Tofaş Türk Otomobil Fabrikası A.Ş.

Convenience translation into English of condensed consolidated financial statements for the interim period 1 January - 31 March 2018

(Originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası A.Ş.
Interim condensed consolidated fınancıal statements for the ınterım perıod 1 January - 31 March 2018

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	Notes	*Unaudited* 31 March 2018	*Audited* 31 December 2017
ASSETS			
Current assets:			
Cash and cash equivalents	3	2,610,101	2,625,681
Financial assets	4	543	613,811
Trade receivables			
- Related parties	*20*	*882,522*	*959,280*
- Third parties	*6*	*751,475*	*805,479*
Receivables from finance sector operations	7	1,333,756	1,339,483
Other receivables		1,244	186
Inventories	8	1,113,869	1,055,582
Prepaid expenses	13	89,979	89,738
Current tax assets		12,382	986
Other current assets	13	274,002	235,755
Total current assets		**7,069,873**	**7,725,981**
Non-current assets:			
Receivables from finance sector operations	7	1,192,697	1,196,634
Other receivables		147	147
Derivative instruments		6,485	5,650
Investment properties	9	31,175	31,175
Property, plant and equipment	10	2,309,859	2,350,019
Intangible assets	11	1,660,039	1,703,865
Prepaid expenses	13	73,969	92,229
Deferred tax assets	18	811,608	769,448
Total non-current assets		**6,085,979**	**6,149,167**
Total assets		**13,155,852**	**13,875,148**

These consolidated financial statements for the period ended 1 January - 31 March 2018 have been approved for issue by the Board of Directors on 26 April 2018.

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

	Notes	*Unaudited* 31 March 2018	*Audited* 31 December 2017
LIABILITIES			
Current liabilities:			
Short-term financial liabilities	5	90,800	679,920
Short-term portion of long-term financial liabilities	5	1,921,007	1,900,391
Trade payables			
- Related parties	*20*	2,337,298	2,035,499
- Third parties	*6*	1,673,503	1,830,107
Employee benefit liabilities		70,708	97,451
Other payables		80,538	25,561
Government incentives and grants		8,374	8,374
Deferred income		44,767	47,382
Income tax liabilities		4,242	-
Short-term provisions	12	150,068	211,029
Other current liabilities	13	187,819	9,638
Total current liabilities		**6,569,124**	**6,845,352**
Non-current liabilities:			
Long-term financial liabilities	5	3,386,181	3,230,600
Government incentives and grants		19,830	21,924
Long-term provisions			
- Provisions for employment termination benefits		*193,104*	*194,235*
Total non-current liabilities		**3,599,115**	**3,446,759**
Total liabilities		**10,168,239**	**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		*(39,852)*	*(36,419)*
Other comprehensive losses to be reclassified under profit or losses			
- Cumulative losses on hedging		*(787,275)*	*(672,364)*
Restricted reserves		387,363	309,863
Retained earnings		2,254,002	1,850,757
Net profit for the year		324,993	1,282,818
Total equity		**2,987,613**	**3,583,037**
Total liabilities and equity		**13,155,852**	**13,875,148**

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of profit and loss
for the interım periods ended 31 March 2018 and 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	*Unaudited* 1 January - 31 March 2018	*Unaudited* 1 January - 31 March 2017
Revenue	14	4,441,125	4,098,261
Cost of sales (-)	14	(3,977,633)	(3,704,980)
Gross profit from operations		**463,492**	**393,281**
Revenue from finance sector operations		117,491	96,624
Expenses from finance sector operations (-)		(89,270)	(69,693)
Gross profit from finance sector operations		**28,221**	**26,931**
Gross profit		**491,713**	**420,212**
Marketing expenses (-)	15	(74,504)	(72,433)
General administrative expenses (-)	15	(71,528)	(64,079)
Research and development expenses (-)		(19,443)	(10,860)
Other income from main operations	16	260,012	435,751
Other expense from main operations (-)	16	(319,488)	(491,022)
Operating profit		**266,762**	**217,569**
Financial income	17	307,785	446,316
Financial expense (-)	17	(253,594)	(433,317)
Profit before tax		**320,953**	**230,568**
Tax income for the period		**4,040**	**31,840**
- Taxes on income	18	(6,007)	(4,636)
- Deferred tax income	18	10,047	36,476
Net profit for the period		**324,993**	**262,408**
Attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		324,993	262,408
Earnings per share (Kr)	**19**	**0.65**	**0.52**

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of other comprehensive income for the interim periods ended 31 March 2018 and 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Unaudited 1 January - 31 March 2018	*Unaudited* 1 January - 31 March 2017
Net profit for the year	**324,993**	**262,408**
Other comprehensive income:		
Other comprehensive income not to be reclassified under profit and loss		
- Actuarial (loss) / gain on employment termination benefit obligation	(4,342)	-
Taxes relating to other comprehensive income not to be reclassified under profit and loss		
Actuarial loss on post employment termination benefit obligation, tax effect	909	-
Other comprehensive income to be reclassified under profit and loss		
-Losses on hedging	(146,115)	(80,731)
Taxes relating to other comprehensive income to be reclassified under profit and loss		
-Losses on hedging, tax effect	31,204	16,146
Other comprehensive (loss)	**(118,344)**	**(64,585)**
Total comprehensive income	**206,649**	**197,823**
Total comprehensive income attributable to:		
Non-controlling interests	-	-
Parent company interests	206,649	197,823

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

Tofaş Türk Otomobil Fabrikası A.Ş.

