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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Financial statements for period 1 January – 30 September 2018 (originally issued in Turkish)

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Interim condensed consolidated financial statements for the interim period 1 January – 30 September 2018

Contents

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

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

		Not limited reviewed	***Audited***
	Notes	**30 September 2018**	**31 December 2017**
Assets			
Current assets:			
Cash and cash equivalents	3	1,913,631	2,625,681
Financial assets	4	761,905	613,811
Trade receivables			
- Related parties	20	1,912,462	*959,280*
- Third parties	7	652,387	*805,479*
Receivables from finance sector operations	8	1,272,079	1,339,483
Other receivables		3,242	186
Inventories	9	1,712,064	1,055,582
Prepaid expenses	13	92,245	89,738
Current tax assets		12,344	986
Other current assets	13	432,067	235,755
Total current assets		**8,764,426**	**7,725,981**
Non-current assets:			
Receivables from finance sector operations	8	1,144,087	1,196,634
Other receivables		179	147
Derivative instruments	6	-	5,650
Investment properties		31,175	31,175
Property, plant and equipment	10	2,251,383	2,350,019
Intangible assets	11	1,576,363	1,703,865
Prepaid expenses	13	81,119	92,229
Deferred tax assets	18	1,004,852	769,448
Total non-current assets		**6,089,158**	**6,149,167**
Total assets		**14,853,584**	**13,875,148**

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

Sınıflandırma : Genel

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

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

	Notes	*Not limited reviewed* 30 September 2018	*Audited* 31 December 2017
Liabilities			
Current liabilities:			
Short-term financial liabilities	5	784,555	679,920
Short-term portion of long-term financial liabilities	5	2,366,993	1,900,391
Trade payables			
- Related parties	20	2,756,370	2,035,499
- Third parties	7	1,741,233	1,830,107
Employee benefit liabilities		81,000	97,451
Other payables		24,351	25,561
Derivative instruments	6	271	-
Government incentives and grants		8,374	8,374
Income tax liabilities		3,555	-
Deferred income	13	38,908	47,382
Short-term provisions	12	217,539	211,029
Other current liabilities	13	19,769	9,638
Total current liabilities		**8,042,918**	**6,845,352**
Non-current liabilities:			
Long-term financial liabilities	5	3,639,823	3,230,600
Derivative instruments	6	16,925	-
Government incentives and grants		15,643	21,924
Long-term provisions			
- Provisions for employment termination benefits		*192,095*	*194,235*
Total non-current liabilities		**3,864,486**	**3,446,759**
Total liabilities		**11,907,404**	**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		*(32,180)*	*(36,419)*
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		(1,515,271)	*(672,364)*
Restricted reserves		387,363	309,863
Retained earnings		2,254,002	1,850,757
Net profit for the year		1,003,884	1,282,818
Total equity		**2,946,180**	**3,583,037**
Total liabilities and equity		**14,853,584**	**13,875,148**

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

Sınıflandırma : Genel

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statement of profit or loss
as of 30 September 2018 and 31 December 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	***Not limited reviewed*** **1 January - 30 September 2018**	***Not limited reviewed*** **1 January - 30 September 2017**	***Not limited reviewed*** **1 July - 30 September 2018**	***Not limited reviewed*** **1 July - 30 September 2017**
Revenue	14	13,824,345	12,400,383	4,332,782	3,803,582
Cost of sales (-)	14	(12,045,556)	(11,154,614)	(3,640,523)	(3,391,381)
Gross profit from operations		**1,778,789**	**1,245,769**	**692,259**	**412,201**
Revenue from finance sector operations		364,218	291,975	126,862	99,952
Expenses from finance sector operations (-)		(280,926)	(210,283)	(95,753)	(72,308)
Gross profit from finance sector operations		**83,292**	**81,692**	**31,109**	**27,644**
Gross profit		**1,862,081**	**1,327,461**	**723,368**	**439,845**
Marketing expenses (-)	15	(263,093)	(250,974)	(90,771)	(86,844)
General administrative expenses (-)	15	(230,190)	(199,584)	(81,376)	(71,614)
Research and development expenses (-)	15	(55,182)	(32,236)	(17,768)	(10,655)
Other income from main operations	16	2,879,945	726,155	2,068,650	144,453
Other expense from main operations (-)	16	(3,580,064)	(849,384)	(2,639,467)	(179,080)
Operating profit		**613,497**	**721,438**	**(37,364)**	**236,105**
Financial income	17	1,412,450	650,908	1,092,417	99,215
Financial expense (-)	17	(1,013,057)	(581,107)	(727,927)	(63,180)
Profit before tax		**1,012,890**	**791,239**	**327,126**	**272,140**
Tax income for the period		**(9,006)**	**67,286**	**(16,216)**	**11,494**
- Taxes on income	18	(16,490)	(16,524)	(3,703)	(6,216)
- Deferred tax income	18	7,484	83,810	(12,513)	17,710
Net profit for the period		**1,003,884**	**858,525**	**310,910**	**283,634**
Attributable to:					
Non-controlling interests		-	-	-	-
Equity holders of the parent		**1,003,884**	**858,525**	**310,910**	**283,634**
Earnings per share (Kr)	19	**2.01**	**1.72**	**0.62**	**0.57**

