselee service such as finance, legal, planning, tax including personnel and senior management expenses to Group Companies according to the framework of "11- Group Services" of General Communiqué Serial No. 1 on Disguised Profit Distribution Through Transfer Pricing.

Foreign trade good, material and service purchase:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Fiat (2)	4,350,337	2,302,081	4,006,143	2,034,955
Other (1)	26,049	14,198	40,330	12,839
	4,376,386	**2,316,279**	**4,046,473**	**2,047,794**

Interest income from related parties, for the six-month period ended 30 June 2018 is TRY 30,849 (30 June 2017: TRY 18,556).

Salaries and similar benefits paid to the top management of the Group for the three-month period of 2018 (32 person) (30 June 2017: 33 person) is TRY 8,052 (30 June 2017: TRY7,784)

Furthermore, as of 30 June 2018, wholly owned subsidiary KFK has sold through related party the exclusive issuance of bonds and treasury bills to related parties. It is accounted under other financial liabilities with a carrying amount of TRY 460,779 (31 December 2017: TRY 320,780).

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's principal financial instruments are cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables.

The amounts stated in the balance sheets reflects the maximum risk exposure of the Group.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Types of credit exposed by types of financial instruments;

30 June 2018	Trade receivables: Related parties	Trade receivables: Other parties	Other receivables	Bank deposits	Derivative instruments	Receivables from finance operations
Maximum credit risk exposure as of reporting date (A+B+C+D) [1]	**1,043,565**	**871,167**	**4,746**	**2,385,084**	**517**	**2,564,551**
- Maximum risk secured by guarantee [2]	34,250	859,198	-	-	-	**2,564,551**
A. Net book value of financial assets neither overdue nor impaired	**1,043,565**	**870,948**	**4,746**	**2,385,1084**	**517**	**2,537,647**
- Maximum risk secured by guarantee	34,250	859,198	**-**	**-**	**-**	-
B. Net book value of assets overdue but not impaired	**9,145**	**49,553**	**-**	**-**	**-**	**19,451**
- Maximum risk secured by guarantee	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of impaired assets	**-**	**219**	**-**	**-**	**-**	**26,904**
- Overdue (gross book value)	-	10,628	-	-	-	70,895
- Impairment (-)	-	(10,409)	-	-	-	(43,991)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	21,467
D. Off- balance sheet items having credit risk	-	-	-	-	-	-

31 December 2017	Trade receivables: Related Parties	Trade receivables: Other parties	Other receivables	Bank deposits	Derivative instruments	Receivables from finance operations
Maximum credit risk exposure as of reporting date (A+B+C+D) [1]	**959,280**	**805,479**	**186**	**2,625,657**	**613,811**	**2,536,117**
- Maximum risk secured by guarantee [2]	34,250	817,406	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	953,597	720,728	186	2,625,657	613,811	2,493,932
- Maximum risk secured by guarantee	34,250	817,406	-	-	-	-
B. Net book value of assets overdue but not impaired	5,683	84,533	-	-	-	15,956
- Maximum risk secured by guarantee						
C. Net book value of impaired assets	-	218	-	-	-	26,229
- Overdue (gross book value)	-	7,364	-	-	-	66,209
- Impairment (-)	-	(7,146)	-	-	-	(39,980)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	21,973
D. Off- balance sheet items having credit risk	-	-	-	-	-	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount
(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Aging analysis of trade receivables

Aging of the Group's receivables which are overdue but not impaired is as follows:

30 June 2018	**Trade receivables**
1- 30 days past due	25,006
1- 3 months past due	32,060
3- 12 months past due	9,404
1- 5 years past due	2,767
Total	69,237

31 December 2017	
1- 30 days past due	59,494
1- 3 months past due	18,989
3- 12 months past due	4,332
1- 5 years past due	23,357
	106,172

Amount secured with guarantees

As of 30 June 2018, TRY 6,320 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2017: TRY 2,886). As of 30 June 2018, the Group's payables to Fiat amount to TRY 2,316,513 (31 December 2017: TRY 1,865,131).

Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

As explained in detail in Note 5, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Doblo are guaranteed by Fiat and for Mini Cargo by Fiat through future purchases, As of 30 June 2018, loans obtained related with Doblo vehicle project have entirely been repaid. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Egea Stationwagon/Hatchback vehicles is undertaken by Fiat.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

30 June 2018	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	601.725	594	112.826	-
2a. Monetary financial assets (including cash, bank accounts)	1.425.139	-	268.397	-
2b. Non-monetary financial assets	354.993	-	66.864	-
3. Other	354.993	-	66.864	-
4. Current assets (1+2+3)	**2.552.794**	**594**	**480.284**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	**77.937**	**2.499**	**12.533**	-
8. Non-current assets (5+6+7)	**77.937**	**2.499**	**12.533**	**-**
9. Total assets (4+8)	2.630.731	3.092	492.817	-
10. Trade payables	(2.474.209)	(1.124)	(465.041)	(15)
11. Financial liabilities	(833.958)	-	(157.078)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(19.638)	-	(3.699)	-
13. Current liabilities (10+11+12)	**(3.327.805)**	**(1.124)**	**(625.818)**	**(15)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(1.971.300)	-	(371.299)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(1.971.300)**	**-**	**(371.299)**	**-**
18. Total liabilities (13+17)	**(5.299.105)**	**(1.124)**	**(997.117)**	**(15)**
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**(2.668.374)**	**1.968**	**(504.300)**	**(15)**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(3.081.666)**	**(530)**	**(579.998)**	**(14)**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	7.304.066	-	1.470.652	-
24. Import	4.387.745	3.071	880.934	132