Consolidated statements of changes in equity
for the interım periods ended 31 March 2018 and 2017
(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

			Other compherensive income not to be reclassified under profit and loss	Other compherensive 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 interests	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	-	-	-	(64,585)	-	-	262,408	197,823	-	197,823
Dividends paid	-	-	-	-	-	(350,000)	-	(350,000)	-	(350,000)
Balances at 31 March 2017	**500,000**	**348,382**	**(23,222)**	**(442,914)**	**309,863**	**1,850,757**	**262,408**	**2,805,274**	**-**	**2,805,274**
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**
Adjustment to change in accounting policy(Note 2)	-	-	-	-		(2.073)	-	(2.073)	-	(2.073)
Transfers	-	-	-	-	77,500	1,205,318	(1,282,818)	-	-	-
Total comprehensive income	-	-	(3,433)	(114,911)	-	-	324,993	206,649	-	206,649
Dividends paid	-	-	-	-	-	(800,000)	-	(800,000)	-	-
Balances at 31 March 2018	**500,000**	**348,382**	**(39,852)**	**(787,275)**	**387,363**	**2,254,002**	**324,993**	**2,987,613**	**-**	**2,987,613**

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

Consolidated statements of cash flows for the interim periods ended 31 March 2018 and 2017

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

	Notes	*Unaudited* 31 March 2018	*Unaudited* 31 March 2017
A. Cash flows from operating activities:		**838,493**	**697,664**
Net profit for the period		324,993	262,408
Adjustments to reconcile profit for the period		**235,215**	**154,478**
- Depreciation and amortization		188,456	158,955
- Adjustments related to interest income	17	(39,764)	(16,387)
- Adjustments related to provision for inventories	8	8,935	4,701
- Gain on sale of property, plant and equipment		(133)	(343)
- Provision for employment termination benefits		11,357	9,699
- Adjustments related to fair value losses (gains) on derivative financial instruments	17	(836)	-
- Adjustments related to warranty provisions	12	20,224	19,244
- Adjustments related to doubtful receivables		6,355	3,348
- Adjustments related to interest expense	17	18,889	22,773
- Adjustments for tax losses/ income	18	(4,040)	(31,840)
- Due date charges on term purchases	16	3,072	3,713
- Adjustments related to unrealized (loss) / gain on foreign currency differences		22,700	(19,385)
Changes in net working capital		**375,448**	**312,396**
- Change in inventories		(67,222)	(56,025)
- Change in receivables from third parties		89,922	(10,360)
- Change in receivables from related parties		78,432	85,513
- Change in other receivables from operating activities		(1,058)	417
- Change in trade payables due to third parties		(198,352)	(111,283)
- Change in trade payables due to related parties		301,799	299,478
- Change in receivables from finance sector operations		6,067	66,182
- Change in prepaid expenses		18,019	(38,257)
- Change in deferred revenue		(2,615)	(169)
- Change in government incentives and grants		(2,094)	(2,094)
- Change in other assets from operating activities		(37,661)	(34,521)
- Change in other liabilities from operating activities		190,211	113,514
Net cash generated from operating activities		**935,656**	**729,282**
- Income taxes paid		(13,161)	(4,301)
- Payments related to employment termination benefits		(16,830)	(11,433)
- Other cash outflows		(67,172)	(15,884)
B. Cash flows from investing activities		**559,844**	**(89,234)**
- Purchases of tangible assets	10	(60,991)	(91,729)
- Purchases of intangible assets	11	(44,184)	1,460
- Proceeds from sale of tangible assets		838	(92,953)
- Interest received		50,913	44,538
- Change in financial assets		613,268	49,450
C. Cash flows from financing activities		**(1,481,511)**	**(219,031)**
- Proceeds from financial liabilities		-	125,000
- Bank loans paid		(680,236)	(298,910)
- Dividend paid		(800,000)	-
- Interest paid		(1,275)	(45,121)
Net increase / (decrease) in cash and cash equivalents before currency translation differences		**(83,174)**	**389,399**
D. Effects of currency translation differences on cash and cash equivalents		**80,884**	**96,007**
Net change in cash and cash equivalents		**(2,290)**	**485,406**
E. Cash and cash equivalents at the beginning of the period		**2,582,067**	**2,185,361**
Cash and cash equivalents at the end of the period	**3**	**2,579,777**	**2,670,767**

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

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

		Rate of ownership of the Company (%)	
Name of the company	**Operating area**	**31 March 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:

	31 March 2018	31 December 2017
Blue-collar	7,263	7,974
White-collar	1,747	1,681
	9,010	**9,624**

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Financial reporting standards

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

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

2.1 Basis of presentation (Continued)

2.1.1 Financial reporting standards (Continued)

Group prepared its condensed consolidated interim financial statements for the period ended 31 March 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 accordance with the decision taken in the CMB meeting held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period.

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

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

2.1.2 Comparatives and adjustment of prior periods' financial statements

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

2.1.3 Functional and reporting currency

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

NOTE 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

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

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

a) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle. In calculation of the warranty provision; vehicle quantity, warranty period and the historical warranty claims incurred are considered. As of 31 March 2018, the amount of guarantee expense is TRY 20,224 (31 March 2017: TRY 19,244) (Note 12).

b) A specific credit risk provision for loan impairment has been established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. 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. As of 31 March 2018, general provisions for finance loans amounted to TRY 26,319 (31 December 2017: TRY 26,532) has been booked in the consolidated financial statements (Note 7).

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'slegal counsels about the possibility of losing the lawsuits and results that will be incurred if the lawsuit is lost.

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.

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 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.5 Significant accounting judgments, estimates and assumptions (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.