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

Sınıflandırma : Genel

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statements of other comprehensive income for the interim periods ended 30 September 2018 and 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Not limited reviewed	***Not limited Reviewed***	***Not limited Reviewed***	***Not limited Reviewed***
	1 January - 30 September 2018	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Net profit for the year	**1,003,884**	**858,525**	**310,910**	**283,634**
Other comprehensive income:				
Other comprehensive income that will not be reclassified to profit or loss				
- (Losses) on remeasurements of defined benefit plans	5,362	(5,804)	(4,144)	2,332
- Taxes relating to remeasurements of defined benefit plans	(1,123)	1,161	868	(466)
Other comprehensive income that will be reclassified to profit or loss				
- Gains (losses) on cash flow hedges	(1,071,950)	(229,561)	(737,589)	(94,976)
- Taxes relating to cash flow hedges	229,043	45,912	157,535	18,995
Other comprehensive (expense) / income (after tax)	**(838,668)**	**(188,292)**	**(583,330)**	**(74,115)**
Total comprehensive income	**165,216**	**670,233**	**(272,420)**	**209,519**
Attributable to:				
Non-controlling interests	-	-	-	-
Equity holders of the parent	165,216	670,233	(272,420)	209,519

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

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated statements of changes in equity for the İnterim periods ended 30 September 2018 and 2017

(Amounts expressed in thousands of Turkish Lira ("TL") 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	-	-	(4,643)	(183,649)	-	-	858,525	670,233	-	670,233
Dividends paid	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
Balances at 30 September 2017	**500,000**	**348,382**	**(27,865)**	**(561,978)**	**309,863**	**1,850,757**	**858,525**	**3,277,684**	**-**	**3,277,684**
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**
Adjustments related to changing on accounting policy	-	-	-	-	-	(2,073)	-	(2,073)	-	(2,073)
Transfers	-	-	-	-	77,500	1,205,318	(1,282,818)	-	-	-
Total comprehensive income	-	-	4,239	(842,907)	-	-	1,003,884	165,216	-	165,216
Dividends paid	-	-	-	-	-	(800,000)	-	(800,000)	-	(800,000)
Balances at 30 September 2018	**500,000**	**348,382**	**(32,180)**	**(1,515,271)**	**387,363**	**2,254,002**	**1,003,884**	**2,946,180**	**-**	**2,946,180**

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

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

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

	Notes	*Not limited reviewed* 30 September 2018	*Not limited reviewed* 30 September 2017
A. Cash flows from operating activities		**185,985**	**1,182,298**
Net profit for the period		1,003,884	858,525
Adjustments to reconcile profit for the period		**359,275**	**678,658**
- Adjustments related to depreciation and amortization		578,042	500,488
- Adjustments related to interest income	17	(92,435)	(70,617)
- Adjustments related to provision for inventories	9	9,602	942
- Gain on sale of property, plant and equipment		(4,180)	(1,091)
- Provision for employment termination benefits		39,321	30,148
- Lawsuit provision / cancellation	12	2,490	-
- Adjustments related to warranty provisions	12	84,617	61,068
- Adjustments related to doubtful receivables	7,8	11,638	10,281
- Adjustments related to interest expense	17	67,650	69,662
- Adjustments for tax losses/ income	18	9,006	(67,286)
- Due date charges on term purchases and sales	16	13,157	10,799
- Adjustments related to unrealized foreign currency differences		251,249	296,441
- Adjustments related to exchange differences of cash and cash equivalents		(715,738)	(159,191)
Changes in net working capital		**(903,726)**	**(289,596)**
- Change in inventories		(666,084)	(159,089)
- Change in receivables from related parties		272,099	186,250
- Change in trade receivables		(953,182)	(163,342)
- Change in other receivables from operating activities		(3,088)	421
- Change in trade payables		(88,874)	(515,927)
- Change in trade payables due to related parties		577,069	75,058
- Change in receivables from finance sector operations		119,951	(46,786)
- Change in prepaid expenses		8,603	(13,420)
- Change in deferred revenue		(17,623)	1,290
- Change in government incentives and grants		(6,281)	(6,281)
- Change in other assets from operating activities		(196,514)	84,449
- Change in other liabilities from operating activities		27,352	267,781
- Change in fair value gains on derivative financial instruments		22,846	-
Net cash generated from operating activities		**354,577**	**1,250,573**
- Income taxes paid		(23,708)	1,007
- Payments related to employment termination benefits		(35,897)	(28,959)
- Other cash inflows (outflows)		(108,987)	(40,323)
B. Cash flows from investing activities		**(394,320)**	**(660,356)**
- Purchases of tangible assets	10	(217,534)	(327,858)
- Purchases of intangible assets		(140,201)	(184,542)
- Proceeds from sale of tangible and intangible assets		10,010	22,619
- Change in financial assets		(148,094)	(231,335)
- Interest received		101,499	60,760
C. Cash flows from financing activities		**(1,205,778)**	**(170,099)**
- Proceeds from financial liabilities		1,261,721	1,066,551
- Bank loans paid		(1,623,261)	(866,826)
- Dividends paid		(800,000)	(350,000)
- Interest paid		(48,849)	(26,477)
- Other cash inflows (outflows)		4,611	6,653
Net decrease in cash and cash equivalents before currency translation differences		**(1,414,113)**	**351,843**
D. Effects of currency translation differences on cash and cash equivalents		**715,738**	**159,191**
Net change in cash and cash equivalents		**(698,375)**	**511,034**
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**	**1,883,692**	**2,696,395**

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

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

1. Organization and nature of the 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 Fiat Chrysler Automobiles 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 September 2018 and 31 December 2017 which are subject to consolidation are as follows:

		% of ownership	
Name of the company	**Operating area**	**30 September 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:

	1 January – 30 September 2018	**1 January – 30 September 2017**
Hourly-rated	6,888	8,093
Monthly-rated	1,752	1,745
	8,640	**9,838**

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.

2. Basis of presentation of financial statements (continued)

30 September 2018 in accordance with the TAS 34 "Interim financial reporting" in the framework of the Communiqué Serial: XII and numbered 14.1 and its related announcements. The interim condensed consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB, including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim consolidated financial statements whether full set or condensed. In this framework, Group preferred to present its interim consolidated financial statements in condensed.