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat and PSA. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 30 June 2018 is TRY 152,916 long foreign currency position.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	448,269	170	99,131	-
2a. Monetary financial assets (including cash, bank accounts)	1,848,749	148	409,299	-
2b. Non-monetary financial assets	171,547	-	37,991	-
3. Other	18,251	-	4,042	-
4. Current assets (1+2+3)	**2,486,816**	**318**	**550,463**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	95,832	106	21,134	-
8. Non-current assets (5+6+7)	**95,832**	**106**	**21,134**	**-**
9. Total assets (4+8)	**2,582,648**	**424**	**571,597**	**-**
10. Trade payables	(2,111,041)	(1,505)	(466,224)	(26)
11. Financial liabilities	(1,318,959)	-	(292,096)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(3,145)	-	(698)	-
13. Current liabilities (10+11+12)	**(3,433,145)**	**(1,505)**	**(759,018)**	**(26)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(1,967,316)	(10,000)	(427,327)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	(1,967,316)	(10,000)	(427,327)	-
18. Total liabilities (13+17)	**(5,400,461)**	**(11,505)**	**(1,186,345)**	**(26)**
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	37,719	10,000	-	-
19a. Total hedged asset amount	37,719	10,000	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**(2,780,094)**	**(1,081)**	**(614,748)**	**(26)**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(3,082,047)**	**(11,187)**	**(673,175)**	**(26)**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	11,947,746	-	(2,909,059)	-
24. Import	8,230,175	2,093	2,000,773	-

(*) The Groups exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in EUR are undertaken by Fiat and PSA. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of 31 December 2017 is TRY 65,992 short foreign currency position.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, EUR and other exchange rates in the Group's foreign currency denominated liabilities (excluding foreign currency denominated inventory and fixed asset purchase advances), with all other variables held constant, on the Group's income before tax as of 30 June 2018 and 31 December 2017:

	30 June 2018			
	Profit/loss			**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% appreciation of USD against TRY:				
1- USD net asset/liability	898	(898)	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	898	(898)	**-**	**-**
In case 10% appreciation of EUR against TRY:				
4- EUR net asset/liability	(267,743)	267,743	-	-
5- Amount hedged for EUR risk (-)	334,361	(334,361)	334,361	(334,361)
6- EUR net effect (4+5)	66,618	(66,618)	334,361	(334,361)
In case 10% appreciation of other exchange rates against TRY				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	-	-	-	-
Total (3+6+9)	**67,516**	**(67,516)**	334,361	(334,361)

	31 December 2017			
	Profit/loss			**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% appreciation of USD against TRY:				
1- USD net asset/liability	(5,015)	5,015	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(5,015)**	**5,015**	**-**	**-**
In case 10% appreciation of EUR against TRY:				
4- EUR net asset/liability	(408,852)	408,852	-	-
5- Amount hedged for EUR risk (-)	325,692	(325,692)	325,692	(325,692)
6- EUR net effect (4+5)	**(83,160)**	**83,160**	**325,692**	**(325,692)**
In case 10% appreciation of other exchange rates against TRY				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	**-**	**-**	**-**	**-**
Total (3+6+9)	**(88,175)**	**88,175**	**325,692**	**(325,692)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk stems from the probability of an impact of rate changes on financial accounts. The Group is exposed to interest rate risk due to maturity mismatch or differences of the assets and liabilities that are re-priced or matured in a specific period. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

As of 30 June 2018 and 31 December 2017, the effect of +/- 0,5% change in interest rates until the next reporting period on the interest sensitive financial instruments in the balance sheet has been calculated as follows:

	1 January - 30 June 2018	1 January - 31 December 2017
Change in interest rates	0,50	%0,50
Effect on net income before for taxes	(24)	(207)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due dates are classified in over one year column.

30 June 2018

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	5,213,547	5,205,172	189,827	1,447,976	3,567,369	-
Trade payables	4,500,134	4,523,110	3,616,916	906,194	-	-
Bonds	510,586	582,485	31,665	435,043	115,777	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	15,509	3,361,296 -	-	191,131	3,170,165	
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	15,509	3,361,296 -	-	191,131	3,170,165	--

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017

Expected maturities	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	5,351,713	5,394,792	691,352	1,383,247	3,320,193	-
Trade payables	3,865,606	3,925,259	3,066,687	858,572	-	-
Bonds	459,198	523,639	31,860	276,782	214,997	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1 - 5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	5,650	39,960	-	39,960	-	-
Derivative cash inflows	5,650	39,960	-	39,960	-	-
Derivative cash outflows	-	-	-	-	-	-

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.
The fair value of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities are valued over stock exchange prices used in active market for assets and liabilities which are similar.

- Second level: Financial assets and liabilities are valued over the inputs used to find out observable price of relevant asset or liability directly or indirectly in the market other than its stock exchange price specified in first level.

- Third level: Financial assets and liabilities are valued over the inputs not based on an observable data in the market, which is used to find out fair value of asset and liability.

30 June 2018

	Level 1	**Level 2**	**Level 3**
Investment property	**-**	**31,175**	**-**
Derivatives held for trading	**-**	**15,509**	**-**

31 December 2017

	Level 1	Level 2	Level 3
Investment property	-	31,175	-
Derivatives held for trading	-	15,509	-

As of 30 June 2018, the Group has not made any transfers between second level and first level, and also between third level and other levels.

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions.

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of 30 June 2018.

NOTE 22 - SUBSEQUENT EVENTS

None.