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

2.2 Amendments in Turkish Financial Reporting Standards

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

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

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

The amendments did not have a significant impact on the Group's financial position and performance except for TFRS 15 and TFRS 9. The effect of TFRS 15 and TFRS 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)

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

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

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

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

2.3 Summary of significant accounting policies

The condensed consolidated interim financial statements as of and for the period ended 31 March 2018 have been prepared in accordance of TAS 34.

The accounting policies used in the preparation of these condensed interim consolidated financial statements as of and for the period ended 31 March 2018 are consistent with those used in the preparation of annual consolidated financial statements as of and for the year ended 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.

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.

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

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

2.4 Changes in significant accounting policies (Continued)

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 Ocak 2018 – Before the change	The Effect of new standard	1 Ocak 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 March 31, 2018, the effects of TFRS 15 are as follows:

	Before Change	The effect of new standard	After Change
Other current liabilities	185,925	1,894	187,819
Deferred tax	10,464	(417)	10,047
Deferred tax assets	811,191	417	811,608
Net profit for the period	326,470	1,477	324,993

TFRS 9 Financial Instruments

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 TL 505 has been recorded as of March 31, 2018.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash on hand	12	24
Due from banks		
- time deposits	*2,501,943*	*2,557,799*
- demand deposits	*108,146*	*67,858*
	2,610,101	**2,625,681**

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

	31 March 2018		31 December 2017	
	Amount	Effective interest rate per annum (%)	Amount	Effective interest rate per annum (%)
EUR	1,771,183	1,50-1,80	1,228,391	1.55 – 2.50
TRY	730,760	14,45-14,60	1,329,318	14.20 – 15.65
	2,501,943		**2,557,799**	

As of 31 March 2018, the maturities of time deposits vary between 3 and 28 days (31 December 2017: between 4 and 49 days).

As of 31 March 2018, the cash at banks comprise time and demand deposits amounting to TRY 1,746,724 (31 December 2017: TRY 1,679,752) which are deposited at a bank which is a related party of the Group.

As of 31 March 2018 and 2017, the reserves of cash and cash equivalent in cash flow statement;

	31 March 2018	31 March 2017
Cash and banks	2,610,102	2,672,982
Less: interest accruals	(1,392)	(2,215)
Less: restricted cash	(28,932)	-
	2,579,778	**2,670,767**

NOTE 4 - FINANCIAL ASSETS

a) Short-term financial assets:

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

b) Available for sale financial investments:

As of 31 March 2018, the Group has available for sale financial investments amounting to TRY 543 (31 December 2017: TRY 672).

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

NOTE 5 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	31 March 2018			31 December 2017		
	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)	Original amount (thousand)	TRY equivalent	Interest rate per annum (%)
Borrowings in EUR	-	-	-	135,000	589,120	0.40
Borrowings in TRY (*)	-	90,800	14.39-15.75	-	90,800	14.39 - 15.75
		90,800			**679,920**	

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

	31 March 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 (*)	-	834,487	13.13 - 19.16	-	861,599	11.00 - 18.25
Borrowings in EUR	167,167	813,652	Euribor+0.55 - Eurobior+2.90	164,227	741,568	Euribor+0.55 - Euribor + 2.90
Borrowings in USD (*)	10,694	42,230	3.89	10,000	39,962	3.89
Bonds ([1,2,3,...7])	230.638	230.638	11,13- 15,22	257,262	257,262	11.13 - 15.22
		1,921,007			**1,900,391**	

c) Long-term financial liabilities

	31 March 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	430,872	2,097,183	Euribor+0.55- Euribor+2.90	435,039	1,964,420	Euribor+0.55- Euribor+2.90
Borrowings in TRY (*)	-	1,079,753	13.13 - 19.16	-	1,064,244	11.00 - 18.25-
Bonds ([1,2,3,...7])	209,245	209,245	11.13- 15.22	201,936	201,936	11.13 - 15.22
		3,386,181			**3,230,600**	

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

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

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

(3) In accordance with the minutes of Board of Directors meeting held on 20 September 2017, based on the required authorization of the Capital Markets Law, the Group issued 18-month maturity bonds on 5 December 2017, with a nominal amount of TRY50,000 and at an interest rate by 15.04%. The bonds have been sold to qualified investors by the closed issuance method through the agency of Yapı Kredi Yatırım Menkul Değerler A.Ş..

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

(5) Based on the board of directors meeting decision at 26 February 2016 of Group’s subsidiary KFK, according to the Capital Market Law with the necessary permission, commercial papers amounting to TRY 75,000 comprise of bonds which is issued on 4 November 2016 with 18 months maturity, %11,82 coupon interest rate, with principle and interest payment at maturity. These commercial papers were sold to Yapı Kredi Yatırım Menkul Değerler A.Ş. which is a related party to the Group with closed issuance.

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

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

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

As of 31 March 2018, TRY 729,042 (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.

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

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

	31 March 2018	31 December 2017
1-2 years	1,654,016	1,478,034
2-3 years	835,389	920,603
3-4 years	535,306	496,615
4-5 years	361,470	335,348
	3,386,181	**3,230,600**

In 2011, The Group has obtained a credit line by EUR 36 million in order to use in capacity increase of New Doblo constructions. The repayment of principle amounts will be on equal installments starting in 2012 until 2018. As of 31 March 2018, the unpaid portion of the loan amount to TRY 25,031 (equivalent of EUR 5,143 thousand) (31 December 2017: TRY 23,223 (equivalent of EUR 5,143 thousand)).

The Group has obtained a loan of TRY 133,850 (equivalent of EUR 27,500 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 31 March 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 81,122 (equivalent of EUR 16,666 thousand) on the consolidated financial statements (31 December 2017: TRY 94,071 (equivalent of EUR 20,833 thousand)).