Group's interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore the interim condensed consolidated financial statements should be examined together with the financial statements as of 31 December 2017.

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.

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.

2.1.3 Functional and reporting currency

The Group's functional and reporting currency is Turkish Lira ("TL"). 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. Basis of presentation of financial statements (continued)

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.

2.1.5 Significant accounting judgments, estimates and assumptions

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).

2. Basis of presentation of financial statements (continued)

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 September 30, 2018 and December 31, 2017, no impairment was recognized for capitalized development costs (Note 11).

2.2 Amendments in Turkish Financial Reporting Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 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

2. Basis of presentation of financial statements (continued)

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.

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 September 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 September 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 ("TL") unless otherwise indicated.)

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 September 30, 2018, the effects of TFRS 15 are as follows:

	Before Change	**The effect of new standard**	**After Change**
Other current liabilities	*13,868*	*5,901*	*19,769*
Deferred tax	*6,186*	*1,298*	*7,484*
Deferred tax assets	*1,003,554*	*1,298*	*1,004,852*
Net profit for the period	*1,008,487*	*(4,603)*	*1,003,884*

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 September 30, 2018.

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

3. Cash and cash equivalents

	30 September 2018	31 December 2017
Cash on hand	89	24
Due from banks		
- time deposits	1,790,470	*2,557,799*
- demand deposits	123,072	*67,858*
	1,913,631	**2,625,681**

The breakdown of time deposits as of 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018		31 December 2017	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,527,472	1.95 – 3.10	1,228,391	1.55 – 2.50
TRY	262,998	24.00 – 30.25	1,329,408	14.20 – 15.65
	1,790,470		**2,557,799**	

As of 30 September 2018, the maturities of time deposits vary between 3 and 33 days (31 December 2017: between 4 and 49 days).

As of 30 September 2018, the cash at banks comprise time and demand deposits amounting to TL 919,037 (31 December 2017: TRY 1,679,752) which are deposited at a bank which is a related party of the Group (Note 20).

As of 30 September 2018 and 2017, the reserves of cash and cash equivalent in cash flow statement:

	2018	2017
Cash and banks	1,913,631	2,721,313
Less: interest accruals	(3,477)	(4,697)
Less: restricted cash	(26,462)	(20,221)
	1,883,692	**2,696,395**

4. Financial assets

a) Short-term financial assets:

As of 30 September 2018, short–term financial assets of the Group consists of time deposits amounting to TL 761,524, Euro in original currency, with a maturity of 118-119 days bearing an interest rate of 2.35%-3.05% (31 December 2017: TL 613,139 with a maturity of 118-119 days containing an interest rate of 2.25%–2.5%).

b) Fair value of financial investments reflected to profit or loss:

As of 30 September 2018, the Group has available for sale financial investments amounting to TL 381 (31 December 2017: TL 672).

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

5. Financial liabilities

a) Short-term financial liabilities

	30 September 2018			31 December 2017		
	Original amount (thousand)	Amount (TL)	Interest rate per annum (%)	Original amount (thousand)	Amount (TL)	Interest rate per annum (%)
Borrowings in EUR	110,000	764,555	0.40	135,000	589,120	0.40
Borrowings in TL (*)	-	20,000	38.00	-	90,800	14.39 - 15.75
		784,555			**679,920**	

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

	30 September 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 (*)	-	865,786	13.13 – 39.38	-	861,599	11.00 - 18.25
Borrowings in EUR	159,722	1,110,148	Euribor+0.55 Eurobior+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)	-	391,059	12.29- 18.20	-	257,262	11.13 - 15.22
		2,366,993			**1,900,391**	

c) Long-term financial liabilities

	30 September 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	367,133	2,551,758	Euribor+0.55- Euribor+2.90	435,039	1,964,420	Euribor+0.55- Euribor+2.90
Borrowings in TRY (*)	-	981,634	13.13 – 39.38	-	1,064,244	11.00 - 18.25-
Bonds (1,2,3,...7)	-	106,431	12.29- 18,20	-	201,936	11.13 - 15.22
		3,639,823			**3,230,600**	

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

5. Financial liabilities (continued)

(1) In accordance with the minutes of Board of Directors meeting held on 26 February 2016, based on the required authorization of the Capital Markets Law, the Group issued 24-month maturity bonds on 23 November 2016, with a nominal amount of TRY 70,000 and at an interest rate by 12.29%. The bonds have been sold to qualified investors by the closed issuance method through the agency of İş 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 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..

(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) 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..

(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 TRY55,000 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..

(6) 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 04 May 2018, 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..

(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 8-month maturity bonds on 6 June 2018, with a nominal amount of TRY 55,000 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..

As of 30 September 2018, TRY 763,548 (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 (Note 20).

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

5 Financial Liabilities (Continued)

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

	30 September 2018	31 December 2017
1-2 years	1,674,812	1,478,034
2-3 years	1,066,619	920,603
3-4 years	640,300	496,615
4-5 years	258,092	335,348
	3,639,823	**3,230,600**

As of August 2018, the total amount of loans borrowed from Eximbank in the consolidated statement of financial position is TL 764,555 (equivalent of EUR 110,000 thousand) (31 December 2017: TL 589,120 (equivalent of EUR 110,000 thousand)

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 September 2018, the unpaid portion of the loan amount to TRY 17,869 (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 159,278 (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 September 30, 2018.

The Group has a working capital loan obtained with a maturity until 2020 from HSBC PLC on 31 March 2014, the carrying value of which is TRY 86,881 (equivalent of EUR 12,499 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 868,813 (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 6months Eurobor + 2.4%. As of 30 September 2018, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 962,373 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 ("TL") unless otherwise indicated.)