The Group signed the long-term external financing amounting by EUR 250 million with HSBC Bank plc, J.P. Morgan Limited, Societe General and BNP Paribas as authorized regulators and HSBC Bank plc, J.P Morgan Limited/ JPMorganChase Bank N.A London Branch, Societe General and BNP Paribas Fortis SA/NV as creditor, HSBC Bank Plc as coordinator corporation and BNP Paribas Fortis SA/NV as per procuration on 17 February 2015, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 695,328 (equivalent of EUR 142,857 thousand) (31 December 2017: TRY 645,071 (equivalent of EUR 142,857 thousand)).

The Group signed the loan agreement within the scope of guarantee of SACE amounting to EUR 200 million with HSBC Bank Plc and ING Bank, a branch of ING-Diba AG as authorized regulators and creditors, HSBC Bank Plc as coordinator corporation and per procuration on 11 August 2015. Considering the expected loan usage schedule and average term of the aforementioned six-monthly paid loan with the due date of December 2022, yearly total cost will be 6 months Euribor + 2.4%. As of 31 March 2018, the carrying amount of aforementioned loan in the consolidated balance sheet is TRY 748,815 (equivalent of EUR 153,846 thousand) (31 December 2017: TRY 694,692 (equivalent of EUR 153,846 thousand)).

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 31 March 2018 the remaining amount is TRY 309,737 (the equivalent of EUR 63,636 thousand).

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

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 31 March 2018: TRY 748,815 (equivalent of EUR 153,846 thousand)
(31 December 2017: TRY 694,692 (equivalent of EUR 153,846 thousand)).

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

	31 March 2018	31 December 2017
Trade receivables	759,005	820,239
Doubtful trade receivables	10,628	7,364
Less: provision for doubtful receivables	(10,409)	(7,146)
Less: unearned credit finance income	(7,749)	(14,978)
	751,475	**805,479**

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

	31 March 2018	31 March 2017
1 January	7,146	7,119
Current year provision	3,263	-
31 March	**10,409**	**7,119**

<u>Collaterals received related with trade receivables</u>

As of 31 March 2018, the letter of guarantees amounting to TRY101,887 guarantee cheques and notes amounting to TRY2,274 mortgages amounting to TRY45,248 and direct debit system limit (payment guarantee limit secured by the banks) obtained as collateral for Group's trade receivables amount to TRY706,543, respectively (31 December 2017: letter of guarantees amounting to TRY105,452, guarantee cheques and notes amounting to TRY2,274 , mortgages amounting to TRY49,748 and direct debit system limit amounting to TRY659,932).

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables

	31 March 2018	31 December 2017
Trade payables	1,691,484	1,849,418
Less: not accrued credit finance expense	(17,981)	(19,311)
	1,673,503	**1,830,107**

NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

	31 March 2018	31 December 2017
Short-term consumer financing loans	1,321,631	1,327,381
Non-performing loans	67,744	66,209
	1,389,375	**1,393,590**
Provisions for impairment on loans		
Provision for specific loan impairment	(41,629)	(39,980)
Provision for general loan impairment	(13,990)	(14,127)
	1,333,756	**1,339,483**
Long-term consumer financing loans	1,205,026	1,209,039
Provision for general loan impairment		
Provision for general loan impairment	(12,329)	(12,405)
	1,192,697	**1,196,634**

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

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

Years	31 March 2018	31 December 2017
1 to 2 years	704,146	703,788
2 to 3 years	369,043	363,796
3 to 4 years	119,346	128,966
4 years and more	162	84
	1,192,697	**1,196,634**

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

NOTE 7 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Movements in the allowance for loan impairment are as follows:

	31 March 2018	31 March 2017
1 January	66,512	55,275
Current year provision	3,597	3,348
Recoveries from loans under follow-up	(2,161)	(1,406)
31 March	**67,948**	**57,217**

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. As of 31 March 2018, the fair value of guarantees obtained for the consumer loans amounting to TRY 3.063.740 (31 December 2017: TRY 3.068.049). Furthermore, the Group obtains mortgage guarantees where necessary. The Group has mortgage guarantee on vehicles for all consumer financing loans that Group booked special provision amounting to TRY 21,445 (31 December 2017: TRY 21,973) as of 31 March 2018.

NOTE 8 – INVENTORIES

	31 March 2018	31 December 2017
Raw materials	330,600	223,297
Work-in-progress	83,952	205,305
Finished goods	237,387	247,466
Imported vehicles	93,574	162,791
Spare parts	79,634	73,694
Goods in transit	326,175	171,547
Less: provision for impairment on inventories	(37,453)	(28,518)
Total	**1,113,869**	**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	-	3,242
Current year provision	(8,935)	(4,701)
31 March	**(37,453)**	**(8,923)**

NOTE 9 - INVESTMENT PROPERTIES

For the interim period ended 31 March 2018 and 2017, the movement of investment properties is as follows:

	2018	2017
1 January, net book value	31,175	30,370
Fair value increase	-	-
31 March, net book value	**31,175**	**30,370**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 31 March 2018 is as follows:

	Land, land Improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	462,954	5,093,048	622,766	82,434	12,623	15,325	6,289,150
Accumulated depreciation	(235,238)	(3,251,062)	(389,432)	(55,972)	(7,427)	-	(3,939,131)
Net book value	**227,716**	**1,841,986**	**233,334**	**26,462**	**5,196**	**15,325**	**2,350,019**
1 January 2018, net book value	227,716	1,841,986	233,334	26,462	5,196	15,325	2,350,019
Additions	-	-	13	84	3	60,891	60,991
Disposals, net	-	(99)	(36)	(570)	-	-	(705)
Transfers	567	26,037	5,217	7,147	-	(38,968)	-
Depreciation charge for the period	(2,209)	(82,750)	(12,420)	(2,731)	(336)	-	(100,446)
31 March 2018, net book value	**226,074**	**1,785,174**	**226,108**	**30,392**	**4,863**	**37,248**	**2,309,859**
As of 31 March 2018							
Cost	454,031	4,801,679	568,007	60,096	12,148	37,248	5,933,209
Accumulated depreciation	(227,957)	(3,016,505)	(341,899)	(29,704)	(7,285)	-	(3,623,350)
31 March 2018, net book value	**226,074**	**1,785,174**	**226,108**	**30,392**	**4,863**	**37,248**	**2,309,859**

As of 31 March 2018, there are no pledges or collaterals on property, plant and equipment (31 December 2017: None).

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and the accumulated depreciation for three months period ended 31 March 2017 is as follows:

	Land, land improvements and buildings	Machinery and equipments	Furniture and fixtures	Vehicles	Leasehold improvements	Construction in progress	Total
As of 1 January							
Cost	456,988	4,717,797	554,310	72,753	11,233	76,785	5,889,866
Accumulated depreciation	(226,686)	(2,945,388)	(343,768)	(46,604)	(6,802)	-	(3,569,248)
Net book value	**230,302**	**1,772,409**	**210,542**	**26,149**	**4,431**	**76,785**	**2,320,618**
1 January 2017, net book value	230,302	1,772,409	210,542	26,149	4,431	76,785	2,320,618
Additions	28	5,838	405	-	-	85,458	91,729
Disposals, net	-	(54)	(38)	(1,025)	-	-	(1,117)
Transfers	152	119,058	10,498	6,171	-	(135,879)	-
Depreciation charge for the period	(2,097)	(69,017)	(10,475)	(2,315)	(113)	-	(84,017)
31 March 2017, net book value	**228,385**	**1,828,234**	**210,932**	**28,980**	**4,318**	**26,364**	**2,327,213**
As of 31 March 2017							
Cost	457,168	4,842,639	565,175	77,899	11,233	26,364	5,980,478
Accumulated depreciation	(228,783)	(3,014,405)	(354,243)	(48,919)	(6,915)	-	(3,653,265)
31 March 2017, net book value	**228,385**	**1,828,234**	**210,932**	**28,980**	**4,318**	**26,364**	**2,327,213**

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

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

NOTE 11 - INTANGIBLE ASSETS

The movements of intangibles for the period as of 31 March 2018 and 2017, are as follows:

	Licenses fee and development costs	Other	Total
As of 1 January			
Cost	3,427,131	117,031	3,544,162
Accumulated amortization	(1,755,879)	(84,418)	(1,840,297)
Net book value	1,671,252	32,613	1,703,865
1 January 2018, net book value	1,671,252	32,613	1,703,865
Additions	48,327	-	48,327
Amortization charge for the period	(89,588)	(2,565)	(92,153)
31 March 2018, net book value	**1,629,991**	**30,048**	**1,660,039**
As of 31 March 2018	3,324,965	264,753	3,589,718
Cost	(1,694,974)		(1,929,679)
		(234,705)	
Accumulated amortization			
	1,629,991	30,048	1,660,039
31 March 2018, net book value	3,324,965	264,753	3,589,718

	Licenses fee 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	93,647	1,400	95,047
Amortization charge for the period	(75,077)	(1,955)	(77,032)
31 March 2017, net book value	**1,765,179**	**23,035**	**1,788,214**
As of 31 March 2017			
Cost	3,263,382	99,910	3,363,292
Accumulated amortization	(1,498,203)	(76,875)	(1,575,078)
31 March 2017, net book value	**1,765,179**	**23,035**	**1,788,214**

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

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Short-term provisions:

	31 March 2018	31 December 2017
Provision for warranty claims	134,291	135,401
Provision for legal cases	9,674	7,754
Administrative expense accruals	-	6,312
Other	6,103	61,562
	150,068	**211,029**

Movement of the warranty provision is as follows:

	2018	2017
1 January	135,401	91,551
Paid during the period	(14,843)	(15,884)
Increase during the period	20,224	19,244
The effect of TFRS 15	(6,491)	-
31 March	**134,291**	**94,911**

Movement of the provision for litigation is as follows:

	2018	2017
1 January	7,754	5,857
Increase during the period	1,920	-
31 March	**9.674**	**5.857**

Litigations against the Group

As of 31 March 2018 the total amount of outstanding legal claims brought against the Group is TRY 13,075 (31 December 2017: TRY 11,128). The Group has reflected a reserve amounting to TRY 9,674 (31 December 2017: TRY 7,754) in the financial statements.

Tax penalties

In the tax inspection reports, prepared based on the tax audits carried out by the tax authority, various payments made to foreign based tax payer institutions are criticized in the scope of withholding and VAT.

In this context, no consensus has been reached during the negotiations with the Central Reconciliation Commission in accordance with the Tax Procedure Law for disputes related to tax penalties amounting to TL 131 million, excluding the default interest notified for the periods between 2007 and 2012 and it is foreseen to be solved through the legal process.

According to the Group, tax practices subject to criticism, is in compliance and consistent with the related regulations and international agreements regarding to the prevention of double taxation. It is foreseen that, the final decision through the legal process possibily will be in favor of the company.