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 September 2018 the remaining amount is TRY 398,074 (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 September 2018: TRY 962,373 (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 184,744 (equivalent of EUR 26,580 thousand) (31 December 2017: TRY 140,026 (equivalent of EUR 31,010 thousand)) as of 30 September 2018.

6 – Derivative assets and liabilities

				30 September 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	3,209,513	3,209,513	**-**	17,196	-	-	-	-
The part hedged for currency risk	-	-	**-**	**-**	39.960	39.960	5.650	-
Short term derivative instruments	**3,209,513**	**3,209,513**	**-**	**17,196**	**39.960**	**39.960**	**5.650**	**-**

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 September 2018 (31 December 2017: None)

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

7. Trade Receivables and payables

a) Trade receivables

	30 September 2018	31 December 2017
Trade receivables	662,448	820,239
Doubtful trade receivables	10,567	7,364
Less: provision for doubtful receivables	(10,349)	(7,146)
Less: unearned credit finance income	(10,279)	(14,978)
	652,387	**805,479**

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

	2018	2017
January 1	7,146	7,119
Current year provision	3,203	42
September 30	**10,349**	**7,161**

Collaterals received related with trade receivables

As of 30 September 2018, the letter of guarantees, guarantee notes, mortgages and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amounts to TL 109,942, TL 2,274 and TL 41,298, and TL 705,519 respectively (31 December 2017: letter of guarantees amounting to TL 105,452, guarantee notes amounting to TL 2,274, mortgages amounting to TL 49,748 and direct debit system limit amounting to TL 659,932).

b) Trade payables

	30 September 2018	31 December 2017
Trade payables	1,768,301	1,849,418
Less: not accrued credit finance expense	(27,068)	(19,311)
	1,741,233	**1,830,107**

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

8. Receivables from finance sector operations

	30 September 2018	31 December 2017
Short-term consumer financing loans	1,252,278	1,327,381
Non-performing loans	78,582	66,209
	1,330,860	**1,393,590**
Provisions for impairment on loans		
Provision for specific loan impairment	(45,906)	(39,980)
Provision for general loan impairment	(12,875)	(14,127)
	1,272,079	**1,339,483**
Long-term consumer financing loans	1,155,840	1,209,039
Provision for general loan impairment	(11,753)	(12,405)
	1,144,087	**1,196,634**

As of 30 September 2018, TL denominated loans originated by the Group bear interest rates ranging between 0.01% and 3.09% per month (31 December 2017: between 0.01% and 1.59%).

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

Years	30 September 2018	31 December 2017
1-2 years	676,022	703,788
2-3 years	364,483	363,796
3-4 years	103,338	128,966
More than 4 years	244	84
	1,144,087	**1,196,634**

Movements in the allowance for loan impairment are as follows:

	30 September 2018	30 September 2017
1 January	66,512	55,275
Current year provision	8,435	10,239
Recoveries from loans under follow-up	(4,413)	(3,288)
30 September	**70,534**	**62,226**

As of 30 September 2018, the fair value of guarantees obtained for the consumer loans amounting to TL 2,969,749 (31 December 2017: TL 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 TL 26,091 (31 December 2017: TL 21,973) as of 30 September 2018.

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

9. Inventories

	30 September 2018	31 December 2017
Raw materials	444,879	223,297
Work-in-progress	199,891	205,305
Finished goods	416,616	247,466
Imported vehicles	322,496	162,791
Spare parts	92,067	73,694
Goods in transit	274,235	171,547
Less: provision for impairment on inventories	(38,120)	(28,518)
Total	**1,712,064**	**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	-	(1,811)
Current year provision	9,602	942
30 September	**38,120**	**6,595**

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

10. Property, plant and equipment

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

	Land, land improvements and buildings	Machinery and equipment	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	-	-	242	780	83	216,429	217,534
Disposals, net	-	(584)	(251)	(4,995)	-	-	(5,830)
Transfers	14,431	110,413	26,632	9,788	-	(161,264)	-
Depreciation charge for the period	(6,923)	(256,505)	(38,012)	(7,884)	(1,016)	-	(310,340)
30 September 2018, net book value	**235,224**	**1,695,310**	**221,945**	**24,151**	**4,263**	**70,490**	**2,251,383**
As of 30 September 2018							
Cost	467,895	4,885,569	589,435	59,007	12,227	70,490	6,084,623
Accumulated depreciation	(232,671)	(3,190,259)	(367,490)	(34,856)	(7,964)	-	(3,833,240)
30 September 2018, net book value	**235,224**	**1,695,310**	**221,945**	**24,151**	**4,263**	**70,490**	**2,251,383**

As of 30 September 2018, there are no pledges or collaterals on property, plant and equipment (31 December 2017: None).
As of 30 September 2018, there is insurance coverage amounting to TRY 10,697,515 on property, plant and equipment (31 December 2017: TRY 5,599,020).

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

10. Property, plant and equipment (continued)

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

	Land, land improvements and buildings	Machinery and equipment	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	-	6	119	651	325	326,757	327,858
Disposals, net	(210)	(4,248)	(8,657)	(8,413)	-	-	(21,528)
Transfers (*)	3,836	269,044	44,418	11,289	73	(328,660)	-
Depreciation charge for the period	(10,053)	(230,660)	(25,920)	(2,719)	(352)	-	(269,704)
30 September 2017, net book value	**223,875**	**1,806,551**	**220,502**	**26,957**	**4,477**	**74,882**	**2,357,244**
As of 30 September 2017							
Cost	460,614	4,982,599	590,190	76,280	11,631	74,882	6,196,196
Depreciation charge for the period	(236,739)	(3,176,048)	(369,688)	(49,323)	(7,154)	-	(3,838,952)
30 September 2017, net book value	**223,875**	**1,806,551**	**220,502**	**26,957**	**4,477**	**74,882**	**2,357,244**

.

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

11. Intangible assets

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

	License fees and development costs	Other	Total
As of 1 January			
Cost	3,276,638	265,060	3,541,698
Accumulated amortization	(1,605,386)	(232,447)	(1,837,833)
Net book value	**1,671,252**	**32,613**	**1,703,865**
1 January 2018, net book value	1,671,252	32,613	1,703,865
Additions	148,044	3,018	151,062
Amortization charge for the period	(271,922)	(6,642)	(278,564)
30 September 2018, net book value	**1,547,374**	**28,989**	**1,576,363**
As of 30 September 2018			
Cost	3,424,682	268,078	3,692,760
Accumulated amortization	(1,877,308)	(239,089)	(2,116,397)
30 September 2018, net book value	**1,547,374**	**28,989**	**1,576,363**

	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 (*)	193,570	3,376	196,946
Amortization charge for the period	(236,598)	(6,590)	(243,188)
30 September 2017, net book value	**1,703,581**	**20,376**	**1,723,957**
As of 30 September 2017			
Cost	3,363,305	101,886	3,465,191
Accumulated amortization	(1,659,724)	(81,510)	(1,741,234)
30 September 2017, net book value	**1,703,581**	**20,376**	**1,723,957**

.

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

12. Provisions, contingent assets and liabilities

Short-term provisions:

	30 September 2018	31 December 2017
Provision for warranty	149,378	135,401
Provision for legal cases	10,244	7,754
Administrative expense accruals	-	6,312
Other (*)	57,917	61,562
	217,539	**211,029**

(*) The amount of TL 55,252 in other consists of tax payables depending on restructuring article for fined tax assessments that had been calculated and issued for the periods from 2007 to 2012 in accordance with the Special Consideration Announcement as at June 21, 2018. The amount of TL 46,936 and TL 8,316 are subsequently paid cash and valid for offsetting from VAT, respectively, in October, 2018. The Company will utilize the restructuring article owing to paying the declared amount on time, however, the Company has claimed a litigation due to unagreed matters related to the calculation method of the amount.

Movement of the warranty provision is as follows:

	2018	2017
1 January	135,401	91,551
Paid during the period	(64,149)	(48,975)
Increase during the period	84,617	61,068
The effect of IFRS 15	(6,491)	-
30 September	**149,378**	**103,644**

Movement of the legal cases provision is as follows:

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

Litigations against the Group

As of 30 September 2018 the total amount of outstanding legal claims brought against the Group is TL 10,557 (31 December 2017: TL 11,128). The Group has reflected a reserve amounting to TL 10,244 (31 December 2017: TL 7,754) in the financial statements.

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

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 September 2018 and 31 December 2017 is as follows:

	30 September 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	553,826	77,000	18,638	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	**553,826**	**77,000**	**18,638**	**358,733**	**77,000**	**11,039**

As of 30 September 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 September 2018, The Group has realized USD 3,013,916,103.27 of export commitments numbered 2017/D1-03216 dated 23 May 2017 to be realized until 05 November 2018 in connection with the export incentive certificates amounting to USD 3,007,737,000. In connection with the export incentive certificates amounting to USD 1,867,164,580 the Group has realized USD 1,405,435,509.43. The Group has realized USD 822,762,760.2 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. In connection with the export incentive certificates amounting to USD 1,556,900,100 the Group has realized USD 209,754,724,26.

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

13. Prepaid expenses and incomes, other assets and liabilities, other payables

a) Other current assets

	30 September 2018	31 December 2017
Value Added Tax ("VAT")	419,256	228,216
Other	12,811	7,539
	432,067	**235,755**

b) Short-term prepaid expenses

	30 September 2018	31 December 2017
Credit commission expenses (*)	39,955	47,447
Advances given	25,359	18,053
Other	26,931	24,238
	92,245	**89,738**

(*) Credit commission expenses are composed of the credit commission given to dealers in advance by KFK as of 30 September 2018 and 31 December 2017.

c) Non-current prepaid expenses

As of 30 September 2018, TL 81,119 (31 December 2017: TL 92,229) non-current prepaid expenses are composed of advances given for fixed asset purchases.

d) Other current liabilities

	30 September 2018	31 December 2017
Taxes and funds payable	20	808
Other	19,749	8,830
Total	**19,769**	**9,638**

e) Short term deferred income

As of September 30, 2018, TRY 27,872 of deferred income amounting to TRY 38,908 (December 31, 2017: TRY 47,382) consists of the received intelligence income in advance of the KFK and advances received amounting to TRY 8,969.

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

14. Revenue and cost of sales

a) Net sales

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Export sales	10,976,765	8,756,380	3,691,108	2,400,621
Domestic sales	2,684,248	3,529,511	570,264	1,356,389
Other income from operational activities	163,332	114,492	71,410	46,572
	13,824,345	**12,400,383**	**4,332,782**	**3,803,582**

b) Production and sales quantities

	Production		Sales	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Manufactured vehicles				
New Doblo	84,428	84,580	83,169	85,245
Egea Hatchback	40,868	49,989	40,480	49,674
MCV	39,221	53,368	38,219	54,258
Egea	39,138	52,999	39,561	51,396
Egea Stationwagon	33,386	33,357	33,106	33,167
Linea	-	6,656	1,461	6,340
	237,041	**280,949**	**235,996**	**280,080**

	Import		Sales	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Imported vehicles				
Jeep	2,716	1,387	1,513	1,494
Ducato	1,083	2,732	1,684	3,533
Fiat 500	1,051	1,114	584	1,214
Alfa Romeo	369	210	124	238
Panda Futura	78	43	64	75
Maserati	44	47	33	49
Ferrari	15	11	16	9
Fullback	3	380	9	898
Grande Punto	2	270	79	247
Fiat Spider	-	68	5	58
Transit sales	-	-	29	59
	5,361	**6,262**	**4,140**	**7,874**