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

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

Guarantees provided by the Group:

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

		31 March 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	16,619	2,000	6,884	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	**16,619**	**2,000**	**6,884**	**358,733**	**77,000**	**11,039**

As of 31 March 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 31 March 2018 the Group has realized USD 2,478,024,609 of export commitments numbered 2017/D1-03216 dated 23 May 2017 to be realized until 22 October 2018 in connection with the export incentive certificates amounting to USD 3,007,737,000. The Group has realized USD 1,083,291,990 of export commitments in connection with the export incentive certificates amounting to USD 1,867,164,580. The Group has realized USD 3,538,334,664 of export commitments numbered 2016/D1-2494 dated 06 May 2016 to be realized until 05 November 2018 in connection with the export incentive certificates amounting to USD 3,484,607,140. In connection with the export incentive certificates amounting to USD 2,176,924,124 the Group has realized USD 1,423,233,190.

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

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

a) Other current assets

	31 March 2018	31 December 2017
Value Added Tax ("VAT")	263,599	228,216
Other	10,403	7,539
	274,002	**235,755**

b) Short-term prepaid expenses

	31 March 2018	31 December 2017
Credit commission expenses (*)	44,668	47,447
Advances given	15,389	18,053
Other	29,922	24,238
	89,979	**89,738**

c) Non-current prepaid expenses

As of 31 March 2018, TRY 73,969 (31 December 2017: TRY 92,229) non-current prepaid expenses are composed of advances given for fixed asset purchases.

d) Other current liabilities

	31 March 2018	31 December 2017
Expense accruals	183,310	-
Taxes and funds payable	-	808
Other	4,509	8,830
Total	**187,819**	**9,638**

NOTE 14 - REVENUE AND COST OF SALES

a) Net sales

	1 January - 31 March 2018	1 January - 31 March 2017
Export sales	3,439,723	3,228,240
Domestic sales	961,347	838,990
Other income from operational activities	40,055	31,031
	4,441,125	**4,098,261**

The amount of sales discounts is TRY 77,395 (31 March 2017: TRY 80,665).

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

NOTE 14 - REVENUE AND COST OF SALES (Continued)

b) Production and sales quantities

	Production		Sales	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
Manufactured vehicles				
Egea Hatchback	28,005	35,235	27,689	34,589
New Doblo	28,743	24,607	28,035	26,322
Egea	11,617	16,326	13,981	15,704
MCV	16,070	15,953	15,344	16,711
Linea	-	1,642	638	1,600
	84,435	**93,763**	**85,687**	**94,926**

	Import		Sales	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
Imported vehicles				
Ducato	170	483	769	968
Jeep	156	184	530	307
Fullback	1	170	4	327
Alfa Romeo	37	87	33	115
Grande Punto	-	85	49	102
Fiat 500	44	45	197	251
Lancia	-	31	1	-
Maserati	17	8	11	9
Ferrari	4	1	4	1
Panda Futura	6	-	5	16
Transit sales	-	-	-	26
	435	**1.094**	**1.603**	**2.122**

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

NOTE 14 - REVENUE AND COST OF SALES (Continued)

c) Cost of sales	1 January - 31 March 2018	1 January - 31 March 2017
Direct material expense	3,224,118	2,998,598
Depreciation and amortization expense	179,997	154,251
Direct labor expense	71,168	56,437
Other production expenses	125,748	114,962
Total cost of production	**3,601,031**	**3,324,248**
Change in work-in-process	121,448	122,016
Change in finished goods	10,669	30,783
Cost of merchandise sold	244,474	227,896
Cost of other sales	11	37
	3,977,633	**3,704,980**

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

	1 January - 31 March 2018	1 January - 31 March 2017
Marketing expenses	74,504	72,433
General administrative expenses	71,528	64,079
Research and development expenses	19,443	10,860
	165,475	**147,372**

a) Marketing expenses

	1 January - 31 March 2018	1 January - 31 March 2017
Warranty expenses	20,224	19,244
Personnel expenses	17,571	14,974
Transportation and insurance expenses	13,328	14,515
Advertisement expenses	9,898	12,143
Exhibition-fair expenses	678	537
Depreciation and amortization expenses	987	474
Other	11,818	10,546
	74,504	**72,433**

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

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

b) General and administrative expenses

	1 January - 31 Mart 2018	1 January - 31 Mart 2017
Personnel expense	29,959	26,690
Outsourcing expenses	7,457	7,253
IT expenses	8,213	7,213
Depreciation and amortization expenses	6,675	5,987
Travel expenses	1,794	1,994
Duties, taxes and levies	1,944	1,958
Insurance expenses	1,635	1,796
Rent expenses	746	695
Other	13,105	10,493
	71,528	**64,079**

NOTE 16 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange gains on operating activities	208,325	407,878
Interest income on operating activities	38,676	20,095
Other	13,011	7,778
	260,012	**435,751**

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange loss on operating activities	(273,291)	(465,857)
Interest expense on operating activities	(41,748)	(23,808)
Other	(4,449)	(1,357)
	(319,488)	**(491,022)**

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

NOTE 17 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange gains	267,185	429,929
Interest income	39,764	16,387
Gain on derivative financial instruments	836	-
Total financial income	**307,785**	**446,316**

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange losses	(234,125)	(410,544)
Interest expenses	(18,889)	(22,773)
Other	(580)	-
Total financial expenses	**(253,594)**	**(433,317)**
Net financial income / (expenses)	**54,191**	**12,999**

NOTE 18 - TAX ASSETS AND LIABILITIES

General

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

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

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

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

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

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

General

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

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

Tax assets and liabilities

Corporation tax

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

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

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

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

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

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

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

Corporation tax

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

For the years ended 31 March 2018 and 2017, the analysis of the tax expense in the profit or loss is as follows:

	1 January- 31 March 2018	1 January - 31 March 2017
Current year corporate tax	(6,007)	(4,636)
Less: prepaid corporate tax (-)	10,047	36,476
Prepaid income tax	**4,040**	**31,840**

b) Deferred tax assets and liabilities

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Unused investment incentive allowances (*)	2,119,179	2,259,120	982,956	917,388
Provision for employment termination benefits and unused vacation	204,643	206,709	41,744	43,365
Deferred income	40,167	23,105	8,837	5,083
Warranty provisions	134,291	135,401	28,767	27,691
Property, plant and equipment and intangibles	(1,297,581)	(1,151,015)	(260,989)	(238,580)
Inventories	44,996	39,422	9,899	8,673
Other	1,791	27,670	394	5,828
Deferred tax asset, net	**1,247,486**	**1,540,412**	**811,608**	**769,448**

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

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

NOTE 18 - TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 31 March 2018	1 January - 31 March 2017
Deferred tax asset at 1 January	769,448	601,580
Deferred tax income	10,047	36,476
Actuarial gain/(loss) on employment termination benefit obligation attributable to equity	909	-
Net gain / (loss) on cash flow hedging attributable to equity (*)	31,204	16,146
Deferred tax assets as of 31 March	**811,608**	**654,202**

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

The analysis of tax expense accounted for under the statement of profit or loss for the interim period ended 31 March 2018 and 2017 is as follows:

	1 January - 31 March 2018	1 January - 31 March 2017
Profit before tax	320,953	230,568
Income tax charge at effective tax rate (20%)	(70,610)	(46,114)
Non-deductible expenses	(271)	-
Research and development incentive expenditures during the period	9,013	7,074
Effect of investment incentive, net	65,568	61,867
Other	340	9,013
	4,040	**31,840**

NOTE 19 - EARNINGS PER SHARE

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In 31 March 2018 and 2017, the weighted average number of shares outstanding is 50,000,000,000 and as of 31 March 2018 and 2017 earnings per share is Kr 0,65 and Kr 0,52 respectively.

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

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

Deposit and financial loan balances from related parties	1 January - 31 March 2018	1 January - 31 March 2017
Yapı ve Kredi Bank A.Ş. (deposit) (1)	1,746,724	1,679,752
Yapı ve Kredi Bank A.Ş. (financial loan) (1)	(729,042)	(863,778)

Trade receivables due from related parties	1 January - 31 March 2018	1 January - 31 March 2017
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	472,586	522,665
Fiat (2)	412,649	440,382
Other (1)	1,336	4,145
Less: Unearned credit finance income	(4,049)	(7,912)
	882,522	**959,280**

Trade payables due to related parties		
Fiat (2)	(2,206,028)	(1,932,230)
Other (1)	(132,280)	(104,545)
Less: Unearned credit finance expense	1,010	1,276
	(2,337,298)	**(2,035,499)**

Related party transactions

Sales

	1 January - 31 March 2018	1 January - 31 March 2017
Fiat (2)	3,375,527	3,119,690
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	392,819	283,618
Other (1)	67,413	260,677
	3,835,759	**3,663,985**

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

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

Domestic goods and services purchases

	1 January - 31 March 2018	1 January - 31 March 2017
Ram Dış Ticaret A.Ş. (1)	108,523	67,777
Magneti Marelli Mako Elektrik San. A.Ş. (1)	50,987	42,888
Matay Otomotiv Yan San. ve Tic. A.Ş. (1)	26,954	25,386
Zer Merkezi Hizmetler ve Ticaret A.Ş. (1)	24,260	24,536
Otokoç Otomotiv Tic. ve San. A.Ş. (1)	16,318	14,063
Magneti Marelli Süspansiyon Sistemleri Tic.Ltd. Şti. (1)	9,912	12,476
Sistemi Comandi Meccanici Otomotiv San. Tic. A.Ş. (1)	10,863	11,116
Plastiform Plastik San. Tic. A.Ş. (1)	12,123	7,969
Setur Servis Turistik A.Ş.(1)	3,204	3,224
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. (1)	2,045	3,016
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.(1)	2,787	2,890
Opet Fuchs Madeni Yağlar Tic. A.Ş. (1)	3,137	2,166
Koç Holding A.Ş. (2) (*)	2,705	1,763
Diğer (1)	18,764	3,832
	292,582	**223,102**

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

(2) Represents the joint ventures.

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

Foreign trade good, material and service purchase:

	1 January - 31 March 2018	1 January - 31 March 2017
Fiat (2)	2,048,475	1,971,188
Other(1)	11,632	27,491
	2,060,107	**1,998,679**

Interest income from related parties, for the three-month period ended 31 March 2018 is TRY 23,170 (31 Mart 2017: TRY 7,126).

Salaries and similar benefits paid to the top management consisting of 29 persons (31 March 2017: 30 persons) for the three-month period of 2018 is TRY 3,924 (31 March 2017: TRY 4,038).

Furthermore, as of 31 March 2018, wholly owned subsidiary KFK has sold through related party the exclusive issuance of bonds and treasury bills to related parties. It is accounted under other financial liabilities with a carrying amount of TRY 320,780 (31 December 2017: TRY 443,287).