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

14. Revenue and cost of sales (continued)

c) Cost of sales:

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Direct material expense	(10,361,828)	(9,466,225)	(3,221,292)	(2,845,124)
Depreciation and amortization Expense	(553,072)	(480,455)	(187,402)	(165,796)
Direct labor expense	(207,963)	(184,056)	(67,895)	(63,100)
Other production expenses	(380,256)	(356,745)	(129,355)	(119,951)
Total cost of production	**(11,503,119)**	**(10,487,481)**	**(3,605,944)**	**(3,193,971)**
Change in work-in-process	(5,570)	87,873	60,259	71,044
Change in finished goods	168,956	48,809	99,507	41,212
Cost of merchandise sold	(705,649)	(803,262)	(194,674)	(309,152)
Cost of other sales	(174)	(553)	329	(514)
	(12,045,556)	**(11,154,614)**	**(3,640,523)**	**(3,391,381)**

15. Research and development expenses, marketing, selling and distribution expenses and general administrative expenses

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Marketing expenses	(263,093)	(250,974)	(90,771)	(86,844)
General administrative expenses	(230,190)	(199,584)	(81,376)	(71,614)
Research and development expenses	(55,182)	(32,236)	(17,768)	(10,655)
	(548,465)	**(482,794)**	**(189,915)**	**(169,113)**

a) Marketing expenses

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Warranty expenses	(84,617)	(61,068)	(35,465)	(24,964)
Personnel expenses	(51,608)	(43,300)	(17,440)	(14,314)
Transportation and insurance expenses	(43,385)	(49,965)	(12,409)	(17,234)
Advertisement expenses	(40,051)	(47,163)	(11,956)	(13,853)
Travel expenses	(5,348)	(5,073)	(2,955)	(1,535)
Depreciation and amortization expenses	(3,225)	(1,918)	(1,138)	(714)
Other	(34,859)	(42,487)	(9,408)	(14,230)
	(263,093)	**(250,974)**	**(90,771)**	**(86,844)**

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

15. Research and development expenses, marketing, selling and distribution expenses and general administrative expenses (continued)

b) General and administrative expenses

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Personnel expense	(91,014)	(80,863)	(31,332)	(27,154)
IT expenses	(26,464)	(19,996)	(8,716)	(6,805)
Outsourcing expenses	(20,835)	(21,106)	(6,369)	(6,791)
Depreciation and amortization expenses	(19,508)	(18,115)	(6,539)	(6,109)
Travel expenses	(5,655)	(5,680)	(1,925)	(1,971)
Insurance expenses	(4,659)	(5,348)	(1,390)	(1,765)
Duties, taxes and levies	(4,381)	(5,645)	(1,374)	(1,362)
Rent expenses	(2,473)	(2,061)	(802)	(755)
Other	(55,201)	(40,770)	(22,929)	(18,902)
	(230,190)	**(199,584)**	**(81,376)**	**(71,614)**

16. Other income and expenses from main operations

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange gains on operating activities	2,709,443	588,748	2,009,809	83,624
Interest income on operating activities	130,645	99,611	47,857	43,615
Other	39,857	37,796	10,984	17,214
	2,879,945	**726,155**	**2,068,650**	**144,453**

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange loss on operating activities	(3,399,245)	(719,796)	(2,574,736)	(132,940)
Interest expense on operating activities	(143,802)	(110,410)	(54,165)	(40,382)
Other	(37,017)	(19,178)	(10,566)	(5,758)
	(3,580,064)	**(849,384)**	**(2,639,467)**	**(179,080)**

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

17. Financial income and expenses

	1 January - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2018	1 July - 30 September 2017
Foreign exchange gains	1,314,250	580,291	1,058,516	68,567
Interest income	92,435	70,617	33,901	30,648
Gains from derivative instruments	5,765	-	-	-
Total financial income	**1,412,450**	**650,908**	**1,092,417**	**99,215**
Foreign exchange losses	(943,669)	(511,445)	(701,105)	(40,008)
Interest expenses	(67,650)	(69,662)	(26,244)	(23,172)
Other	(1,738)	-	(578)	-
Total financial expenses	**(1,013,057)**	**(581,107)**	**(727,927)**	**(63,180)**
Net financial income/(expenses)	**399,393**	**69,801**	**364,490**	**36,035**

18. Tax assets and liabilities

a) 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 September 30, 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 statements 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%.

18. Tax assets and liabilities (Continued)

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. Turkish tax legislation does not permit a parent company to file a tax return on its consolidated financial statements. Therefore, the tax liabilities, which are reflected in the consolidated financial statements of the Group, have been calculated separately for all companies included in the scope of consolidation. On the statement of financial position as of September 30, 2018 and December 31, 2017, taxes payable are netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

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

18. Tax assets and liabilities (Continued)

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

	1 January - 30 September 2018	1 January - 30 September 2018	1 July - 30 September 2017	1 July - 30 September 2017
Current year corporate tax	(16,490)	(16,524)	(3,703)	(6,216)
Less: prepaid corporate tax (-)	7,484	83,810	(12,513)	17,710
	(9,006)	**67,286**	**(16,216)**	**11,494**

b) Deferred tax assets and liabilities

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Reduced corporate tax	2,241,313	2,259,120	1,080,152	917,388
Provision for employee termination benefits and unused vacation	189,038	206,709	42,734	43,365
Deferred income	149,378	135,401	30,487	27,691
Warranty provisions	48,471	39,422	12,762	8,673
Property, plant and equipment and intangibles	40,244	23,105	8,748	5,083
Inventories	(1,286,089)	(1,151,015)	(169,440)	(238,580)
Other	(2,957)	27,670	(591)	5,828
Deferred tax asset, net			**1,004,852**	**769,448**

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

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	7,484	83,810
Net gain / (loss) on post-employment termination benefit obligation attributable to equity (*)	(1,123)	1,161
Net gain / (loss) on cash flow hedging attributable to equity (*)	229,043	45,912
Deferred tax assets as of 30 September	**1,004,852**	**728,979**

(*) 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.

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

18. Tax assets and liabilities (Continued)

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

	2018	**2017**
Profit before tax	1,012,890	791,239
Income tax charge at effective tax rate (22%)	(222,836)	(158,248)
Research and development incentive expenditures during the period	30,782	34,438
Effect of investment incentive, net	162,764	172,683
Other	20,284	18,413
	(9,006)	**67,286**

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 September 2018 and 2017, the weighted average number of shares outstanding is 50,000,000,000 and as of 30 September 2018 and 2017 earnings per share is Kr 2.01 and Kr 1.72 respectively.

20. Transactions and balances with related parties

Related party balances

Deposit and financial loan balances from related parties	**1 January - 30 September 2018**	**1 January - 31 September 2017**
Yapı ve Kredi Bank A.Ş. (deposit) (1)	919,611	1,679,752
Yapı ve Kredi Bank A.Ş. (financial loan) (1)	(763,548)	(863,778)

Trade receivables due from related parties	**30 September 2018**	**31 December 2017**
Fiat (2)	1,719,658	440,382
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	190,423	522,665
Other (1)	3,087	4,145
Less: Unearned credit finance income	(706)	(7,912)
	1,912,462	**959,280**

Trade payables due to related parties	**30 September 2018**	**31 December 2017**
Fiat (2)	(2,665,316)	(1,932,230)
Other (1)	(92,723)	(104,545)
Less: Unearned credit finance expense	1,669	1,276
	(2,756,370)	**(2,035,499)**

(1) Represents the related parties of joint ventures; comprise of subsidiaries, joint managing company or associates.
(2) Represents the joint ventures.

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

20. Transactions and balances with related parties (continued)

Sales

	1 January - 30 September 2018	**1 January - 30 September 2018**	**1 July - 30 September 2018**	**1 July - 30 September 2018**
Fiat (2)	10,866,626	8,378,363	3,723,592	2,264,511
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	1,037,642	1,298,702	215,012	508,418
Other (1)	95,911	21,479	16,119	6,718
	12,000,179	**9,698,544**	**3,954,723**	**2,779,647**

Domestic goods and services purchases

	1 January - 30 September 2018	**1 January - 30 September 2017**	**1 July - 30 September 2018**	**1 July - 30 September 2017**
Ram Dış Ticaret A.Ş. (1)	300,013	184,529	95,288	53,111
Magneti Marelli Mako Elektrik San. A.Ş. (1)	153,292	123,615	46,927	36,550
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	94,081	82,475	45,842	37,577
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	91,587	105,113	25,536	38,414
Matay Otomotiv Yan San. ve Tic. A.Ş. (1)	88,956	77,434	33,349	22,428
Plastiform Plastik San. Tic. A.Ş. (1)	37,208	31,102	10,956	9,214
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. (1)	35,788	35,519	12,052	10,714
Magneti Marelli Süspansiyon Sistemleri Tic.Ltd. Şti. (1)	34,497	32,639	12,364	8,269
Setur Servis Turistik A.Ş.(1)	15,197	13,320	6,106	2,733
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	12,404	11,523	7,923	3,688
Opet Fuchs Madeni Yağlar Tic. A.Ş. (1)	10,474	8,491	3,386	3,102
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.(1)	9,185	8,683	2,961	2,609
Koç Holding A.Ş. (2)(*)	8,346	8,058	2,935	2,680
Ram Sigorta Aracılık A.Ş. (**)	-	4,529	-	957
Diğer (1)	32,098	8,654	5,581	3,193
	923,126	**735,684**	**311,206**	**235,239**

(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.

(**) The balance consists of premiums paid and accrued by Ram Sigorta Aracılık Hizmetleri A.Ş. which operates as an insurance agency, for the period ending as of September 30, 2018 related to the policies issued by third party insurance companies.

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

20. Transactions and balances with related parties (continued)

Foreign trade good, material and service purchase:

	1 January - 30 September 2018	1 January - 30 September 2018	1 July - 30 September 2017	1 July - 30 September 2017
Fiat [2]	6,159,823	5,569,496	1,809,486	1,563,353
Other [1]	41,246	55,994	15,197	15,664
	6,201,069	**5,625,490**	**1,824,683**	**1,579,017**

Interest income from related parties, for the nine-month period ended 30 September 2018 is TL 50,983 (30 September 2017: TL 29,333).

Salaries and similar benefits paid to the top management (30 September 2018: 33 persons, 30 September 2017: 33 persons) for the nine-month period of 2018 is TL 12,228 (30 September 2017: TL 11,497).

Furthermore, as of 30 September 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 TL 324,782 (31 December 2017: TL 320,780).

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 ("TL") unless otherwise indicated.)