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Credit risk

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

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

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

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

Types of credit exposed by types of financial instruments;

	Trade receivables					
31 March 2018	**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) [(1)]	**882,522**	**751,475**	**1,244**	**2,610,089**	**543**	**2,526,453**
- Maximum risk secured by guarantee [(2)]	34,250	672,293	-	-	-	2,526,453
A. Net book value of financial assets neither overdue nor impaired	**859,769**	**654,923**	**1,244**	**2,610,089**	**543**	2,481,304
- Maximum risk secured by guarantee	34,250	672,293	**-**	**-**	**-**	2,481,304
B. Net book value of assets overdue but not impaired	**27,305**	**92,206**	**-**	**-**	**-**	**19,034**
- Maximum risk secured by guarantee	-	-	-	-	-	**-**
C. Net book value of impaired assets	**-**	**-**	**-**	**-**	**-**	**26,115**
- Overdue (gross book value)	-	10,409	-	-	-	67,744
- Impairment (-)	-	(10,409)	-	-	-	(41,629)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	21,445
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) [(1)]	**959,280**	**805,479**	**186**	**2,625,657**	**613,811**	**2,536,117**
- Maximum risk secured by guarantee [(2)]	34,250	817,406	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	953,597	720,728	186	2,625,657	613,811	2,493,932
- Maximum risk secured by guarantee	34,250	817,406	-	-	-	-
B. Net book value of assets overdue but not impaired	5,683	84,533	-	-	-	15,956
- Maximum risk secured by guarantee						
C. Net book value of impaired assets	-	218	-	-	-	26,229
- Overdue (gross book value)	-	7,364	-	-	-	66,209
- Impairment (-)	-	(7,146)	-	-	-	(39,980)
- Net value under guarantee	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	21,973
D. Off- balance sheet items having credit risk	-	-	-	-	-	-

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

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

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

Aging analysis of trade receivables

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

31 March 2018	Trade receivables
1- 30 days past due	88,947
1- 3 months past due	23,048
3- 12 months past due	4,854
1- 5 years past due	21,696
Total	**138,545**

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

Amount secured with guarantees

As of 31 March 2018, TRY 27,305 of total past due receivables of the Group is due from the Group's related party, Fiat (31 December 2017: TRY 2,886). As of 31 March 2018, the Group's payables to Fiat amount to TRY 2,205,018 (31 December 2017: TRY 1,865,131).

Foreign currency risk

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

As explained in detail in Note 5, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Doblo are guaranteed by Fiat and for Mini Cargo by Fiat through future purchases, As of 31 March 2018, loans obtained related with Doblo vehicle project have entirely been repaid. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Egea Stationwagon/Hatchback vehicles is undertaken by Fiat.

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

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

31 March 2018	TRY equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	419,824	149	86,133	-
2a. Monetary financial assets (including cash, bank accounts)	1,775,231	44	364,689	-
2b. Non-monetary financial assets	326,175	-	67,014	-
3. Other	83,358	-	17,126	-
4. Current assets (1+2+3)	**2,604,588**	**193**	**534,962**	**-**
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	68,404	68	13,998	-
8. Non-current assets (5+6+7)	**68,404**	**68**	**13,998**	**-**
9. Total assets (4+8)	**2,672,992**	**261**	**548,960**	**-**
10. Trade payables	(2,192,776)	(840)	(449,806)	(21)
11. Financial liabilities	(807,244)	-	(165,850)	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	(20,426)	-	(4,197)	-
13. Current liabilities (10+11+12)	**(3,020,446)**	**(840)**	**(619,853)**	**(21)**
14. Trade payables	-	-	-	-
15. Financial liabilities	(2,143,080)	(10,000)	(432,188)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. No n-current liabilities (14+15+16)	**(2,143,080)**	**(10,000)**	**(432,188)**	**-**
18. Total liabilities (13+17)	**(5,163,526)**	**(10,840)**	**(1,052,041)**	**(21)**
19. Net asset / (liability) position of off-balance sheet derivative instruments (19a-19b)	39,489	10,000	-	-
19a. Total hedged asset amount	39,489	10,000	-	-
19b. Total hedged liability amount	-	-	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	**(2,451,045)**	**(579)**	**(503,081)**	**(21)**
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(2,864,687)**	**(10,647)**	**(579,896)**	**(21)**
22. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-
23. Export	3,450,618	-	731,916	-
24. Import	1,929,359	1,606	408,935	-

(*) 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 31 March 2018 is TRY 301,170 long foreign currency position.

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

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

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

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

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

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

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

	31 March 2018			
	Profit/loss			**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case 10% appreciation of USD against TRY:				
1- USD net asset/liability	5,260	(5,260)	-	-
2- Amount hedged for USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**5,260**	**(5,260)**	**-**	**-**
In case 10% appreciation of EUR against TRY:				
4- EUR net asset/liability	(293,839)	293,839	-	-
5- Amount hedged for EUR risk (-)	330,266	(330,266)	330,266	(330,266)
6- EUR net effect (4+5)	**36,427**	**(36,427)**	**330,266**	**(330,266)**
In case 10% appreciation of other exchange rates against TRY				
7- Other exchange rates net asset/liability	(18)	18	-	-
8- Amount hedged for other exchange rates risk (-)	-	-	-	-
9 Other exchange rates net effect (7+8)	**(18)**	**18**	**-**	**-**
Total (3+6+9)	**41,669**	**(41,669)**	**330,266**	**(330,266)**

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

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

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

Interest rate risk

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

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

	1 January - 31 March 2018	**1 January - 31 December 2017**
Change in interest rates	0,50	%0,50
Effect on net income before for taxes	(35)	(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.

31 March 2018

Expected maturities	**Book value**	**Total cash outflow per agreement (=I+II+III+IV)**	**Less than 3 months (I)**	**Between 3-12 months (II)**	**Between 1 - 5 years (III)**	**Over 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	4,958,105	5,057,852	942,813	869,300	3,245,739	-
Trade payables	4,010,801	4,028,782	3,254,564	774,218	-	
Bonds	439,883	490,114	94,226	180,891	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)	6,485	6,485	6,485	**-**	**-**	**-**
Derivative cash inflows	6,485	6,485	6,485	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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

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

31 December 2017

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

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

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 31 March 2018.

NOTE 22 - SUBSEQUENT EVENTS

None.