21. Financial instruments and financial risk management (Continued)

Types of credit exposed by types of financial instruments;

	Trade receivables					**Receivables from**
30 September 2018	**Related party**	**Other party**	**Other receivables**	**Bank Deposit (Note 3)**	**Derivative instruments**	**finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**1,912,462**	**652,387**	**3,242**	**1,913,631**	**761,905**	**2,416,166**
- Maximum risk secured by guarantee (2)	**33,700**	**825,333**	**-**	**-**	**-**	**2,969,749**
A. Net book value of financial assets neither overdue nor impaired	**1,905,647**	**595,356**	**3,242**	**1,913,631**	**761,905**	**2,360,697**
- Maximum risk secured by guarantee	33,297	797,073	**-**	**-**	**-**	2,947,184
B. Net book value of assets overdue but not impaired	6,815	56,812	**-**	**-**	**-**	**22,793**
- Maximum risk secured by guarantee	403	28,260	-	-	-	22,565
C. Net book value of impaired assets	**-**	**219**	**-**	**-**	**-**	**32,676**
- Overdue (gross book value)	-	10,567	-	-	-	78,582
- Impairment (-)	-	(10,349)	-	-	-	(45,906)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	26,091
D. Off- balance sheet items having credit risk	-	-	-	-	-	-

	Trade receivables					
31 December 2017	**Related parties**	**Other parties**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Receivables from finance operations**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**959,280**	**805,479**	**186**	**2,625,657**	**613,811**	**2,536,117**
- Maximum risk secured by guarantee (2)	34,250	817,406	-	-	-	3,068,049
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	33,946	779,448	-	-	-	3,054,986
B. Net book value of assets overdue but not impaired	5,683	84,533	-	-	-	15,956
- Maximum risk secured by guarantee	304	37,958	-	-	-	13,063
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 ("TL") unless otherwise indicated.)

21. Financial instruments and financial risk management (Continued)

Aging analysis of trade receivables and receivables from finance operations

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

30 September 2018	
1- 30 days past due	45,587
1- 3 months past due	26,607
3- 12 months past due	5,814
1- 5 years past due	8,412
Total	**86,420**

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
Total	**106,172**

Amount secured with guarantees

As of 30 September 2018, TL 3,287 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2017: TL 2,886). As of 30 September 2018, the Group's payables to Fiat amount to TL 2,665,316 (31 December 2017: TL 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, Egea and Mini Cargo are guaranteed by Fiat and PSA through future purchases. As of 30 September 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 ("TL") unless otherwise indicated.)

21. Financial instruments and financial risk management (continued)

		Table of foreign currency position			
	30 September 2018	**TL equivalent (functional currency)**	**USD**	**EUR**	**Other**
1.	Trade receivables	1,845,271	234	265,286	-
2a.	Monetary financial assets (including cash, bank accounts)	2,294,012	26	330,028	-
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	5,422	-	780	-
4.	**Current assets (1+2+3)**	**4,144,705**	**260**	**596,094**	**-**
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets (5+6+7)**	**-**	**-**	**-**	**-**
9.	**Total assets (4+8)**	**4,144,705**	**260**	**596,094**	**-**
10.	Trade payables	(2,698,742)	(845)	(387,535)	(15)
11.	Financial liabilities (*)	(1,874,703)	-	(269,722)	-
12a.	Monetary other liabilities	-	-	-	-
12b.	Non-monetary other liabilities	(25,532)	-	(3,673)	-
13.	**Current liabilities (10+11+12)**	**(4,598,977)**	**(845)**	**(660,930)**	**(15)**
14.	Trade payables	-	-	-	-
15.	Financial liabilities (*)	(2,551,758)	-	(367,133)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(2,551,758)**	**-**	**(367,133)**	**-**
18.	**Total liabilities (13+17)**	**(7,150,735)**	**(845)**	**(1,028,063)**	**(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)**	**(3,006,030)**	**(585)**	**(431,969)**	**(15)**
21.	**Net foreign currency asset/(liability) position of monetary items (1+2a+3+5+6a+10+11+12a+14+15+16a)**	**(2,980,498)**	**(585)**	**(428,296)**	**(15)**
22.	**Total fair value of financial instruments used for foreign currency hedging**	-	-	-	-
23.	Export	11,016,419	-	2,029,687	-
24.	Import	6,478,636	4,032	1,209,042	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 September 2018 is TL 240,552 foreign currency liability.

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

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 TL 65,992 foreign currency liability position.

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

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 September 2018 and 31 December 2017:

	Foreign exchange rate sensitivity analysis table			
	30 September 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 TL:				
1- USD net asset/liability	(350)	350	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(350)**	**350**	**-**	**-**
In case 10% appreciation of EUR against TL:				
4- EUR net asset/liability	(297,687)	297,687	-	-
5- Amount hedged for EUR risk (-)	345,136	(345,136)	-	-
6- EUR net effect (4+5)	**47,449**	**(47,449)**	**-**	**-**
In case 10% appreciation of other exchange rates against TL:				
7- Other exchange rates net asset/liability	-	-	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9- Other exchange rates net effect (7+8)	**-**	**-**	**-**	-
	47,099	**(47,099)**	**-**	**-**

	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)	-	-
6- EUR net effect (4+5)	**(83,160)**	**83,160**	**-**	**-**
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**	**-**	**-**

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

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 September 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:

	30 September 2018	31 December 2017
Change in interest rates	0.50	0.50
Effect on net income before for taxes	4,967	(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 September 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)
Bank loans	6,293,881	6,669,547	1,614,038	1,219,723	3,835,786	-
Trade payables	4,497,603	4,526,716	3,538,072	988,644	-	-
Other current liabilities	497,490	550,820	157,136	277,907	115,777	-

Expected maturities (or per agreement 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)
Derivative financial assets (net)	17,196	3,209,513	17,873	-	3,191,640	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	17,196	3,209,513	17,873	-	3,191,640	-

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

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 ("TL") unless otherwise indicated.)

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 September 2018

	Level 1	**Level 2**	**Level 3**
Investment property	**-**	**31,175**	**-**
Derivatives held for trading	**-**	**17,196**	**-**

31 December 2017

	Level 1	Level 2	Level 3
Investment property	-	31,175	-
Derivatives held for trading	-	5,650	-

As of 30 September 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 September 2018.

22. Subsequent events

There is no significant subsequent event to be disclosed.